中国能建
ENERGY CHINA

中國能源建設股份有限公司
CHINA ENERGY ENGINEERING CORPORATION LIMITED*

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

(Stock Code: 3996)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FULL-YEAR FINANCIAL HIGHLIGHTS

For the year ended 31 December 2016:

The revenue of the Company was RMB222,171.0 million, representing an increase of 8.01% as compared with last year.

Net profit attributable to equity holders of the Company was RMB4,281.3 million, representing an increase of 1.08% as compared with last year.

Basic earnings per share was RMB0.14 per share, representing a decrease of RMB0.05 per share as compared with last year.

The Board recommends the payment of a final dividend of RMB2.96 cents per share (tax inclusive) for the year ended 31 December 2016, with a total amount of dividends of approximately RMB888 million (the Company paid a final dividend of RMB0.416 cents per share (tax inclusive) for the year 2015).

The board (the "**Board**") of directors (the "**Directors**") of China Energy Engineering Corporation Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016, together with the comparative figures of last year.

* *for identification purpose only*

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** **RMB'000**	2015 RMB'000
Revenue	*4*	**222,171,025**	205,692,949
Cost of sales		**(196,858,214)**	(182,634,824)
Gross profit		**25,312,811**	23,058,125
Other income		**1,574,174**	881,638
Other gains and losses	*5*	**69,733**	803,954
Selling expenses		**(2,058,148)**	(1,637,078)
Administrative expenses		**(10,256,072)**	(9,995,369)
Research and development expenses		**(2,835,672)**	(2,242,205)
Finance income	*6*	**581,211**	731,342
Finance costs	*6*	**(2,671,207)**	(3,002,102)
Share of (losses) profits of joint ventures		**(7,703)**	10,909
Share of losses of associates		**(62,054)**	(23,315)
Profit before tax		**9,647,073**	8,585,899
Income tax expense	*7*	**(2,208,492)**	(2,115,536)
Profit for the year		**7,438,581**	6,470,363
Other comprehensive income (expense), net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
– Remeasurement of defined benefit obligations		**436,199**	(591,258)
– Income tax relating to remeasurement of defined benefit obligations		**(20,802)**	21,216
		415,397	(570,042)

	NOTES	2016 RMB'000	2015 RMB'000
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**(70,759)**	60,878
– Net fair value loss on available-for-sale financial assets		**(456,584)**	(700,231)
– Reclassification adjustment to profit or loss on disposal of available-for-sale financial assets		**(659)**	(101,676)
– Income tax relating to items that may be reclassified subsequently to profit or loss		**270,623**	209,947
		(257,379)	(531,082)
Other comprehensive income (expense) for the year, net of income tax		**158,018**	(1,101,124)
Total comprehensive income for the year		**7,596,599**	5,369,239
Profit for the year attributable to:			
Owners of the Company		**4,281,292**	4,235,671
Holders of perpetual capital instruments		**301,104**	–
Non-controlling interests		**2,856,185**	2,234,692
		7,438,581	6,470,363
Total comprehensive income attributable to:			
Owners of the Company		**4,489,263**	3,514,890
Holders of perpetual capital instruments		**301,104**	–
Non-controlling interests		**2,806,232**	1,854,349
		7,596,599	5,369,239
Earnings per share			
– Basic and diluted (RMB)	*8*	**0.14**	0.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	NOTES	**2016** RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**29,532,087**	27,701,938
Prepaid lease payments		**8,213,342**	8,042,079
Investment properties		**644,009**	693,514
Intangible assets		**15,993,386**	16,433,014
Investments in joint ventures		**3,566,814**	2,868,041
Investments in associates		**3,339,963**	1,656,748
Goodwill		**1,287,918**	779,958
Available-for-sale financial assets		**6,642,004**	6,536,527
Deferred tax assets		**1,413,215**	1,125,493
Trade receivables	*10*	**5,576,038**	7,113,935
Prepayments, deposits and other receivables		**1,881,948**	1,469,568
Other loans		**1,837,763**	1,300,000
		79,928,487	75,720,815
CURRENT ASSETS			
Inventories		**9,494,128**	9,243,066
Properties under development for sale		**24,860,970**	17,503,195
Completed properties for sale		**1,447,443**	2,116,053
Amounts due from customers for construction contracts		**23,804,689**	17,193,862
Trade and bills receivables	*10*	**53,633,187**	47,374,834
Prepayments, deposits and other receivables		**45,956,578**	36,586,775
Prepaid lease payments		**213,687**	192,057
Other loans		**1,434,536**	3,699,230
Financial assets at fair value through profit or loss		**70,182**	66,663
Pledged deposits		**2,698,576**	2,650,613
Bank and cash balances		**49,115,058**	48,250,759
		212,729,034	184,877,107
CURRENT LIABILITIES			
Trade and bills payables	*11*	**74,361,988**	62,459,066
Amounts due to customers for construction contracts		**5,734,119**	4,553,593
Other payables and accruals		**47,275,838**	43,464,444
Income tax payable		**1,323,432**	952,058
Bank and other borrowings		**23,099,999**	35,160,620
Short-term financing notes		**–**	3,515,981
Defined benefit obligations		**810,612**	776,240
Corporate bonds		**10,692,168**	500,000
Finance lease payables		**299,979**	228,775
Provisions		**144,091**	323,917
		163,742,226	151,934,694
NET CURRENT ASSETS		**48,986,808**	32,942,413
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,915,295**	108,663,228

	2016	2015
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Other payables and accruals	**63,609**	359,240
Bank and other borrowings	**28,038,320**	29,965,531
Finance lease payables	**490**	279,103
Corporate bonds	**16,229,316**	5,773,612
Defined benefit obligations	**9,075,014**	10,077,718
Deferred tax liabilities	**964,669**	1,041,467
Deferred revenue	**554,878**	374,185
	54,926,296	47,870,856
NET ASSETS	**73,988,999**	60,792,372
Capital and reserves		
Issued share capital	**30,020,396**	29,600,000
Reserves	**14,372,896**	12,375,732
Equity attributable to owners of the Company	**44,393,292**	41,975,732
Perpetual capital instruments	**10,100,000**	1,000,000
Non-controlling interests	**19,495,707**	17,816,640
TOTAL EQUITY	**73,988,999**	60,792,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company was established in the People's Republic of China ("**PRC**") on 19 December 2014 as a joint stock company with limited liability as part of the reorganisation of China Energy Engineering Group Co., Ltd. ("**Energy China Group**") in preparation for the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the Company's registered office is Building No.106, Lize Zhongyuan, Chaoyang District, Beijing, the PRC. In the opinion of the Directors, Energy China Group is the immediate and ultimate holding company of the Company.

The Company is listed on the Main Board of the Stock Exchange on 10 December 2015.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IFRSs	*Annual Improvements to IFRSs 2012-2014 Cycle*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*

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

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 7	*Disclosure Initiative*[4]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2014-2016 Cycle*[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Other than as further explained below, the Directors anticipate that the application of other new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

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

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

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at the cost less impairment, will either be measured as fair value through profit or loss or be designated FVTOCI. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

IFRS 15 Revenue from Contracts with Customers

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

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

The Directors anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected. Furthermore, the Directors also consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group perform a detailed review. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB571,445,000.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

3. SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICY

De facto control over subsidiary

There is a subsidiary of the Company, China Gezhouba Group Stock Company Limited ("**CGGC**"), in which the Company has less than 50% ownership interest and voting rights. The Group's management exercises its critical judgement when determining whether the Group has de facto control over an entity by evaluating its influence over the entity which includes, but is not limited to:

(i) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders;

(ii) potential voting rights held by the Group, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

4. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

For the year ended 31 December 2016

	Survey, design and consulting services *RMB'000*	Infrastructure construction contracts *RMB'000*	Equipment manufacturing *RMB'000*	Civil explosives and cement production *RMB'000*	Investment and other businesses *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue							
External segment revenue	12,031,568	155,114,125	9,843,086	8,328,458	36,853,788	–	222,171,025
Inter-segment revenue	941,056	5,944,043	627,992	–	644,454	(8,157,545)	–
Segment revenue	12,972,624	161,058,168	10,471,078	8,328,458	37,498,242	(8,157,545)	222,171,025
Segment results	2,234,281	4,655,183	127,752	1,265,532	3,213,938	(217,390)	11,279,296
Unallocated items							
Cost of sales							(1,188)
Other income							823,845
Other gains and losses							69,733
Selling expenses							(8,717)
Administrative expenses							(349,635)
Research and development expenses							(6,508)
Finance income							581,211
Finance costs							(2,671,207)
Share of losses of joint ventures							(7,703)
Share of losses of associates							(62,054)
Profit before tax							9,647,073

For the year ended 31 December 2015

	Survey, design and consulting services *RMB'000*	Infrastructure construction contracts *RMB'000*	Equipment manufacturing *RMB'000*	Civil explosives and cement production *RMB'000*	Investment and other businesses *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue							
External segment revenue	12,211,748	147,540,475	9,003,470	7,880,310	29,056,946	–	205,692,949
Inter-segment revenue	242,986	5,632,345	694,556	–	17,701	(6,587,588)	–
Segment revenue	12,454,734	153,172,820	9,698,026	7,880,310	29,074,647	(6,587,588)	205,692,949
Segment results	2,536,069	4,093,262	383,171	1,224,470	2,543,263	(243,677)	10,536,558
Unallocated items							
Cost of sales							(274,592)
Other income							881,638
Other gains and losses							167,399
Selling expenses							(10,569)
Administrative expenses							(426,850)
Research and development expenses							(4,519)
Finance income							731,342
Finance costs							(3,002,102)
Share of profits of joint ventures							10,909
Share of losses of associates							(23,315)
Profit before tax							8,585,899

Geographical information

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

	2016	2015
	RMB'000	*RMB'000*
Segment revenue		
Mainland China	**189,345,923**	176,270,112
Overseas:		
Pakistan	**6,776,712**	4,134,464
Vietnam	**3,251,735**	1,286,978
Philippines	**1,910,585**	2,286,781
Others	**20,886,070**	21,714,614
Total	**222,171,025**	205,692,949

	2016	2015
	RMB'000	*RMB'000*
Non-current assets		
Mainland China	**62,356,062**	58,893,783
Overseas:		
Vietnam	**895,516**	217,249
Liberia	**152,459**	143,843
State of Libya	**93,299**	110,948
Ethiopia	**48,567**	110,011
Others	**733,564**	169,026
Total	**64,279,467**	59,644,860

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

Revenue from major customers

There is no major individual customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2016 (2015: nil).

Segment assets and liabilities

Information reported to the chief operating decision maker 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 GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Net foreign exchange gain	**304,220**	7,765
Gain/(loss) on disposal of:		
– Associates	**44,248**	27,500
– Financial assets at fair value through profit or loss	**14,338**	193,401
– Available-for-sale financial assets	**2,778**	38,482
– Property, plant and equipment	**32,971**	9,717
– Prepaid lease payments	**351,739**	637,161
– Subsidiaries	**230,045**	545,521
– Investment properties	**–**	(21)
– Intangible assets	**(306)**	(16,305)
Impairment loss recognised in respect of:		
– Trade receivables	**(443,151)**	(440,231)
– Other receivables	**(333,835)**	(124,158)
– Available-for-sale financial assets	**–**	(43,427)
– Interests in associates	**–**	(988)
– Property, plant and equipment	**(314,088)**	(45,734)
– Prepaid lease payments	**(5,491)**	(41,279)
– Investment properties	**(867)**	(13,788)
– Intangible assets	**–**	(1,150)
Fair value changes of financial assets at fair value through profit or loss	**(15,217)**	(41,224)
Excess of fair value of the previously-held interests	**111,161**	–
Cumulative gain on disposal of available-for-sale financial assets	**659**	101,676
Others	**90,529**	11,036
Total	**69,733**	803,954

6. FINANCE INCOME AND FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest income on:		
Bank and cash balances and pledged deposits	**310,420**	316,976
Other loans	**203,990**	339,426
Defined benefit plan assets	**66,801**	74,940
Total finance income	**581,211**	731,342
Interest expenses on:		
Bank and other borrowings	**3,202,360**	2,800,950
Corporate bonds	**529,930**	334,617
Finance leases	**22,586**	35,211
Discounted bills	**41,614**	46,311
Short-term financing notes	**96,319**	120,921
Defined benefit obligations	**286,262**	457,363
	4,179,071	3,795,373
Less: Interest capitalised in		
– Construction in progress	**93,467**	59,737
– Properties under development for sale	**1,414,397**	733,534
Total finance costs	**2,671,207**	3,002,102

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

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current enterprise income tax	**2,150,015**	1,761,985
Deferred tax	**(150,131)**	152,779
Land appreciation tax ("**LAT**")	**208,608**	200,772
	2,208,492	2,115,536

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

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

8. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**4,281,292**	4,235,671

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**30,013,486**	22,082,192

The computation of diluted earnings per share for both years do not assume the exercise of over-allotment option pursuant to the listing of the Company's H shares on the Stock Exchange since the exercise price is higher than the average market price.

The potential dilutive effect arising from restricted share scheme is not considered in the calculation of the diluted earnings per share as the dilution effect is not considered material.

9. DIVIDENDS

On 3 August 2015, the Company made a special resolution to make a special distribution to the then shareholders of the Company (the "**Special Distribution**") in an amount equal to the Group's profit attributable to the equity owners of the Company derived from 1 January 2015 to 31 October 2015. The Special Distribution amounting to RMB2,523.07 million was determined based on the audited consolidated financial statements of the Company prepared in accordance with the relevant accounting policies and financial regulations in the PRC (the "**PRC GAAP**") for the ten months ended 31 October 2015, after allowance has been made for the allocation to the statutory reserve and after giving effect to relevant necessary adjustments. The Special Distribution had been paid before the year ended 31 December 2016. Details of the above Special Distribution are set out in the Company's announcement dated 13 December 2016.

During the year, a final dividend of RMB0.416 cents per share in respect of the year ended 31 December 2015, comprising 29,600,000,000 shares existed as at 31 December 2015 together with 420,396,364 new shares issued by the Company on the exercise of the over-allotment option on 8 January 2016, was approved at the annual general meeting of the Company held on 8 June 2016. The aggregate amount of the final dividends of the year ended 31 December 2015 approved and paid in the current year amounted to RMB124,884,849.

A final dividend of RMB0.0296 per share in respect of the year ended 31 December 2016, comprising 30,020,396,000 shares existing as at 31 December 2016, has been proposed by the Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting.

10. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**44,659,392**	40,756,525
Retention money receivables	**7,935,233**	6,797,604
Less: allowance of doubtful debts	**(2,803,199)**	(2,375,139)
	49,791,426	45,178,990
Bills receivable	**4,799,663**	3,477,579
Build-transfer ("**BT**")/Build-operating-transfer ("**BOT**") project receivables	**4,618,136**	5,832,200
Total trade and bills receivables	**59,209,225**	54,488,769
Analysed for financial reporting purpose:		
Non-current	**5,576,038**	7,113,935
Current	**53,633,187**	47,374,834
	59,209,225	54,488,769

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

	2016	2015
	RMB'000	*RMB'000*
0 to 6 months	**39,773,585**	34,137,929
6 months to 1 year	**7,655,659**	6,497,153
1 year to 2 years	**5,947,042**	8,450,143
2 years to 3 years	**2,984,576**	3,178,505
3 years to 4 years	**1,357,346**	1,185,050
4 years to 5 years	**670,758**	476,944
Over 5 years	**820,259**	563,045
	59,209,225	54,488,769

An aged analysis of the trade and bills receivables that are past due but neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Less than 6 months past due	**422,513**	604,581
6 months -1 year past due	**125,893**	527,430
1-2 years past due	**208,367**	261,825
2-3 years past due	**82,373**	3,175
3-4 years past due	**1,321**	26,159
4-5 years past due	**4,430**	41,151
Over 5 years past due	**24,052**	22,701
	868,949	1,487,022

Movements in the allowance of doubtful debts are set out as follows:

	2016	2015
	RMB'000	*RMB'000*
At the beginning of the year	**2,375,139**	1,933,170
Provided for the year	**443,151**	440,231
Written off	**(15,339)**	(2,636)
Elimination on disposal of subsidiaries	**(164)**	(24)
Exchange adjustment	**412**	4,398
At the end of the year	**2,803,199**	2,375,139

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

	2016	2015
	RMB'000	*RMB'000*
Ultimate holding company	**778**	1,324
Fellow subsidiaries	**15,792**	14,764
Joint ventures	**86,000**	849
Associates	**1,113,990**	277,254
Total	**1,216,560**	294,191

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

As at 31 December 2016, the Group pledged its trade receivables from grid companies amounting to approximately RMB459,796,000 (31 December 2015: RMB1,368,035,000) to secure loan facilities granted to the Group.

Trade receivables denominated in currencies other than the functional currencies of respective entities are set out below:

	2016	2015
	RMB'000	*RMB'000*
United States Dollar ("**USD**")	**1,411,584**	909,889
Others	**278,482**	40,760
	1,690,066	950,649

Bills receivable issued among subsidiaries of the Group for intra-group transactions were discounted with recourse at 31 December 2016 and 31 December 2015 and these bills receivable have not been recognised in these consolidated financial statements.

During the year, one subsidiary of the Group entered into an asset based security arrangement (the "**ABS Arrangement**") with China Everbright Bank. According to the ABS Arrangement, the Group transferred a BT project receivable amounting to RMB3,076 million to a special purpose vehicle (the "**SPV**") set up by China Everbright Bank. The SPV then issued notes to independent investors. Upon the completion of transfer, the Group has transferred substantially all the risks and reward of ownership of the BT project receivable. Thus, the BT project receivable has been derecognised in these consolidated financial statements.

11. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**69,459,841**	56,334,038
Bills payable	**4,902,147**	6,125,028
	74,361,988	62,459,066

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

As at 31 December 2016, retention payables of RMB3,011,815,000 (31 December 2015: RMB2,242,086,000) was included in trade and bills payables. Retention payables are interest-free and payable at the end of the retention periods of the respective construction contracts. The Group's normal operating cycle with respect to the construction contracts is usually more than one year.

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**61,060,118**	52,233,016
1 to 2 years	**7,143,900**	5,953,089
2 to 3 years	**3,496,652**	1,873,757
More than 3 years	**2,661,318**	2,399,204
	74,361,988	62,459,066

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

	2016	2015
	RMB'000	*RMB'000*
Fellow subsidiaries	**78,458**	88,862
Associates	**17,249**	1,061
	95,707	89,923

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

MANAGEMENT DISCUSSION AND ANALYSIS

1 OVERVIEW

In 2016, the Company achieved the revenue of RMB222,171.0 million, representing a year-on-year increase of 8.01%; the total profit before tax was RMB9,647.0 million, representing a year-on-year increase of 12.36%; net profit attributable to the owners of the Company was RMB4,281.3 million, representing a year-on-year growth of 1.08%.

2 CONSOLIDATED OPERATING RESULTS

	For the year ended 31 December		
Items	**2016**	2015	Percentage of change
	(RMB in million)	*(RMB in million)*	*(%)*
Revenue	**222,171.0**	205,692.9	8.01
Cost of sales	**(196,858.2)**	(182,634.8)	7.79
Other income	**1,574.2**	881.6	78.56
Other gains and losses	**69.7**	804.0	-91.33
Selling expenses	**(2,058.1)**	(1,637.1)	25.72
Administrative expenses	**(10,256.1)**	(9,995.4)	2.61
Research and development expenses	**(2,835.7)**	(2,242.2)	26.47
Finance income	**581.2**	731.3	-20.53
Finance costs	**(2,671.2)**	(3,002.1)	-11.02
Share of (losses) profits of joint ventures	**(7.7)**	10.9	-170.64
Share of losses of associates	**(62.1)**	(23.3)	166.52
Profit before tax	**9,647.0**	8,585.8	12.36
Income tax expense	**(2,208.4)**	(2,115.4)	4.40
Profit for the year	**7,438.6**	6,470.4	14.96

In 2016, the actual selling expenses of the Company amounted to RMB2,058.1 million, representing a year-on-year increase of 25.72%; the percentage of selling expenses to the revenue increased from 0.80% in 2015 to 0.93% in 2016, mainly due to the significant increase in transportation expenses triggered by the faster growth of cement and environmental business.

In 2016, the actual administrative expenses of the Company amounted to RMB10,256.1 million, representing a year-on-year increase of 2.61%, the percentage of administrative expenses to the revenue decreased from 4.86% in 2015 to 4.62% in 2016.

In 2016, the actual finance costs of the Company amounted to RMB2,671.2 million, representing a year-on-year decrease of 11.02%, the percentage of finance costs to the revenue decreased from 1.46% in 2015 to 1.20% in 2016, mainly due to the significant decrease in total indebtedness, optimization of the debt structure and the decrease in the interest rate on debts of the Company.

3 OPERATING RESULTS BY SEGMENT

Industry segments of principal businesses (For the year ended 31 December)

Industry segments	**2016**			2015			Change in percentage (%)/ percentage points		
	Revenue	**Cost of sales**	**Gross profit margin**	Revenue	Cost of sales	Gross profit margin	Revenue	Cost of sales	Gross profit margin
	(RMB in million)		**(%)**	*(RMB in million)*		(%)			(%)
Survey, design and consulting services	**12,972.6**	**7,614.6**	**41.30**	12,454.7	6,958.2	44.13	4.16	9.43	(2.83)
Infrastructure and construction contracts	**161,058.2**	**150,017.7**	**6.85**	153,172.8	143,633.3	6.23	5.15	4.44	0.62
Equipment manufacturing	**10,471.1**	**8,719.8**	**16.73**	9,698.0	8,293.8	14.48	7.97	5.14	2.25
Civil explosives and cement production	**8,328.5**	**6,122.6**	**26.49**	7,880.3	5,564.1	29.39	5.69	10.04	(2.90)
Investment and other businesses	**37,498.1**	**32,300.4**	**13.86**	29,074.7	24,250.7	16.59	28.97	33.19	(2.73)
Inter-segment elimination[1]	**(8,157.5)**	**(7,918.1)**	**–**	(6,587.6)	(6,340.0)	–	–	–	–
Unallocated items[2]	**–**	**1.2**	**–**	–	274.7	–	–	–	–
Total	**222,171.0**	**196,858.2**	**11.39**	205,692.9	182,634.8	11.21	8.01	7.79	0.18

Notes:

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

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

The total revenue of the Company increased by 8.01% from RMB205,692.9 million in 2015 to RMB222,171.0 million in 2016. The increase was mainly due to the successive commencement of Public-Private-Partnership ("**PPP**") project under infrastructure and construction contracts segment and the rapid growth of the environmental business under the investment segment.

The cost of sales of the Company increased by 7.79% from RMB182,634.8 million in 2015 to RMB196,858.2 million in 2016, generally in line with the increase in revenue for the same period.

The gross profit of the Company was RMB23,058.1 million and RMB25,312.8 million in 2015 and 2016, respectively, and the gross profit margin slightly increased from 11.21% to 11.39%, in the same period.

3.1 Survey, Design and Consulting Services Business

This business generates revenue primarily from providing survey and design services for fossil-fuel, hydropower, nuclear, wind power, solar power projects and power grid projects in China and overseas. The Company also generates revenue from providing a wide range of consulting services in respect of power industry policies, as well as power project testing, assessment and supervision services.

Segment revenue before inter-segment elimination of survey, design and consulting services business of the Company remained relatively stable at RMB12,454.7 million and RMB12,972.6 million in 2015 and 2016, respectively.

Cost of sales before inter-segment elimination of survey, design and consulting services business of the Company was RMB6,958.2 million and RMB7,614.6 million in 2015 and 2016, respectively, with a year-on-year increase of 9.43%, mainly due to the relatively substantial increase in subcontracting costs triggered by the growth of cross-regional subcontracting cooperation of survey business during the year.

Gross profit before inter-segment elimination of survey, design and consulting services business of the Company was RMB5,496.5 million and RMB5,358.0 million in 2015 and 2016, respectively, and gross profit margin before inter-segment elimination slightly decreased from 44.13% to 41.30% in the same period. The decrease was mainly due to the increase in subcontracting costs, and the profit margin of power grid design business being squeezed to a certain extent with the increasingly open market.

3.2 Infrastructure and Construction Contracts Business

This business generates revenue primarily from providing construction services for power projects in China and overseas.

Segment revenue before inter-segment elimination of infrastructure and construction contracts business of the Company increased by 5.15% from RMB153,172.8 million in 2015 to RMB161,058.2 million in 2016. This increase was mainly attributable to (i) an increase in business volume of power projects, particularly hydropower and new energy projects, in China and overseas; and (ii) the successive commencement of certain PPP projects during the period.

Cost of sales before inter-segment elimination of infrastructure and construction contracts business of the Company increased by 4.44% from RMB143,633.3 million in 2015 to RMB150,017.7 million in 2016, generally in line with the increase in revenue for the same period.

Segment gross profit before inter-segment elimination of infrastructure and construction contracts business of the Company was RMB9,539.5 million and RMB11,040.5 million in 2015 and 2016, respectively, and gross profit margin before inter-segment elimination slightly increased from 6.23% to 6.85% in the same period.

3.3 Equipment Manufacturing Business

This business generates revenue primarily from the design, manufacture and sale of equipment for use in the power industry, including ancillary equipment for power plants, power grid equipment, steel structure and energy conservation and environmental protection equipment.

Segment revenue before inter-segment elimination of equipment manufacturing business of the Company increased by 7.97% from RMB9,698.0 million in 2015 to RMB10,471.1 million in 2016. This increase was mainly due to the significant increase in sales of products for the new energy segments, including PV, lithium-silicon batteries and heavy oil units.

Cost of sales before inter-segment elimination of equipment manufacturing business of the Company increased by 5.14% from RMB8,293.8 million in 2015 to RMB8,719.8 million in 2016, which is slightly lower than the revenue growth rate.

Segment gross profit before inter-segment elimination of equipment manufacturing business of the Company was RMB1,404.2 million and RMB1,751.3 million in 2015 and 2016, respectively, and segment gross profit margin before inter-segment elimination slightly increased from 14.48% to 16.73% in the same period.

3.4 Civil Explosives and Cement Production Business

This business generates revenue primarily from the manufacture and sale of civil explosives and cement products and the provision of blasting services.

Segment revenue before inter-segment elimination of civil explosives and cement production business of the Company increased by 5.69% from RMB7,880.3 million in 2015 to RMB8,328.5 million in 2016. This increase was mainly due to the new growth of sales of explosives contributed by overseas markets and mine explosion business during this period, and growth of sales of cement triggered by the increase in clients' major project demand for cement during this period.

Cost of sales before inter-segment elimination of civil explosives and cement production business of the Company increased by 10.04% from RMB5,564.1 million in 2015 to RMB6,122.6 million in 2016. This increase was mainly due to the expansion of overseas markets, the higher fixed costs in earlier period, and the higher general contracting costs of mine explosion than the existing explosive and production businesses.

Segment gross profit before inter-segment elimination of civil explosives and cement production business of the Company was RMB2,316.2 million and RMB2,205.9 million in 2015 and 2016, respectively, and gross profit margin before inter-segment elimination was 29.39% and 26.49%, respectively, in the same period.

3.5 Investment and Other Businesses

This business generates revenue primarily from real estate development, environmental business, investment in, operation or sale of power projects and other equity investments.

Segment revenue before inter-segment elimination of investment and other businesses of the Company increased by 28.97% from RMB29,074.7 million in 2015 to RMB37,498.1 million in 2016. The increase was primarily attributable to the significant increase in revenue from the real estate development and environmental business.

Cost of sales before inter-segment elimination of investment and other businesses of the Company increased by 33.19% from RMB24,250.7 million in 2015 to RMB32,300.4 million in 2016, generally in line with the increase in revenue for the same period.

Segment gross profit before inter-segment elimination of investment and other businesses of the Company was RMB4,824.0 million and RMB5,197.7 million in 2015 and 2016, respectively. Segment gross profit margin before inter-segment elimination decreased from 16.59% in 2015 to 13.86% in 2016, mainly due to the relatively lower gross profit margin of environmental business accounting for a greater proportion of segment revenue.

In particular, revenue before inter-segment elimination of environmental business of the Company was RMB6,714.8 million and RMB14,480.0 million in 2015 and 2016, respectively, representing a year-on-year increase of 115.64%. The major investments were relatively fast-growing businesses of the Company, acting as a major source of revenue of the Company.

Gross profit before inter-segment elimination of real estate business of the Company was RMB1,751.8 million in 2016, with a gross profit margin before inter-segment elimination of 17.64%. Gross profit before inter-segment elimination of power generation business was RMB500.0 million in 2016, with a gross profit margin before inter-segment elimination of 43.90%.

4 CASH FLOW

	For the year ended 31 December	
	2016	2015
	(RMB in million)	*(RMB in million)*
Net cash generated from (used in) operating activities	**4,668.0**	(3,834.2)
Net cash used in investing activities	**(10,891.6)**	(3,342.0)
Net cash generated from financing activities	**5,531.5**	25,395.0
Net (decrease)/increase in cash and cash equivalents	**(692.1)**	18,218.8
Cash and cash equivalents at the beginning of the year	**47,237.0**	28,756.6
Effects of exchange rate changes	**229.2**	261.6
Cash and cash equivalents at the end of the year	**46,774.1**	47,237.0

4.1 Cash Flow Generated From (Used In) Operating Activities

The net cash generated from operating activities increased from RMB-3,834.2 million in 2015 to RMB4,668.0 million in 2016, representing an increase of RMB8,502.2 million or 221.75%. The increase was primary due to the following reasons: (i) the increase in cash inflow from the net profit of operating activities amounting to RMB14,781 million during the period; and (ii) the commencement of asset securitization of receivables and accelerated settlement for engineering projects with clients, whereas timely extending the settlement interval of payment to suppliers, synthetically increasing cash inflow amounting to RMB7,737 million. These increases were partially offset by the increase in prepayments, deposits and other receivables of RMB5,576 million and increase in amounts due from customers for construction contracts of RMB6,611 million triggered by increase in business volume, and payment of income tax of RMB2,330 million.

4.2 Cash Flow Used In Investing Activities

The net cash used in investing activities increased from RMB3,342.0 million in 2015 to RMB10,891.6 million in 2016, representing an increase of RMB7,549.6 million or 225.90%. The increase was primary due to the following reasons: (i) payment for the purchase of property, plant and equipment and intangible assets amounting to RMB6,915 million; (ii) net withdrawal of deposits with original maturity of over three months amounting to RMB1,327 million; and (iii) increase in investment in associates amounting to RMB1,788 million.

4.3 Cash Flow Generated From Financing Activities

The net cash generated from financing activities decreased from RMB25,395.0 million in 2015 to RMB5,531.5 million in 2016, representing a decrease of RMB19,863.5 million or 78.22%. The decrease was primary due to the following reasons: (i) the issuance of perpetual bonds to raise funds of RMB9,100 million during this period; (ii) the issuance of corporate bonds to raise funds of RMB20,800 million; and (iii) the addition of bank and other borrowings of RMB27,395 million. The cash inflow was partially offset by the repayment of bank and other borrowings of RMB40,938 million, repayment of short-term financing notes of RMB3,500 million, payment of interests paid on bank and other borrowings of RMB3,296 million, and payment of special dividend distribution to owners of RMB2,523 million.

4.4 Capital Expenditures

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

	For the year ended 31 December	
	2016	2015
	(RMB in million)	*(RMB in million)*
Property, plant and equipment	**4,848.4**	4,616.2
Prepaid land lease payment	**523.8**	495.3
Intangible assets	**2,081.4**	745.2
Investment properties	**0.3**	13.8
Total	**7,453.9**	5,870.5

5 INDEBTEDNESS

As at 31 December 2016, the Company's total liabilities and total assets amounted to RMB218,668.5 million and RMB292,657.5 million, respectively, with a debt to asset ratio of 74.72% representing a decrease of 1.95 percentage points from 76.67% for last year. The Company's total indebtedness amounted to RMB78,360.3 million, representing an increase of RMB2,936.7 million during the period between 31 December 2015 and 31 December 2016.

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

	As at 31 December	
	2016	2015
	(RMB in million)	*(RMB in million)*
Long-term		
Bank borrowings		
Unsecured	**18,090.8**	19,394.5
Secured	**8,526.2**	9,045.2
Other borrowings		
Secured	**1,421.3**	1,525.8
Corporate bonds(1)	**16,229.3**	5,773.6
Finance lease payables(2)	**0.5**	279.1
Sub-total	**44,268.1**	36,018.2
Short-term		
Bank borrowings		
Unsecured	**15,928.8**	28,969.7
Secured	**1,833.2**	4,180.7
Other borrowings		
Unsecured	**5,293.9**	1,784.1
Secured	**44.1**	226.1
Corporate bonds(1)	**10,692.2**	500.0
Finance lease payables(2)	**300.0**	228.8
Short-term financing notes	**–**	3,516.0
Sub-total	**34,092.2**	39,405.4
Total	**78,360.3**	75,423.6

Notes:

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

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

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

	As at 31 December	
	2016	2015
	(RMB in million)	*(RMB in million)*
USD	**2,355.2**	1,110.8
Japanese Yen	**127.8**	120.3
EURO	**–**	3.8
Total	**2,483.0**	1,234.9

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

	As at 31 December	
	2016	2015
	(RMB in million)	*(RMB in million)*
Guaranteed by:		
Ultimate holding company	**–**	185.0
Third parties	**127.8**	436.3
Total	**127.8**	621.3

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

	As at 31 December	
	2016	2015
	(RMB in million)	*(RMB in million)*
Repayable within 1 year	**34,092.2**	39,405.4
Repayable after 1 year but within 2 years	**11,279.3**	7,232.9
Repayable after 2 years but within 3 years	**4,445.7**	9,366.6
Repayable after 3 years but within 4 years	**2,410.2**	3,596.2
Repayable after 4 years but within 5 years	**14,119.1**	1,811.0
Repayable after 5 years	**12,013.8**	14,011.5
Total	**78,360.3**	75,423.6

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

	As at 31 December	
	2016	2015
	(%)	*(%)*
Bank borrowings	**1.05-9.60**	1.05-9.60
Other borrowings	**4.20-8.00**	4.655-6.48
Corporate bonds	**3.14-5.37**	4.75-5.85
Short-term financing notes	**–**	3.08-3.38
Finance lease payables	**5.15-8.00**	5.15-8.00

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

	As at 31 December			
	2016		2015	
	(RMB in million)	*%*	*(RMB in million)*	*%*
Fixed rate bank and other borrowings	**23,677.8**	**1.05-9.60**	34,723.9	1.05-9.60
Floating rate bank and other borrowings	**27,460.5**	**1.20-8.84**	30,402.3	2.75-8.70
Total	**51,138.3**		65,126.2	

The Company did not have any material defaults in payment of bank borrowings or breaches of other debt financing obligations or breaches of any restrictive terms. In addition, as of 31 December 2016, the Company had RMB16.2 billion of authorized but unissued debt securities.

As of 31 December 2016, the Company had RMB370.9 billion of unutilized and unrestricted bank facilities. As of 31 December 2016, the Company was not subject to any material restrictive terms in the borrowings.

6 PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

6.1 Pledge of Assets

As of 31 December 2016, the Company's assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable and letter of credit):

	As at 31 December	
	2016	2015
	(RMB in million)	*(RMB in million)*
Property, plant and equipment	**975.1**	881.3
Prepaid lease payments	**347.0**	90.8
Intangible assets	**7,721.3**	10,008.1
Trade receivables	**459.8**	1,368.0
Properties under development	**9,418.9**	10,348.9
Completed properties for sale	**19.7**	99.9
Bank deposits	**2,698.6**	2,650.6
Investment property	**66.7**	69.3
Total	**21,707.1**	25,516.9

6.2 Contingent Liabilities

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

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

	As at 31 December	
	2016	2015
	(RMB in million)	*(RMB in million)*
Guarantees given to banks and other financial institutions in respect of loan facilities granted to:		
Associates	**3,701.5**	3,565.6
Investee recognized as available-for-sale financial asset	**75.0**	79.5
Joint ventures	**1,068.2**	–
	4,844.7	3,645.1
Mortgage loan guarantees provided by the Company to banks in favor of its customers	**1,244.4**	778.8
Total	**6,089.1**	4,423.9

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

At initial recognition, the fair value of these guarantee contracts is insignificant. There has been no material change in contingent liabilities of the Company since 31 December 2016 to the date of this report.

7 SUBSEQUENT EVENTS

In January 2017, the Company obtained the approval from the State-owned Assets Supervision and Administration Commission of the State Council, pursuant to which Energy China Group has transferred 2,029,378,794 and 522,354,897 state legal person shares of the Company (representing approximately 6.76% and 1.74% of the total share capital of the Company, respectively) to China Reform Holdings Corporation Ltd.* (中國國新控股有限責任公司) (the "**China Reform**") and Beijing Chengtong Financial Investment Co., Ltd.* (北京誠通金控投資有限公司) (the "**Chengtong Financial**"), a subsidiary of China Chengtong Holdings Group Limited* (中國誠通控股集團有限公司), respectively (an aggregate of 2,551,733,691 shares), for nil consideration by way of gratuitous transfer (the "**Transfer**"). Before completion of the Transfer, Energy China Group and China Reform directly held 20,659,417,713 domestic shares and 677,582,000 H shares of the Company respectively, representing approximately 68.82% and 2.26% of the total share capital of the Company. Upon completion of the Transfer, Energy China Group, China Reform and Chengtong Financial directly held 18,107,684,022 domestic shares, 2,706,960,794 domestic and H shares and 522,354,897 domestic shares of the Company respectively, representing approximately 60.32%, 9.02% and 1.74% of the total share capital of the Company. There is no change to the controlling shareholder and actual controller of the Company.

8 RISK

8.1 Business Risk

8.1.1 Industrial Prospect Risk

Impacted by the declined domestic power demand and pressure on the ecological environmental protection, the room for coal power development has been shrunk and demand of coal power market has been reduced. The Company will make continuous effort to push forward the business transformation and upgrade, explore new areas, create new models and build up new capabilities so as to achieve sustainable and healthy development of the Company.

8.1.2 Competition Risk

The phenomena of the excess capacity and the disparity of demand and supply of market in construction industry become increasingly prominent. The market competition is still fierce and complex under the impact of the industrial prospect and economic downturn. The Company will further develop the coordination potential of the industry chain, promote the innovation on business model, strengthen the control and management of the headquarters as well as the high-end management, optimize resource allocation, and enhance the comprehensive competitiveness.

8.1.3 Cash Flow Risk

Subject to various factors such as receivables, inventory, cost management, the enterprises are exposed to shortage of cash flow and a minority of enterprises record loss. The Company will strengthen the management enhancement and centralized fund management, and steadily promote the integration of industry and finance. 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.

8.1.4 International Operation Risk

The international operation confronts the legal risk, regulatory risk, political risk, safety risk, tax risk, exchange rate risk and other risks. The Company will continue to optimize the business layout in the international market and unleash the business advantage of the Group's whole industry chain. Moreover, the Company will achieve the goals of international operation through strengthening the market operation, business management, performance of contractual obligation management and contingency plan.

8.1.5 Construction Project Management Risk

Certain projects experience inadequate resources allocation, unstandardized subcontracting management, and weak management during the construction, resulting in greater performance risk. The Company will strictly manage project contract, perfect the early project planning and control over performance of contractual obligation, and achieve reasonable resources allocation. Meanwhile, it will enhance the check on projects and special inspection, strengthen subcontracting management, aiming to uplift project performance and profitability.

8.1.6 Health, Safety, Quality and Environmental Risk

Engineering construction involves high level of risks. The difficulty and risk of health, safety, quality and environment management increases subject to the rapid growth of operation scale and the significant increase in contacting (subcontracting) teams of the Company. The Company will put great effort in implementing the health, safety, quality and environmental accountability system, strengthen assessment of potential safety hazards and risk management. It will also intensify the management on contracting (subcontracting) teams, devote more resources in construction safety and prevent the occurrence of incidents.

8.2 Exchange Rate Fluctuation Risk

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

9 NUMBER OF EMPLOYEES AND TRAINING PROGRAM

At the end of 2016, the Company has 133,625 employees in total and possesses various sorts of quality talents, including 33,809 managers, 41,767 professional technicians, and 39,341 technical operating personnel.

The Company has 10,539 talents with various national registered qualifications. Also, the Company has a batch of top talents of China, including 29 experts who enjoy the PRC governmental special subsidies, 8 national exploration and design masters, 2 national nuclear industry engineering exploration and design masters, 4 experts of the “Millions of Talents of the New Century” project, 3 national young and middle-aged experts with outstanding contribution, and 18 national technical experts.

The Company attaches high importance to the education and training of the employees. The Company increased the input of the education and training expenditure and enhanced the employee’s quality and professional skills continuously. The Company planned to train 514,800 employees in 2016 and actually trained 551,100 employees, including on-the-job training for 374,100 employees, continuing education training for 46,300 employees, and other trainings for 130,700 employees.

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

In accordance with the “Investment Business Planning of China Energy Engineering Corporation Limited (2016-2018)” (《中國能源建設股份有限公司投資業務規劃（2016-2018年）》) and the spirits concluded from the meeting of the Company on investment efforts in 2016. In the future, the Company’s major investments mainly encompass the following four areas: firstly, to increase the investment for enhancing the market competitiveness of the principal businesses so as to fully demonstrate its key role towards the completion of engineering contracting projects, implement in-depth exploration of the construction and contracting market and secure the steady development of the principal businesses by flexibly adopting the investment and financing models, such as PPP and BOT ; secondly, to expand the investment in the emerging businesses by further merger and acquisition of emerging businesses, such as environmental protection, water supply and new energy; thirdly, to accelerate overseas investment following the successive launches and implementation of the national “One Belt and One Road” initiative and various strategic plans, such as international collaboration in terms of production capacity, in order to enhance the competitiveness and brand influence of the Company in the international market; and fourthly, to vigorously develop the supporting investment for business transformation and proactively pave way for merger and acquisition or reorganization of design entities from the business spectrum including hydropower, municipal administration, environmental protection, road and railway transportation, to foster the business transformation and development of the Company.

11 GEARING RATIO

As at 31 December 2016, the gearing ratio of the Company is 105.91%, representing a decline of 18.16 percentage points as compared to 124.07% recorded as at 31 December 2015, mainly due to the issuance of perpetual bonds of RMB9,100 million and repayment of some bank borrowings by the Company during the period. Gearing ratio represents total interest-bearing debts divided by total equity at the end of the year.

12 OUTLOOK

In 2017, Chinese economy will slow down its development pace while emphasizing quality and structure optimization and conversion of dynamic energy. Tie-in effects between demand-side stimulating policies and supply-side structural reformation will be further elaborated. Various regions or economic units actively participate in the“One Belt One Road” initiative. Synergetic development of Beijing–Tianjin–Hebei is smoothly underway while Yangtze River Economic Belt accelerates its pace of development by virtue of optimizing the layout of coastal-focused and railway-focused economic belts. Moreover, China is expected to further enhance its “comparative advantages” globally and continue its economic trend of steady slowdown amidst stability and even improvement, with an expected Gross Domestic Product growth rate of approximately 6.5% in 2017.

12.1 Outlook of Construction Industry

With the gradual implementation of “One Belt One Road” initiative, we see rich opportunities in international construction projects. PPP mode of operation will further attract investment. In particular, hydraulic work, transportation, urban infrastructures and other construction projects will become the focused areas of infrastructure investments. Emerging concepts and models such as green construction, construction industrialization and “Internet+” will help promote the industrial upgrade. Since 2016, the Chinese Government has implemented a series of policies and measures to regulate and improve the operating environment of the construction industry, namely curbing tax obligation by introducing “Conversion from Income Tax to Value-added Tax”, withdrawal of geographical restrictions, stringent investigation on unreasonable deposits. Positive results of these policies have gradually been apparent, which favor a more standardized and transparent operational environment for the construction industry. Overall, the construction industry will maintain faster growth generally in 2017.

12.2 Outlook of Power Industry

12.2.1 Forecast on National Electricity Consumption

With the shift of economic development modes, significant changes were resulted in the Chinese power consumption features in these two years since the implementation of "12th Five Year Plan". During the "12th Five Year Plan" period, due to the slowdown of economic growth, accelerated structural adjustment and shift of development momentum, the national power demand has slowed down from high to medium speed growth, with a declined power consumption growth rate from 12.0% in 2011 to 0.5% in 2015. Following the economic transformation, the growth rate of national power consumption recorded a turnaround in 2016 while the accumulated power consumption of China accounted for a growth rate of 5.0% year-on-year.

According to the integrated forecast including elastic coefficient of power, per capita power consumption, power consumption categorized by industry and quantitative economic model forecast adopted by National Electric Power Planning Center, which has taken into account of the historical structural features of power consumption and diverse economic development among various provinces, regions or cities of China, the national power consumption will reach approximately 6.8 to 7.2 trillion KWh by 2020 with an annual average growth rate of 3.6 to 4.8% during the "13th Five Year Plan" period so as to fulfil the power demand of a generally well-off society.

12.2.2 "13th Five Year Plan" on Electric Power

In terms of power source, under the"13th Five Year Plan" on national electric power, newly installed power source capacity of China during the "13th Five Year Plan" period amounted to 487.73 GW in total, with aggregate investment of approximately RMB2,800 billion. Among which, coal-fired power, air power, conventional hydropower, pumped storage power, wind power, solar power, nuclear power, biomass and other power accounted for 199.91GW, 43.97GW, 43.49GW, 16.97GW, 79.25GW, 67.82GW, 30.83GW and 5.35GW respectively. By 2020, among China's power source structure, non-fossil fuel installed capacity will reach 770GW which accounts for a proportion of approximately 39%, representing an increase by 250GW or 4 percentage points as compared to the 2015 while the proportion of power production will increase to 31%. Air power installed capacity will increase by 50GW to 110GW which accounts for a proportion of more than 5%. As for coal-fired power installed capacity, its installed capacity will be controlled, with endeavors, to below 1,100GW and a reduced proportion of approximately 55%.

In terms of power grid, during the "13th Five-Year Plan" period, the total investment in power grid projects amounted to RMB3 trillion with newly added 92,000 km of 500 KV or above alternating-current circuits and power transformation capacity of 920 million KV. Mainframe power grid was further optimized and the inter-provincial tie lines were further strengthened, forming a synchronized power grid of reasonable scale. The construction of a modernized power distribution grid which is under rural-urban coordination, safe, reliable, highly cost-effective, technologically advanced, environmentally friendly and accommodates the well-off society has been basically completed. A rational distribution layout has been made to facilitate the power transmission from certain regions where power supply is rather sufficient and focused. To cope with the policy of "Power transmission from Western China to Eastern China", a related transmission channel of ultra-high voltage transmission technology and general transmission technology was developed, with a newly added scale of 130 million KW totaling approximately 270 million KW.

12.2.3 Forecast on Nation-wide Power Construction in 2017

In 2017, the power construction market in China maintained growth with change in structure. The power grid market generally remained stable with continual optimization in power source structure. As noted in the initial stage, in 2017, the newly installed capacity in China amounted to a total of approximately 100 GW and total investment was approximately RMB564 billion. It comprised newly added coal power of 40 million KW with investment of RMB144.0 billion, general hydropower of 7.60 million KW with an investment of RMB42.0 billion, pumped-storage power of 1.90 million KW with an investment of RMB7.6 billion, air power of 10.60 million KW with an investment of RMB42.0 billion, wind power of 19.00 million KW with an investment of RMB126.0 billion, solar power of 12.70 million KW with an investment of RMB121.0 billion and nuclear power of 5.38 million KW with an investment of RMB53.8 billion. During the "13th Five-Year Plan" period, the total capacity in relation to energy conservation transformation, ultra-low emission transformation and flexible transformation of heat supply or solely condensing power units amounted to 340 million KW, 420 million KW and 210 million KW respectively. The transportation, maintenance and overhaul market have seen broader room for development in 2017.

In 2017, the total investment in nationwide power grid projects amounted to RMB521 billion.

12.3 Domestic Non-power Market

According to the "Blue Book of Economics" published by Chinese Academy of Social Sciences, the investment in fixed assets of the whole society for 2017 will amount to RMB67.1 trillion, representing a notional growth of 8.9% or effective growth of 8.7%. Besides, experts forecast that the size of investments in infrastructures in 2017 will amount to approximately RMB16 trillion and will remain as the key driver of stable investment and steady growth. In 2017, the focused targets of investments will comprise hydraulic engineering, transportation engineering, urban infrastructure construction and environmental protection engineering, etc.

(1) Hydraulic engineering: China placed emphasis on hydraulic engineering as a key deepening supply-side structural reform and a focused area of consolidating the weakened infrastructures. In 2017, the government will focus on the construction of major hydraulic engineering and infrastructure construction projects, post-disaster construction of weakened hydraulic facilities and enhancement of water resource conservation and protection of water ecology, etc., ensuring that the number of newly commenced major projects to exceed 15 with the size of investment in construction-in-progress exceeding RMB900 billion.

(2) Transport engineering: In 2017, road and waterway projects will complete investment in fixed assets of RMB1.8 trillion; 200,000 km of newly-constructed rural roads, 5,000 km of newly-added highways and 500 km of newly-added high class inland waterway will be completed, with 7,000 newly-added administrative villages with road access in poor regions; railway projects will complete investment of RMB800 billion, with 2,100 km of new lines, 2,500 km of duplex lines and 4,000 km of electrified railway putting into operation; civil freight project investment will amount to RMB120 billion.

(3) Urban infrastructure construction: According to the "Certain Opinions of the Central Committee of the Communist Party of China and the State Council on Further Strengthening the Urban Planning and Development Management" published in February 2016, some requirements were imposed on urban development during the "13th Five-Year Plan" Period: Firstly, to put a lot of efforts into development of public transport, organize the coordinated development of various public transport means such as public vehicles, light rails and metro networks so as to ease the pressures on urban transport, particularly the aggregate investment in various rail transport projects in 30 cities including Beijing, Shenzhen, Hangzhou and Guangzhou in 2017 is expected to exceed RMB1 trillion; secondly, to speed up the development and upgrade of urban sewage processing facilities, aiming to strive to achieve comprehensive sewage collection and processing in cities at provincial level and above, and to achieve a water recycling rate of 20% or above in cities which have insufficient water supply with an investment of RMB2 trillion in 2020; thirdly, to construct urban comprehensive underground pipe gallery. According to projections, the size of underground pipe gallery construction was approximately 60,000 km, which involved total investment of

approximately RMB7 trillion. Recently the annual average investment in underground pipe gallery amounted to a range of RMB300 to 600 billion; fourthly, to speed up sponge city construction. During the "13th Five-Year Plan" Period, the size of investment in sponge city construction in China amounted to RMB2 trillion, with an annual investment of approximately RMB400 billion.

12.4 International Market

Currently, the global economy delivers moderate recovery and the global infrastructure construction market shall maintain rigid growth. Following the establishment of the new pattern of China's all-round opening-up and the continued development of cooperation mechanisms such as the "One Belt and One Road" initiative and international production capacity cooperation, the regional economic integration and cooperation in power projects will be further promoted, developing the foundation of energy integration and interconnection. The investment demand for international power and other infrastructures will continue to grow steadily, which provides favorable opportunities for the development of the Company.

(1) The "One Belt and One Road" will enter the golden period of development. In 2017, the "One Belt and One Road" initiative proposed by the Chinese government will undergo comprehensive and in-depth promotion. It is stated in the Report on the Work of the Government that the "One Belt and One Road" should be jointly build through consultation and cooperation to meet the interests of all and efforts should be made to accelerate the building of overland economic corridors and maritime cooperation hubs as well as to develop cooperative mechanisms for achieving compatibility in customs clearance procedures along the routes. The government will deepen production capacity cooperation with other countries to promote equipment, technology, standards and services of China to go global, thereby achieving complementary advantages. To align with the implementation of the "One Belt and One Road" initiative, China will vigorously push forward various financial arrangements such as the implementation of Silk Road Fund, Asian Infrastructure Investment Bank, BRICS Development Bank and OECD Development Bank. The results for the financial support policy will be gradually unleashed, facilitating the full implementation of the "One Belt and One Road".

(2) The power construction market in countries targeted by the "One Belt and One Road" has vast room for development. According to the statistics of International Energy Agency, in the regions targeted by the "One Belt and One Road", the total installed capacity was 1 billion KW and power consumption was approximately 5 trillion KWh, while average installed capacity per capita (0.3 KW/year) and power consumption (1,600 KWh/year) were below half of the world's average level. It is expected that the room for power project construction in the 64 countries targeted by "One Belt and One Road" in 2020 will be approximately 420 million KW with a total investment in power source construction of approximately USD1.2 trillion, or annual average of approximately USD300 billion. The scope of investment covers various dimensions,

such as the exploration of power resources, construction and operation of power grid, export of electrical equipment, acquisition and merger of power assets and multinational power exchange. In addition, South Asia and Sub-Saharan Africa are the two regions experiencing the most serious shortage of electricity. The population without electricity reached more than 1 billion, representing 85% of the total population without electricity around the world. The power consumption per capita (650 KWh/year) only accounts for 20% of the global consumption per capita. All these demonstrate vast room for development of power construction market.

Within a certain period in the future, the countries targeted by "One Belt and One Road" initiative will remain as the major market for the development of the international business of the Company. The Company will further explore the market of respective countries targeted by the "One Belt and One Road", seize the opportunities in various projects and continue to expand the market share, making the committed contribution for the national "One Belt and One Road" initiative. In addition, the Company will actively expand the potential markets in regions such as Central and Eastern Europe, Latin America, Middle-east, emerging markets and high-end markets, aiming to the gradual coverage of principal contracting engineering markets globally.

13 USE OF NET PROCEEDS FROM THE LISTING

As at 31 December 2016, the Company raised net proceeds of approximately HKD13,125.84 million in total from the initial public offering and the exercise of over-allotment option, which was equivalent to approximately RMB10,890.22 million at the prevailing exchange rate on the date of the initial public offering and the exercise of over-allotment option. The net proceeds were applied as expenses in aggregate of RMB6,295.05 million according to the use of proceeds as set out in the prospectus and the balance was RMB4,595.17 million. The breakdown of the expenses is as follows:

(1) capital expenses for power and infrastructure construction and contracting projects in China and abroad amounted to RMB2,572.20 million.

(2) expenses for fixed assets investment in the expansion and upgrading of production facilities amounted to RMB259.38 million.

(3) expenses for significant projects promoting the level of research and development as well as management of the Company amounted to RMB359.54 million.

(4) expenses for repayment of bank loans for working capital and projects development amounted to RMB2,116.00 million.

(5) expenses for funding the working capital for general corporate purpose amounted to RMB987.93 million.

DIVIDEND

The Board recommended the payment of a final dividend of RMB2.96 cents per share (tax inclusive) for the year ended 31 December 2016, with a total amount of approximately RMB888 million, subject to the approval of shareholders at the annual general meeting held on 8 June 2017 (the "**AGM**"). If approved, the dividend is expected to be paid on 7 August 2017 to shareholders whose names appear on the register of members of the Company on 29 June 2017.

FINAL DIVIDEND INCOME TAX WITHHOLDING

Enterprise income tax withholding of non-resident enterprise shareholders

Enterprise income tax withholding of non-resident enterprise shareholders in accordance with "the Enterprise Income Tax Law of the People's Republic of China" (the "**Enterprise Income Tax Law**") and its implementation regulations and "The Notice on the Issues Concerning Enterprise Income Tax Withholding of Dividends Paid to Overseas Non-resident Enterprise Shareholders of H shares by Resident Enterprise in the PRC" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)) issued by the State Administration of Taxation of the PRC, the Company shall be obligated to withhold 10% enterprise income tax before it distributes the final dividends to non-resident enterprise shareholders as listed on the Company's register of members of H shares (the "**Register of Members of H shares**") on Thursday, 29 June 2017 (the "**Record Date**"). Any H shares registered in the name of non-individual shareholders is deemed as held by the non-resident enterprise shareholders. As such, the enterprise income tax shall be deducted from the dividend thereof. The non-resident enterprise shareholders shall apply to relevant tax authorities for refund according to applicable tax arrangements (if any).

After the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold any enterprise income tax when it distributes the final dividends to resident enterprise shareholders of H shares as listed on the Register of Members of H shares on the Record Date. If any resident enterprise (the same meanings as defined in the Enterprise Income Tax Law) listed on the register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (region) but with a PRC-based de facto management body, does not desire the Company to withhold the aforesaid 10% enterprise income tax, a legal opinion, issued by a qualified lawyer in mainland China (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status shall be lodged at the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 23 June 2017.

Individual income tax withholding of overseas resident individual shareholders

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

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

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

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

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

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

If a H share individual shareholder considers that his/her individual income tax withheld by the Company does not comply with the tax rate stipulated by the tax treaties between country(ies) or region(s) in which he/she is domiciled and the PRC, he/she should file a timely authorisation letter together with the reporting materials relating to him/her being a resident of the related country or region, to the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on Friday, 23 June 2017. The materials will be submitted to the competent tax authority by the Company, for subsequent taxation handling.

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

CLOSURE OF REGISTER OF MEMBERS

The holders of H shares and domestic shares whose names appear on the register of members of the Company on Thursday, 8 June 2017 are qualified to attend and vote at the forthcoming AGM. The register of members of the Company will be closed from Tuesday, 9 May 2017 to Thursday, 8 June 2017 (both days inclusive), during which no transfer of shares can be registered. All transfer documents together with the relevant share certificates and transfer forms must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the registered office of the Company at Building 106, Lize Zhongyuan, Chaoyang District, Beijing, the PRC (for holders of domestic shares) no later than 4:30 p.m. on Monday, 8 May 2017.

The holders of H shares and domestic shares whose names appear on the register of members of the Company on Thursday, 29 June 2017 are qualified to receive the final dividend to be approved by the shareholders of the Company. The register of members of the Company will also be closed from Saturday, 24 June 2017 to Thursday, 29 June 2017 (both days inclusive), during which no transfer of shares can be registered. All transfer documents together with the relevant share certificates and transfer forms must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the registered office of the Company at Building 106, Lize Zhongyuan, Chaoyang District, Beijing, the PRC (for holders of domestic shares) no later than 4:30 p.m. on Friday, 23 June 2017.

THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance, so as to safeguard the rights and interests of shareholders and improve enterprise value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as the corporate governance code of the Company. Pursuant to the code provision A.5.2(a) of the CG Code, the nomination committee should review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy. As the nomination committee of the Company is of the view that the Company has no reason for urgency to change the structure, size and composition of the Board, the nomination committee did not hold any meeting during the year ended 31 December 2016 for reviewing the structure, size and composition of the Board. Apart from this, during the year ended 31 December 2016, the Company has always complied with all code provisions contained in the CG Code. The Company will continue to review and improve its corporate governance practices, so as to ensure the compliance with the corporate governance codes.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by relevant directors of the Company. According to the specific enquiries made to all directors and supervisors, all directors, supervisors and senior management have confirmed that they have always complied with the standards set out in the Model Code during the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**"). Its primary duties include, among other things, the review and supervision of the Company's financial monitoring, internal control and risk management systems. The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely Mr. Ding Yuanchen, Mr. Ma Chuanjing and Mr. Cheung Yuk Ming. Mr. Ding Yuanchen is the chairman of the Audit Committee. Mr. Cheung Yuk Ming has professional qualifications and experience in accounting and financial matters.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 December 2016. The Audit Committee considered that the consolidated results of the Group for the year ended 31 December 2016 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made in this announcement in accordance with Appendix 16 of the Listing Rules.

PUBLICATION OF AUDITED CONSOLIDATED ANNUAL RESULTS AND THE 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.ceec.net.cn) respectively.

The Company will dispatch all the information required by the Listing Rules together with the 2016 annual report of the Company to the shareholders in due course, which will also be published on the websites of the Company and the Stock Exchange.

By Order of the Board
CHINA ENERGY ENGINEERING CORPORATION LIMITED*
Wang Jianping
Chairman

Beijing, the PRC
29 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Wang Jianping, Mr. Ding Yanzhang and Mr. Zhang Xianchong; the non-executive director is Mr. Ma Chuanjing; and the independent non-executive directors are Mr. Ding Yuanchen, Mr. Wang Bin, Mr. Zheng Qiyu and Mr. Cheung Yuk Ming.