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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

HALF-YEAR FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018:

The revenue of the Company was RMB101,520.1 million, representing a decrease of 4.27% as compared with the corresponding period last year.

Net profit attributable to equity shareholders of the Company was RMB2,292.9 million, representing an increase of 1.49% as compared with the corresponding period last year.

Basic earnings per Share was RMB7.70 cents per Share, representing an increase of RMB0.15 cent per Share as compared with the corresponding period last year.

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

The board of directors (the “**Board**”) of China Energy Engineering Corporation Limited* (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2018 (the “**Reporting Period**”), together with the comparative figures of the corresponding period in 2017.

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2018

(Expressed in Renminbi)

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

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

Notes:

- (i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.
- (ii) The amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018, the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 2(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 June 2018

(Expressed in Renminbi)

		At 30 June 2018	At 31 December 2017 (Note)
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		33,907,590	30,781,364
Prepaid lease payments		7,517,883	8,130,103
Investment properties		595,080	611,065
Intangible assets		26,950,850	23,606,431
Investments in joint ventures		3,685,356	3,387,187
Investments in associates		6,718,758	4,179,464
Goodwill		1,376,857	1,375,110
Available-for-sale financial assets		–	8,592,521
Deferred tax assets		1,850,949	1,702,844
Trade receivables	9	23,295,521	16,573,131
Prepayments, deposits and other receivables		1,849,745	2,049,215
Finance lease receivables		473,306	569,230
Financial assets at fair value through other comprehensive income		2,123,918	–
Financial assets at fair value through profit or loss		5,034,885	–
		<u>115,380,698</u>	<u>101,557,665</u>
Current assets			
Inventories		13,653,047	11,565,777
Properties under development for sale		49,305,309	40,718,775
Completed properties for sale		2,635,826	2,510,362
Amounts due from customers for construction contracts		–	34,473,565
Contract assets		37,815,424	–
Trade and bills receivables	9	56,614,619	55,479,403
Prepayments, deposits and other receivables		43,650,025	41,009,007
Prepaid lease payments		775,102	229,150
Other loans		4,249,303	4,267,544
Financial assets at fair value through profit or loss		442,350	52,167
Finance lease receivables		321,537	159,295
Pledged deposits		3,774,211	3,453,706
Bank and cash balances		45,355,229	48,410,641
		<u>258,591,982</u>	<u>242,329,392</u>

		At 30 June 2018	At 31 December 2017 (Note)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and bills payables	10	88,633,769	90,139,818
Amounts due to customers for construction contract		—	7,278,552
Contract liabilities		38,293,345	—
Other payables and accruals		29,389,777	55,576,402
Income tax payable		870,168	1,441,301
Bank and other borrowings		52,566,060	37,969,971
Defined benefit obligations		343,734	596,887
Corporate bonds		305,286	11,231,753
Finance lease payables		412	902
Provisions		87,075	101,503
		<u>210,489,626</u>	<u>204,337,089</u>
Net current assets		<u>48,102,356</u>	<u>37,992,303</u>
Total assets less current liabilities		<u>163,483,054</u>	<u>139,549,968</u>
Non-current liabilities			
Other payables and accruals		842,063	1,099,926
Bank and other borrowings		41,169,837	32,549,797
Corporate bonds		18,140,420	15,139,976
Defined benefit obligations		9,787,015	9,210,517
Deferred tax liabilities		1,056,550	908,608
Deferred revenue		775,559	785,434
		<u>71,771,444</u>	<u>59,694,258</u>
NET ASSETS		<u>91,711,610</u>	<u>79,855,710</u>
CAPITAL AND RESERVES			
Issued share capital		30,020,396	30,020,396
Reserves		18,679,478	18,933,039
Equity attributable to equity shareholders of the Company		48,699,874	48,953,435
Perpetual capital instruments		19,400,000	8,220,000
Non-controlling interests		23,611,736	22,682,275
TOTAL EQUITY		<u>91,711,610</u>	<u>79,855,710</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new International Financial Reporting Standards (“**IFRSs**”) and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

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

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

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

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

Notes:

- (i) Amounts due from customers for construction contracts of RMB34,474 million were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15. See note 2(c).
- (ii) Under IAS 39, equity investments not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated certain equity investments held for strategic purposes at FVOCI (non-recycling).

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

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

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

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

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

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

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

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

(ii) Credit losses

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

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

- financial assets measured at amortised cost;
- contract assets as defined in IFRS 15 (see note 2(c));
- debt securities measured at FVOCI (recycling);

- lease receivables; and
- financial guarantee contracts issued (see note 2(b)(i)).

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

Measurement of ECLs

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

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

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

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

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

Opening balance adjustment

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

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

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

(iii) Transition

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

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

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

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

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

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

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

(i) Timing of revenue recognition

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

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

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

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

(ii) Significant financing component

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

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

(iii) Presentation of contract assets and liabilities

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

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

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

- a. “Amounts due from customers for construction contracts” amounting to is now included under contract assets; and
- b. “Amounts due to customers for construction contracts” amounting to is now included under contract liabilities.

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

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

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

3. REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

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

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

(b) Segment information

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

- Provision of survey and design services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farms and solar power in China and overseas, and the provision of a broad range of consulting services, such as the policy and planning of power industry as well as testing, evaluation and supervision of power projects (“**Survey, design and consulting**”);
- Provision of construction and contracting services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farms and solar power in China and overseas, as well as undertaking other types of construction projects, such as water conservancy facilities, transportation, municipal engineering, industrial and civil construction projects (“**Construction and contracting**”);
- Design, manufacturing and sales of various types of equipment for various sectors of the power industry, including mainly auxiliary machinery equipment for power plants, power grid equipment, steel structure, energy-saving and environmental-friendly equipment and complete sets of equipment (“**Equipment manufacturing**”);
- Manufacturing and sales of civil explosives and cement, and the provision of blasting services for construction projects (“**Civil explosives and cement production**”); and
- Investing in and operating power plants, infrastructure projects (such as expressways) and environmental water project operation, as well as engaging in the real estate developing business (“**Investment and other businesses**”).

For the six months ended 30 June 2018 (Unaudited)

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

For the six months ended 30 June 2017 (Unaudited)

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

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

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

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Segment revenue		
Mainland China	83,756,666	88,005,305
Overseas:		
Pakistan	5,715,391	3,903,231
Indonesia	1,743,471	2,034,300
Angola	1,563,252	1,098,649
Vietnam	1,387,664	2,780,554
Argentina	1,198,281	635,836
Bangladesh	1,042,948	1,087,709
Others	5,112,441	6,501,867
Total	<u>101,520,114</u>	<u>106,047,451</u>
	At 30 June	At 31 December
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Non-current assets		
Mainland China	75,929,122	69,146,540
Overseas:		
Pakistan	3,001,889	2,514,684
Vietnam	2,332,022	1,261,572
Kuwait	238,747	118,016
Kazakhstan	212,609	158,120
Liberia	132,622	141,014
Angola	77,993	76,615
Bangladesh	75,237	74,481
Others	451,878	448,897
Total	<u>82,452,119</u>	<u>73,939,939</u>

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

(c) Revenue from major customers

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

4. OTHER NET GAINS AND LOSSES

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

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

5. FINANCE INCOME AND FINANCE COSTS

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

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

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

6. INCOME TAX

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

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

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

7. EARNINGS PER SHARE

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

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

	Six months ended 30 June	
	2018	2017
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	29,790,770	30,020,396
Effect of shares under restricted share incentive scheme purchase	<u>(16,422)</u>	<u>(98,672)</u>
Weighted average number of ordinary shares at 30 June	<u>29,774,348</u>	<u>29,921,724</u>

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

8. DIVIDENDS

(a) Dividends payable to shareholders attributable to the six months ended 30 June

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

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

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

9. TRADE AND BILLS RECEIVABLES

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

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

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

As at 30 June 2018, the Group pledged its trade receivables from grid companies amounting to approximately RMB1,965 million (31 December 2017: RMB410 million) to secure loan facilities granted to the Group.

(a) Ageing analysis

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

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

(b) Related parties of trade and bills receivables

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

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

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.

10. TRADE AND BILLS PAYABLES

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

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

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

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

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

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

	At 30 June 2018 <i>RMB'000</i> (Unaudited)	At 31 December 2017 <i>RMB'000</i> (Audited)
Fellow subsidiaries	141,643	100,092
Associates	<u>11,900</u>	<u>12,521</u>
	<u>153,543</u>	<u>112,613</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview of Industry Development

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

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

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

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

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

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

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

2. Business Review

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

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

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

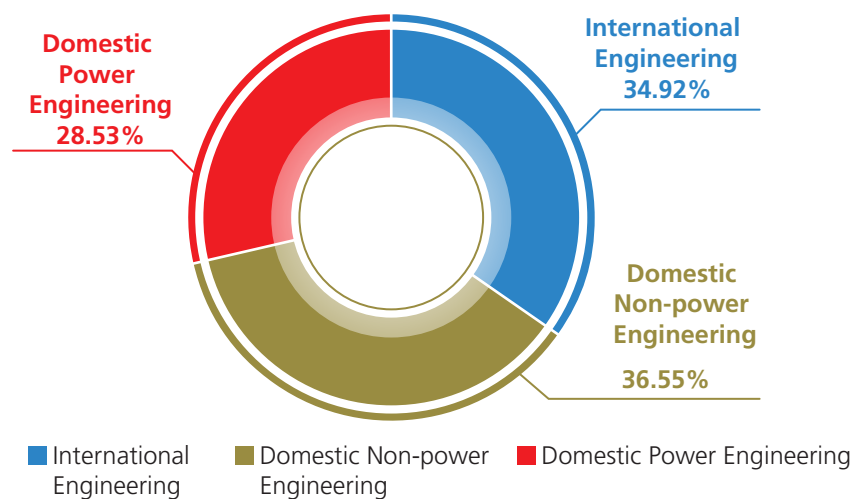
In the domestic power business, with the accelerated development of clean and low-carbon business in the energy sector, new energy construction has maintained rapid growth, coal-fired power has accelerated clean-up transformation, gas power has developed rapidly, and the focus of power grid construction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

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

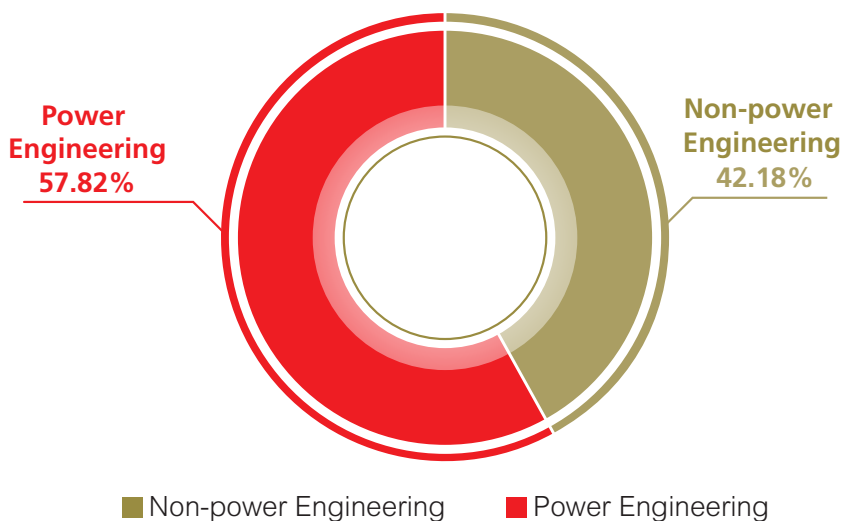
In terms of international business, the Company promoted the thorough implementation of the strategy of developing international business as a priority, deepened the development in markets along the "One Belt and One Road". By virtue of its advantage of the whole industry chain and full-life-cycle service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

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

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



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



2.1 Survey, Design and Consulting Services Business

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

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

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

2.2 Construction and Contracting Business

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

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

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

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

2.3 *Equipment Manufacturing Business*

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

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

2.4 Civil Explosive and Cement Production Business

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

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

2.5 Investment and Other Businesses

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

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

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

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

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

3 Consolidated Operating Results

3.1 Revenue

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

3.2 Cost of Sales and Gross Profit

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

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

3.3 Selling Expenses

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

3.4 Administrative Expenses

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

3.5 Finance Expenses

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

4 Operating Results by Segments

Conditions of industry segments of principal businesses (For the six months ended 30 June)

Industry segments	2018			2017			Increase or decrease as compared with last year (%)/ (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	4,853.5	3,175.3	34.58	5,826.7	3,277.9	43.74	(16.70)	(3.13)	(9.16)
Construction and contracting	74,771.6	69,099.9	7.59	76,181.5	70,557.9	7.38	(1.85)	(2.07)	0.21
Equipment manufacturing	4,298.3	3,787.3	11.89	4,006.6	3,410.2	14.89	7.28	11.06	(3.00)
Civil explosives and cement production	4,851.2	3,250.1	33.00	4,528.8	3,282.0	27.53	7.12	(0.97)	5.47
Investment and other businesses	17,973.6	14,970.3	16.71	20,094.7	18,213.2	9.36	(10.56)	(17.81)	7.35
Inter-segment elimination ⁽¹⁾	(5,228.1)	(5,317.7)	-	(4,590.8)	(4,433.2)	-	-	-	-
Unallocated items ⁽²⁾	-	0.5	-	-	0.2	-	-	-	-
Total	<u>101,520.1</u>	<u>88,965.7</u>	<u>12.37</u>	<u>106,047.5</u>	<u>94,308.2</u>	<u>11.07</u>	<u>(4.27)</u>	<u>(5.66)</u>	<u>1.30</u>

Notes:

- (1) Inter-segment elimination mainly represents the provision of goods or services between business segments.
- (2) Unallocated items mainly represent provisions for impairment of inventories, which could not be attributed to any business segment.

4.1 *Survey, Design and Consulting Services Business*

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

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

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

4.2 *Construction and Contracting Business*

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

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

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

4.3 *Equipment Manufacturing Business*

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

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

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

4.4 *Civil Explosives and Cement Production Business*

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

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

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

4.5 Investment and Other Businesses

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

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

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

5 Cash Flow

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

5.1 Cash Flow Used in Operating Activities

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

5.2 Cash Flow Used in Investing Activities

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

5.3 Cash Flow Generated from Financing Activities

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

6 Capital Expenditures

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

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

7. Capital and Financial Policies

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

8 Indebtedness

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

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

Notes:

- (1) The corporate bonds of the Company are unsecured medium-term notes, corporate bonds and assets securitization products.
- (2) The Company lease certain machinery for construction operations.

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

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

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

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

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

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

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

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

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

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

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

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

9 Pledge of Assets and Contingent Liabilities

9.1 Pledge of Assets

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

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

9.2 Contingent Liabilities

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

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

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

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

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

10 Gearing Ratio

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

11 Risk

11.1 Business Risk

(1) Competition risk

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

(2) International operation risk

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

(3) *Legal dispute risk*

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

(4) *Health, safety and environmental risk*

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

(5) *Construction project management risk*

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

(6) *Cash flow risk*

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

11.2 Exchange Rate Fluctuation Risk

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

12 Number of Employees and Training Program

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

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

13 Remuneration and Equity-incentive Policy

The Company has constructed a scientific, reasonable, open and fair, standardized and orderly remuneration management system. The Company continued to optimise the total salary and wage budget control system, whereby the total salary and wage's change is linked with the economic efficiency indicators of the Company, thus the salary and wage varies with the efficiency in the same direction. The Company has implemented the employees' basic salary allocation system based on the performance of positions as the main remuneration policy, in which the salary and wage of employees are closely aligned with the respective position and actual contribution of individual employee to the Company. Highlighting performance and contribution, the Company has fully exerted the incentive and restraint effect of remuneration allocation.

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

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

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

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

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

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

15 Outlook

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

15.1 Outlook of Power Industry

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

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

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

15.2 Domestic Non-power Market

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

- (1) Hydropower project. As of 30 June 2018, the scale of investment in major hydropower project under construction exceeded RMB1,001.1 billion, achieving early the target of “reaching investment of RMB1,000 billion in hydropower project under construction” specified in the Work Report of the government. In the second half of the year, there are also a group of major projects to be commenced construction, such as the water resource allocation project of the Pearl River Delta.
- (2) Transportation engineering. In 2018, road and waterway projects will be planned to complete investment of RMB1.8 trillion, and 5,000 km of newly-added highways and 600 km of newly-added high class inland waterway will be completed, with 200,000 km of roads in newly-added administrative villages. Railway projects will be planned to complete investment of RMB732 billion, with 4,000 km of new lines. 33 key projects in civil aviation industry in the PRC will be planned to be newly commenced construction and 7 projects will be continued to be constructed, with estimated fixed assets investment of RMB86 billion. It is expected that the investment in transportation infrastructure will remain at a higher level.
- (3) Urban infrastructure. In 2018, the key points of national municipal construction were to comprehensively improve the quality of urban planning, construction and management, to boost the sponge city construction in an all-round way, to further intensify efforts to carry out remediation activities for the black odor water, to push ahead the three-year actions regarding flood-preventing drainage and shoring up weak areas, as well as to carry forward the construction of urban comprehensive underground pipe gallery tailored to local conditions and to energetically enhance the construction of sewage and solid waste treatment facilities of city and town.

15.3 International Market

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

- (1) Strong demand of the “One Belt and One Road” construction. During the five years since the introduction of the “One Belt and One Road” initiative, various cooperation including infrastructures have been carried out vigorously, presenting a good development momentum. The infrastructure construction of Asian countries has stepped into a new peak season. China and members of Shanghai Cooperation Organisation have pushed forward the “One Belt and One Road” construction and made positive progress, the positivity of participation of the Central and Eastern Europe countries in the “One Belt and One Road” construction has been arising, and the cooperation in the infrastructure construction area has become one of the highlights of 16+1 economic and trading cooperation. With the great support of the PRC government for infrastructure construction of Africa, the Sino-African cooperation in production capacity, the construction of “Three Networks and One Modernization” and the “10 Major Plans of Sino-African Cooperation”, etc. will bring new opportunities for Sino-African infrastructure cooperation.
- (2) The power consumption market in countries along the “One Belt and One Road” has vast room for growth. According to the statistics of International Energy Agency (IEA), in the regions along the “One Belt and One Road”, the total installed capacity was approximately 1 billion KW and power consumption was approximately 5 trillion KWh, while average installed capacity per capita (0.3 KW) and power consumption (1,600 KWh/year) per capita were below half of the world’s average level. It is expected that the room for power project construction in the countries along the “One Belt and One Road” during the period of “13th Five-year Plan” will exceed 420 million KW with investment in power source and power grid construction exceeding USD1.2 trillion, which demonstrate that there will be vast room for development of power construction market.

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

INTERIM DIVIDEND

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

USE OF PROCEEDS FROM THE LISTING

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

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

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

1. Expenses for power and infrastructure construction and contracting projects in China and abroad amounted to RMB2,953.2 million, RMB286.0 million of which was occurred during the accounting period of this interim results announcement.
2. Expenses for purchasing core equipment amounted to RMB750.0 million, which was not occurred during the accounting period of this interim results announcement.
3. Expenses for fixed assets investment in the expansion and upgrading of production facilities amounted to RMB588.1 million, which was not occurred during the accounting period of this interim results announcement.
4. Expenses for significant projects promoting the research and development level as well as management level of the Company amounted to RMB389.5 million, RMB1.3 million of which was occurred during the accounting period of this interim results announcement.
5. Expenses for repayment of bank loans for working capital and project development amounted to RMB2,178.0 million, which was not occurred during the accounting period of this interim results announcement.
6. Expenses for funding the working capital for general corporate purpose amounted to RMB1,089.1 million, RMB26.8 million of which was occurred during the accounting period of this interim results announcement.

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

THE CORPORATE GOVERNANCE CODE

The Company is committed to good corporate governance. The directors earnestly perform their duties by attending meetings of the Board and all of its special committees to express opinions or suggestions and pass resolutions by way of votes. They also attend the annual general meetings and annual work conferences of the Company to actively conduct research works and keep abreast of the corporate development. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. During the six months ended 30 June 2018, the Company has complied with all code provisions contained in the CG Code.

As disclosed in the announcement of the Company dated 22 August 2018, after the death of Mr. Wang Bin, an independent non-executive director of the Company, in August 2018, the Nomination Committee of the Company consisted of only two (2) members, including one executive director and one independent non-executive director of the Company, which does not comply with the requirement under code provision A.5.1 of the CG Code contained in Appendix 14 to the Listing Rules that the majority members of the Nomination Committee shall be independent non-executive directors of the Company. The Company will endeavor to identify suitable candidates to fill the relevant vacancies as soon as practicable in order to comply with the relevant requirements of the Listing Rules. For details, please refer to the announcement of the Company dated 22 August 2018.

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

The Company has adopted internal rules no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code for Securities Transactions**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors and supervisors of the Company. Having made enquiries to all directors and supervisors of the Company, the Company has confirmed that each of the directors and supervisors of the Company had complied with all required standard as set out in the Model Code for Securities Transactions during the six months ended 30 June 2018.

PURCHASE, REDEMPTION OR SALE 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 six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established an audit committee. Its primary duties include, among other things, the review and supervision of the Company's financial controls, internal control and risk management system. The Audit Committee comprises two independent non-executive directors and one non-executive director of the Company, namely Mr. Ding Yuanchen, Mr. Cheung Yuk Ming and Mr. Ma Chuanjing. Mr. Ding Yuanchen is the chairman of the Audit Committee. Mr. Cheung Yuk Ming has professional qualifications and rich experience in accounting and financial matters. On 30 August 2018, the Audit Committee has reviewed the interim results announcement of the Company for the six months ended 30 June 2018, the 2018 interim report and the unaudited interim financial statements for the six months ended 30 June 2018 prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the Company (www.ceec.net.cn) respectively. The 2018 interim report of the Company, which contained all the information required by the Listing Rules, will be despatched to the shareholders of the Company in due course, and will also be published on the respective websites of the Stock Exchange and the Company.

By order of the Board

CHINA ENERGY ENGINEERING CORPORATION LIMITED*

Wang Jianping

Chairman

Beijing, the PRC
30 August 2018

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 directors of the Company are Mr. Ma Chuanjing, Mr. Liu Xueshi and Mr. Si Xinbo; and the independent non-executive directors of the Company are Mr. Ding Yuanchen, Mr. Zheng Qiyu and Mr. Cheung Yuk Ming.

* *For identification purpose only*