中国能建
ENERGY CHINA

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

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

(Stock Code: 3996)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FULL-YEAR FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018:

The revenue of the Company was RMB224,034.3 million, representing a decrease of 4.41% as compared with last year.

Net profit attributable to equity shareholders of the Company was RMB4,570.7 million, representing a decrease of 13.12% as compared with last year.

Basic earnings per share was RMB0.15 per share, representing a decrease of RMB0.03 per share as compared with last year.

The Board recommends the payment of a final dividend of RMB0.0306 per share (tax inclusive) for the year ended 31 December 2018, with a total amount of dividends of approximately RMB918.6 million (the Company paid a final dividend of RMB0.0306 per share (tax inclusive) for the year 2017).

The board (the "**Board**") of directors (the "**Directors**") of China Energy Engineering Corporation Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with the comparative figures of last year.

* *For identification purpose only*

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018** ***RMB'000***	2017 *(Note(i))* *RMB'000*
Revenue	*6*	**224,034,347**	234,370,110
Cost of sales		**(194,270,958)**	(206,741,440)
Gross profit		**29,763,389**	27,628,670
Other income		**2,406,061**	3,095,879
Net impairment losses on financial assets and contract assets	*7(a)*	**(851,503)**	–
Other net gains and losses	*7(b)*	**795,350**	(245,458)
Selling expenses		**(2,371,991)**	(2,085,930)
Administrative expenses		**(12,014,225)**	(11,091,892)
Research and development expenses		**(4,003,592)**	(3,495,380)
Finance income	*8*	**795,528**	715,191
Finance costs	*8*	**(3,827,043)**	(3,077,702)
Share of profits of joint ventures		**304,385**	301,386
Share of profits of associates		**680,450**	210,498
Profit before taxation		**11,676,809**	11,955,262
Income tax	*9*	**(3,125,298)**	(2,891,021)
Profit for the year		**8,551,511**	9,064,241

	2018	2017
		(Note (i))
	RMB'000	*RMB'000*
Other comprehensive income for the year:		
Items that will not be reclassified subsequently to profit or loss:		
– Remeasurement of defined benefit obligations	**(618,640)**	894,178
– Income tax relating to remeasurement of defined benefit obligations	**8,037**	(14,625)
– Equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)	**(435,501)**	–
– Income tax relating to equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)	**64,919**	–
	(981,185)	879,553
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translating foreign operations	**(312,108)**	(193,944)
– Net fair value loss on available-for-sale financial assets *(note (ii))*	**–**	(330,806)
– Reclassification adjustment to profit or loss on disposal of available-for-sale financial assets *(note (ii))*	**–**	(543,683)
– Income tax relating to items that may be reclassified subsequently to profit or loss	**–**	129,441
	(312,108)	(938,992)
Other comprehensive income for the year	**(1,293,293)**	(59,439)
Total comprehensive income for the year	**7,258,218**	9,004,802

	Note	**2018**	2017
			(Note(i))
	Note	***RMB'000***	*RMB'000*
Profit for the year attributable to:			
Equity shareholders of the Company		**4,570,685**	5,261,145
Holders of perpetual capital instruments		**717,620**	292,447
Non-controlling interests		**3,263,206**	3,510,649
		8,551,511	9,064,241
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**3,606,913**	5,538,481
Holders of perpetual capital instruments		**717,620**	292,447
Non-controlling interests		**2,933,685**	3,173,874
		7,258,218	9,004,802
Earnings per share			
– Basic (RMB cents)	*10(a)*	**15.34**	17.58
– Diluted (RMB cents)	*10(b)*	**15.33**	17.58

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 4.

(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 4(i).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

(Expressed in Renminbi)

	Note	2018	2017 *(Note)*
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**34,819,904**	30,781,364
Prepaid lease payments		**9,048,720**	8,130,103
Investment properties		**579,341**	611,065
Intangible assets		**35,105,733**	23,606,431
Investments in joint ventures		**4,200,462**	3,387,187
Investments in associates		**10,703,688**	4,179,464
Goodwill		**1,576,496**	1,375,110
Available-for-sale financial assets		**–**	8,592,521
Deferred tax assets		**1,961,576**	1,702,844
Trade receivables	*12*	**23,869,816**	16,573,131
Prepayments, deposits and other receivables		**1,915,998**	2,049,215
Finance lease receivables		**706,584**	569,230
Financial assets at fair value through other comprehensive income		**2,051,154**	–
Financial assets at fair value through profit or loss		**5,253,100**	–
		131,792,572	101,557,665
Current assets			
Inventories		**12,456,931**	11,565,777
Properties under development for sale		**45,858,785**	40,718,775
Completed properties for sale		**2,239,218**	2,510,362
Amounts due from customers for construction contracts		**–**	34,473,565
Contract assets		**36,071,661**	–
Trade and bills receivables	*12*	**56,075,508**	55,479,403
Prepayments, deposits and other receivables		**43,297,055**	41,009,007
Prepaid lease payments		**261,128**	229,150
Other loans		**4,999,011**	4,267,544
Financial assets at fair value through profit or loss		**1,150,618**	52,167
Finance lease receivables		**387,245**	159,295
Pledged deposits		**5,749,150**	3,453,706

	Note	2018	2017
			(Note)
		RMB'000	*RMB'000*
Bank and cash balances		**49,046,642**	48,410,641
		257,592,952	242,329,392
Current liabilities			
Trade and bills payables	*13*	**94,294,218**	90,139,818
Amounts due to customers for construction contracts		**–**	7,278,552
Contract liabilities		**42,845,942**	–
Other payables and accruals		**30,310,576**	55,576,402
Income tax payable		**1,505,720**	1,441,301
Bank and other borrowings		**51,226,123**	37,969,971
Defined benefit obligations		**1,048,956**	596,887
Corporate bonds		**4,730,776**	11,231,753
Finance lease payables		**–**	902
Provisions		**350,512**	101,503
		226,312,823	204,337,089
Net current assets		**31,280,129**	37,992,303
Total assets less current liabilities		**163,072,701**	139,549,968
Non-current liabilities			
Other payables and accruals		**328,625**	1,099,926
Bank and other borrowings		**40,889,908**	32,549,797
Corporate bonds		**15,141,776**	15,139,976
Defined benefit obligations		**9,580,792**	9,210,517
Deferred tax liabilities		**1,142,352**	908,608
Deferred revenue		**825,392**	785,434
		67,908,845	59,694,258
NET ASSETS		**95,163,856**	79,855,710

	2018	2017
		(Note)
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Issued share capital	**30,020,396**	30,020,396
Reserves	**20,612,288**	18,933,039
Equity attributable to equity shareholders of the Company	**50,632,684**	48,953,435
Perpetual capital instruments	**19,400,000**	8,220,000
Non-controlling interests	**25,131,172**	22,682,275
TOTAL EQUITY	**95,163,856**	79,855,710

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

1 GENERAL INFORMATION

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

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

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

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable International Financial Reporting Standards, International Accounting Standards ("**IAS**") and interpretations promulgated by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2018 comprise the Group and its interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are stated at their fair value.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

4 CHANGES IN ACCOUNTING POLICIES

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

(i) IFRS 9, *Financial instruments*

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

(iii) 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, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

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

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

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

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

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

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

a. ***Classification of financial assets and financial liabilities***

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**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. 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	**Reclassification**	**Remeasurement**	**IFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets carried at amortised cost				
Contract assets *(note (i))*	–	34,473,565	(985,469)	33,488,096
Financial assets at FVOCI (non-recyclable)				
Equity investments not held for trading *(note (ii))*	–	2,465,127	–	2,465,127
Financial assets carried at FVPL				
Units in funds and other non-equity investments *(note (iii))*	–	1,932,623	–	1,932,623
Equity investments not held for trading *(note (ii))*	–	4,194,771	121,767	4,316,538
Trading securities *(note (iv))*	52,167	–	–	52,167
	52,167	6,127,394	121,767	6,301,328
Financial assets classified as available-for-sale under IAS 39 *(notes (ii), (iii))*	8,592,521	(8,592,521)	–	–

Notes:

(i) Amounts due from customers for construction contracts of RMB34,474 million were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15 (see note 4(ii)).

(ii) Under IAS 39, equity securities 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. 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.

b. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("**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;

- debt securities measured at FVOCI (recycling);

- lease receivables; and

- financial guarantee contracts issued.

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

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	4,618,231
Additional credit loss recognised at 1 January 2018 on:	
– Contract assets recognised on adoption of IFRS 15	985,469
Loss allowance at 1 January 2018 under IFRS 9	5,603,700

c. ***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 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).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) 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.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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 IASs 11 and 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:

a. 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.

b. 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.

c. ***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:

(i) "Amounts due from customers for construction contracts" amounting to RMB345 million is now included under contract assets; and

(ii) "Amounts due to customers for construction contracts" amounting to RMB73 million is now included under contract liabilities.

d. ***Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018***

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 and IAS 11 if those superseded standards had continued to apply to 2018 instead of IFRS 15. These tables show only those line items impacted by the adoption of IFRS 15:

	Amounts reported in accordance with IFRS 15 (A) *RMB'000*	Hypothetical amounts under IASs 18 and 11 (B) *RMB'000*	Difference: Estimated impact of adoption of IFRS 15 on 2018 (A)-(B) *RMB'000*
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of IFRS 15:			
Amounts due from customers for construction contract	–	35,821,943	(35,821,943)
Contract assets	36,071,661	–	36,071,661
Total current assets	**257,592,952**	**257,343,234**	**249,718**
Amounts due to customers for construction contract	–	12,169,113	(12,169,113)
Contract liabilities	42,845,942	–	42,845,942
Other payables and accruals	30,310,576	60,987,405	(30,676,829)
Provisions	350,512	100,794	249,718
Total current liabilities	**226,312,823**	**226,063,105**	**249,718**
Net current assets	**31,280,129**	**31,280,129**	**–**
Total assets less current liabilities	**163,072,701**	**163,072,701**	**–**
Total non-current liabilities	**67,908,845**	**67,908,845**	**–**
Net assets	**95,163,856**	**95,163,856**	**–**
Total equity attributable to equity shareholders of the Company	**50,632,684**	**50,632,684**	**–**
Total equity	**95,163,856**	**95,163,856**	**–**
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 impacted by the adoption of IFRS 15:			
Increase in amounts due from customers for construction contract	–	(2,140,253)	2,140,253
Increase in contract assets	(2,328,211)	–	(2,328,211)
Increase in amounts due to customers for construction contract	–	9,268,373	(9,268,373)
Increase in contract liabilities	7,013,737	–	7,013,737
Increase/(decrease) in other payables and accruals	453,719	(1,800,917)	2,254,636
Increase/(decrease) in provisions	61,051	(126,907)	187,958

There is no material differences except for presentation as a result of the changes in accounting policies described above.

(iii) 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.

This 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.

5 SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICY

De facto control over subsidiary

China Gezhouba Group Company Limited (中國葛洲壩集團有限公司) ("**CGGC Group**"), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. There is a subsidiary of CGGC Group, China Gezhouba Group Stock Company Limited ("**CGGC**"), in which the Company indirectly has less than 50% ownership interest and voting rights. The Group's management exercises its critical judgement when determining whether the Group has de facto control over an entity by evaluating its influence over the entity which includes, but is not limited to:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

6 SEGMENT INFORMATION

Segment reporting

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.

As at 31 December 2018, the Group has reorganised the reportable segments to the CODM, by integrating equipment manufacturing, civil explosives and cement production into one segment: industrial manufacturing, and splitting clean energy, environmental protection and water utilities from investment and other business as a separate reportable segment.

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 services**");

- Provision of infrastructure construction contracts 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; manufacturing and sales of civil explosives and cement, and the provision of blasting services for construction projects ("**Industrial manufacturing**");

- Investing in and operating power plants, water plant construction and operation, and environmental water project operation, as well as participating in renewable resource business ("**Clean energy, environmental protection and water utilities**"); and

- Investing in and operating infrastructure projects (such as expressways) and providing financial service, as well as engaging in the real estate developing business ("**Investment and other businesses**").

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in note 4 above.

Segment revenue and results

For the year ended 31 December 2018

	Survey, design and consulting services *RMB'000*	Construction and contracting *RMB'000*	Industrial manufacturing *RMB'000*	Clean energy, environmental protection and water utilities *RMB'000*	Investment and other businesses *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition							
Point in time	–	–	20,682,202	20,826,091	19,848,291	–	61,356,584
Over time	12,178,036	150,499,727	–	–	–	–	162,677,763
External segment revenue	12,178,036	150,499,727	20,682,202	20,826,091	19,848,291	–	224,034,347
Inter-segment revenue	38,253	8,692,269	1,137,373	–	1,827,209	(11,695,104)	–
Segment revenue	12,216,289	159,191,996	21,819,575	20,826,091	21,675,500	(11,695,104)	224,034,347
Segment results	1,394,573	6,974,332	2,567,328	1,420,709	1,140,511	(2,734)	13,494,719
Unallocated items:							
Cost of sales							(997)
Other income							637,934
Net impairment losses on financial assets and contract assets							(851,503)
Other net gains and losses							795,350
Selling expenses							(10,548)
Administrative expenses							(333,436)
Research and development expenses							(8,030)
Finance income							795,528
Finance costs							(3,827,043)
Share of profits of joint ventures							304,385
Share of profits of associates							680,450
Profit before taxation							11,676,809

For the year ended 31 December 2017

	Survey, design and consulting services	Construction and contracting	Industrial manufacturing	Clean energy, environmental protection and water utilities	Investment and other businesses	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition							
Point in time	–	–	18,472,358	23,982,397	18,899,047	–	61,353,802
Over time	13,031,410	159,984,898	–	–	–	–	173,016,308
External segment revenue	13,031,410	159,984,898	18,472,358	23,982,397	18,899,047	–	234,370,110
Inter-segment revenue	251,193	8,766,801	1,486,582	109	931,760	(11,436,445)	–
Segment revenue	13,282,603	168,751,699	19,958,940	23,982,506	19,830,807	(11,436,445)	234,370,110
Segment results	2,769,556	6,432,133	1,524,618	1,264,364	1,306,967	166,364	13,464,002
Unallocated items:							
Cost of sales							(1,076)
Other income							963,556
Other net gains and losses							(245,458)
Selling expenses							(7,599)
Administrative expenses							(361,093)
Research and development expenses							(6,443)
Finance income							715,191
Finance costs							(3,077,702)
Share of profits of joint ventures							301,386
Share of profits of associates							210,498
Profit before taxation							11,955,262

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 4).

Segment profit represents the profit earned by each segment without allocation of certain cost of sales, other income, net impairment losses on financial assets and contract assets, other net gains and losses, selling expenses, administrative expenses, research and development expenses, finance income, finance costs, share of profits/losses of joint ventures and associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of the reporting period:

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB452,555 million. This amount represents revenue expected to be recognised in the future from survey, design and consulting contracts, construction contracts and pre-completion sales contracts of properties under development entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for equipment manufacturing, civil explosives, cement production, clean energy, environmental protection and water utilities, such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contracts that had an original expected duration of one year or less.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the end of reporting period it is highly probable that the Group will satisfy the conditions for earning those bonuses.

Segment assets and liabilities

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

Geographical information

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:

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Segment revenue		
Mainland China	**185,048,912**	194,560,129
Overseas:		
Pakistan	**9,313,681**	8,856,767
Vietnam	**3,430,570**	4,424,902
Angola	**3,094,393**	3,405,500
Indonesia	**2,988,719**	3,670,129
Others	**20,158,072**	19,452,683
Total	**224,034,347**	234,370,110

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Non-current assets		
Mainland China	**87,966,184**	69,146,540
Overseas:		
Vietnam	**4,086,860**	1,261,572
Pakistan	**3,755,302**	2,514,684
Kazakhstan	**680,821**	158,120
Kuwait	**226,503**	118,016
Argentina	**169,152**	40,235
Liberia	**124,483**	141,014
Indonesia	**113,388**	54,592
Others	**827,647**	505,166
Total	**97,950,340**	73,939,939

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

Revenue from major customers

There is no major individual customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2018 (2017: nil).

7 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS AND OTHER NET GAINS AND LOSSES

(a) Net impairment losses on financial assets and contract assets

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Trade receivables	**382,407**	–
Contract assets	**(67,397)**	–
Other receivables	**84,870**	–
Cash advance to certain suppliers	**451,623**	–
Total	**851,503**	–

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 4.

(b) Other net gains and losses

	2018	2017
		(Note(i))
	RMB'000	*RMB'000*
Net foreign exchange gain/(loss)	**463,589**	(476,797)
Gain/(loss) on disposals of:		
– Financial assets at FVPL	**75,429**	211
– Available-for-sale financial assets	**–**	210,986
– Property, plant and equipment	**52,328**	60,897
– Prepaid lease payments	**170,933**	4,053
– Subsidiaries	**37,331**	3,238
– Intangible assets	**–**	(65)
Impairment loss recognised in respect of:		
– Trade receivables	**–**	(492,234)
– Other receivables	**–**	(9,291)
– Available-for-sale financial assets	**–**	(26,172)
– Property, plant and equipment	**(21,393)**	(10,930)
– Prepaid lease payments	**–**	(551)
Fair value changes of financial assets at FVPL	**403,103**	(14,521)
Cumulative gain on disposal of available-for-sale financial assets	**–**	543,683
Loss arising from the "Transfer" (note (ii))	**(349,183)**	–
Others	**(36,787)**	(37,965)
Total	**795,350**	(245,458)

Notes:

(i) The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 4.

(ii) In accordance with relevant policies issued by State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") and Ministry of Finance of the PRC ("**MOF**"), the state-owned enterprises shall carve out, upgrade (if necessary) and transfer their assets related to water supply, power supply, and 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 before the year end of 2018 (the "**Transfer**", 三供一業移交).

The Group and ENERGY CHINA GROUP, the ultimate holding company of the Group have entered into a mutual agreement regarding to the Transfer, which stipulated that ENERGY CHINA GROUP is the primary obligor and will bear the standard upgrading costs, which are regulated by MOF. Any other expenses, upgrading costs exceeding the standard upgrading costs and loss arising from the transfer of the assets, will be borne by the Group.

8 FINANCE INCOME AND FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000*
Interest income on:		
Bank and cash balances and pledged deposits	**746,424**	472,000
Other loans	**32,316**	191,759
Defined benefit plan assets	**16,788**	51,432
Total finance income	**795,528**	715,191
Interest expenses on:		
Bank and other borrowings	**4,352,355**	2,845,825
Corporate bonds	**767,321**	967,231
Asset based security ("**ABS**")	**43,548**	10,236
Finance leases	**3**	32,514
Discounted bills	**132,497**	101,979
Defined benefit obligations	**420,040**	367,560
	5,715,764	4,325,345
Less: Interest capitalised in		
– Construction in progress	**(333,762)**	(151,839)
– Properties under development for sale	**(1,280,146)**	(1,095,804)
– Intangible assets	**(274,813)**	–
Total finance costs	**3,827,043**	3,077,702

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 3.86% to 9.00% for the year ended 31 December 2018 (2017: 3.80% to 8.00%).

9 INCOME TAX

	2018	2017
	RMB'000	*RMB'000*
Current enterprise income tax	**2,790,889**	2,769,307
Deferred tax	**(23,861)**	(230,874)
Land appreciation tax ("**LAT**")	**358,270**	352,588
	3,125,298	2,891,021

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

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

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company excluding cash dividend attributable to the shares under restricted share incentive expected to be vested in the future of RMB4,568 million (2017: RMB5,253 million) and the weighted average of 29,783,730,000 ordinary shares in issue during the year ended 31 December 2018 (2017: 29,875,307,000 shares).

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

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**29,790,770**	30,020,396
Effect of shares under restricted share incentive scheme vest	**10,586**	–
Effect of shares under restricted share incentive scheme purchase	**(17,626)**	(145,089)
Weighted average number of ordinary shares at 31 December	**29,783,730**	29,875,307

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB4,571 million (2017: RMB5,261 million) and the weighted average of 29,815,613,000 ordinary shares (diluted) in issue during the year ended 31 December 2018 (2017: 29,875,307,000 shares). There was no dilutive effect arising from restricted share incentive scheme for the year ended 31 December 2017.

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

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**29,783,730**	29,875,307
Effect of shares under restricted share incentive scheme	**31,883**	–
Weighted average number of ordinary shares (diluted) at 31 December	**29,815,613**	29,875,307

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

During the current year, a final dividend of RMB0.0306 per share in respect of the year ended 31 December 2017 was approved at the annual general meeting of the Company held on 28 June 2018. The aggregate amount of the final dividends of the year ended 31 December 2017 approved and paid in the current year amounted to RMB919 million, paid to the holders of 30,020,396,000 shares.

A final dividend of RMB0.0306 per share in respect of the year ended 31 December 2018, comprising 30,020,396,000 shares existing as at 31 December 2018, has been proposed by the Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.0306 per share (2017: RMB0.0296 per share)	**918,624**	888,604

12 TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**51,785,125**	54,427,426
Retention receivables	**13,273,089**	10,358,119
Less: loss allowance	**(3,635,803)**	(3,282,441)
	61,422,411	61,503,104
Bills receivable	**5,707,995**	5,221,724
Build-transfer ("**BT**")/Build-operate-transfer ("**BOT**") project receivables	**12,814,918**	5,327,706
Total trade and bills receivables	**79,945,324**	72,052,534
Analysed for financial reporting purpose:		
Non-current	**23,869,816**	16,573,131
Current	**56,075,508**	55,479,403
	79,945,324	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 retentions receivable, 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 31 December 2018, the Group pledged its trade receivables amounting to approximately RMB2,023 million (2017: RMB410 million) to secure loan facilities granted to the Group.

As at 31 December 2018, trade receivables of RMB2,493 million (2017: RMB522 million) had been transferred in accordance with relevant ABS issuances. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

(a) Ageing analysis

The following is ageing analysis of trade and bills receivables, net of loss allowance and based on the invoice date at the end of the reporting period:

	2018	2017
	RMB'000	*RMB'000*
0 to 6 months	**56,620,651**	48,959,537
6 months to 1 year	**8,384,627**	8,033,600
1 year to 2 years	**6,458,729**	8,169,220
2 years to 3 years	**4,744,210**	3,573,992
3 years to 4 years	**1,793,825**	1,727,523
4 years to 5 years	**1,115,599**	839,368
Over 5 years	**827,683**	749,294
	79,945,324	72,052,534

(b) Related parties of trade and bills receivables

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

	2018	2017
	RMB'000	*RMB'000*
Ultimate holding company	**103**	119
Fellow subsidiaries	**23,185**	12,088
Joint ventures	**801,721**	128,395
Associates	**3,728,313**	5,051,323
Total	**4,553,322**	5,191,925

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

(c) Foreign currency of trade and bills receivables

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

	2018	2017
	RMB'000	*RMB'000*
Brazilian Real ("**BRL**")	**6,122,392**	–
United States Dollar ("**USD**")	**266,709**	640,531
Euro("**EUR**")	**256,758**	–
Others	**193,709**	182,930
	6,839,568	823,461

13 TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**85,637,507**	83,770,646
Bills payable	**8,656,711**	6,369,172
	94,294,218	90,139,818

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

As at 31 December 2018, retention payables of RMB5,252 million (31 December 2017: RMB5,713 million) was included in trade and bills payables. Retention payables are interest-free and payable at the end of the retention periods of the respective construction contracts. The Group's normal operating cycle with respect to the construction contracts is usually more than one year.

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**80,322,846**	76,069,115
1 to 2 years	**6,216,968**	6,181,565
2 to 3 years	**2,857,369**	4,117,945
More than 3 years	**4,897,035**	3,771,193
	94,294,218	90,139,818

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

	2018	2017
	RMB'000	*RMB'000*
Fellow subsidiaries	**99,913**	100,092
Joint ventures	**1,058**	–
Associates	**6,331**	12,521
	107,302	112,613

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

MANAGEMENT DISCUSSION AND ANALYSIS

1 OVERVIEW

In 2018, the Company achieved the revenue of RMB224,034.3 million, representing a year-on-year decrease of 4.41%; among which, revenue from international business was RMB38,985.4 million, representing a year-on-year decrease of 2.07%; revenue from domestic business was RMB185,048.9 million, representing a year-on-year decrease of 4.89%; revenue from power business was RMB126,575.5 million, representing a year-on-year decrease of 17.38%; revenue from non-power business was RMB97,458.8 million, representing a year-on-year increase of 20.07%. The total profit before tax was RMB11,676.8 million, representing a year-on-year decrease of 2.33%; net profit attributable to the equity shareholders of the Company was RMB4,570.7 million, representing a year-on-year decrease of 13.12%.

2 CONSOLIDATED OPERATING RESULTS

	For the year ended 31 December		
Items	**2018**	2017	Percentage of change
	(RMB in million)	*(RMB in million)*	(%)
Revenue	**224,034.3**	234,370.1	(4.41)
Cost of sales	**(194,271.0)**	(206,741.4)	(6.03)
Other income	**2,406.1**	3,095.9	(22.28)
Net impairment losses on financial assets and contract assets	**(851.5)**	–	–
Other net gains and losses	**795.4**	(245.5)	(423.99)
Selling expenses	**(2,372.0)**	(2,085.9)	13.72
Administrative expenses	**(12,014.2)**	(11,091.9)	8.32
Research and development expenses	**(4,003.6)**	(3,495.4)	14.54
Finance income	**795.5**	715.2	11.23
Finance costs	**(3,827.0)**	(3,077.7)	24.35
Share of profits of joint ventures	**304.4**	301.4	1.00
Share of profits of associates	**680.5**	210.5	223.28
Profit before tax	**11,676.8**	11,955.3	(2.33)
Income tax	**(3,125.3)**	(2,891.1)	8.10
Profit for the year	**8,551.5**	9,064.2	(5.66)

In 2018, the actual selling expenses of the Company amounted to RMB2,372.0 million, representing a year-on-year increase of 13.72%. Primarily due to the increase in sales agency of cement business and the selling and advertising activities of real estate business, the percentage of selling expenses to the revenue increased from 0.89% in 2017 to 1.06% in 2018.

In 2018, the actual administrative expenses of the Company amounted to RMB12,014.2 million, representing a year-on-year increase of 8.32%. Primarily due to the growth in salary, agency and institution fees as well as safety and environmental protection fees, the percentage of administrative expenses to the revenue increased from 4.73% in 2017 to 5.36% in 2018.

In 2018, the actual finance costs of the Company amounted to RMB3,827.0 million, representing a year-on-year increase of 24.35%. Primarily due to the increase in total debts, the percentage of finance costs to the revenue increased from 1.31% in 2017 to 1.71% in 2018.

3 OPERATING RESULTS BY SEGMENTS

Conditions of Industry Segments of Principal Businesses (For the year ended 31 December)

Industry segments	2018			2017			Change in percentage (%)/ percentage points		
	Revenue	Cost of sales	Gross profit margin	Revenue	Cost of sales	Gross profit margin	Revenue	Cost of sales	Gross profit margin
	(RMB in million)		(%)	(RMB in million)		(%)			(%)
Survey, design and consulting services	**12,216.3**	**7,986.2**	**34.63**	13,282.6	7,604.2	42.75	(8.03)	5.02	(8.12)
Construction and contracting	**159,192.0**	**144,954.1**	**8.94**	168,751.7	155,297.8	7.97	(5.66)	(6.66)	0.97
Industrial manufacturing	**21,819.6**	**15,913.7**	**27.07**	19,958.9	15,775.8	20.96	9.32	0.87	6.11
Clean energy, environmental protection and water utilities	**20,826.1**	**19,715.5**	**5.33**	23,982.5	23,683.2	1.25	(13.16)	(16.75)	4.08
Investment and other business	**21,675.5**	**17,342.3**	**19.99**	19,830.8	15,595.8	21.36	9.30	11.20	(1.37)
Inter-segment elimination(1)	**(11,695.1)**	**(11,641.8)**	**–**	(11,436.4)	(11,216.5)	–	–	–	–
Unallocated items(2)	**–**	**1.0**	**–**	–	1.1	–	–	–	–
Total	**224,034.3**	**194,271.0**	**13.29**	234,370.1	206,741.4	11.79	(4.41)	(6.03)	1.50

Notes:

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

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

The revenue of the Company decreased by 4.41% from RMB234,370.1 million in 2017 to RMB224,034.3 million in 2018. The decrease was primarily attributable to the decrease in its survey, design and consulting services business, construction and contracting business as well as its clean energy, environmental protection and water utilities business.

The cost of sales of the Company decreased by 6.03% from RMB206,741.4 million in 2017 to RMB194,271.0 million in 2018. The decrease was primarily due to the decline in cost of construction and contracting business and in cost of environmental protection business of clean energy, environmental protection and water utilities.

The gross profit of the Company was RMB27,628.7 million and RMB29,763.4 million in 2017 and 2018, respectively, and the gross profit margin of the Company in the same period was 11.79% and 13.29%, respectively. The increase in the gross profit was primarily due to the increase in the gross profit of domestic non-power construction and contracting, sales of cement, sales of properties, power generation and expressway operation business.

3.1 Survey, Design and Consulting Services Business

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

Revenue before inter-segment elimination of survey, design and consulting services business of the Company decreased by 8.03% from RMB13,282.6 million in 2017 to RMB12,216.3 million in 2018. The decrease was primarily attributable to the decrease in volume of thermal power business of this segment affected by the regulation policies on the coal-fired power in PRC.

Cost of sales before inter-segment elimination of survey, design and consulting services business of the Company increased by 5.02% from RMB7,604.2 million in 2017 to RMB7,986.2 million in 2018. The increase was primarily due to the increase in labour costs, etc.

The gross profit before inter-segment elimination of survey, design and consulting services business of the Company was RMB5,678.4 million and RMB4,230.1 million in 2017 and 2018, respectively, and gross profit margin in the same period was 42.75% and 34.63%, respectively. The decrease in the gross profit margin was primarily due to the following factors combined: (i) a decrease in revenue caused by an intensified competition within the industry, along with the influence of the regulation policies on the coal-fired power; (ii) an increase in labour costs to guarantee the reserve for professional technicians as the industry is technology-intensive.

3.2 Construction and Contracting Business

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

Revenue before inter-segment elimination of construction and contracting business of the Company decreased by 5.66% from RMB168,751.7 million in 2017 to RMB159,192.0 million in 2018. The decrease was primarily attributable to the decrease in thermal power business affected by the regulation policies on the coal-fired power in PRC.

Cost of sales before inter-segment elimination of construction and contracting business of the Company decreased by 6.66% from RMB155,297.8 million in 2017 to RMB144,954.1 million in 2018, slightly higher than that of revenue in the same period.

Gross profit before inter-segment elimination of construction and contracting business of the Company was RMB13,453.9 million and RMB14,237.9 million in 2017 and 2018, respectively, and gross profit margin was 7.97% and 8.94% in the same period, respectively. The increase of gross profit margin was mainly due to the higher proportion of revenue from non-power projects with higher profit margin for the current year.

3.3 Industrial Manufacturing Business

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

Revenue before inter-segment elimination of industrial manufacturing business of the Company increased by 9.32% from RMB19,958.9 million in 2017 to RMB21,819.6 million in 2018, mainly due to the rising of selling price of cement.

Cost of sales before inter-segment elimination of industrial manufacturing business of the Company increased by 0.87% from RMB15,775.8 million in 2017 to RMB15,913.7 million in 2018, which slightly increased.

Gross profit before inter-segment elimination of industrial manufacturing business of the Company was RMB4,183.1 million and RMB5,905.9 million in 2017 and 2018, respectively, and gross profit margin was 20.96% and 27.07% in the same period, respectively. The increase in gross profit margin was primarily due to the year-on-year increase in selling price of cement products.

3.4 Clean Energy, Environmental Protection and Water Utilities Business

The business generates revenue primarily from businesses including power generation business, environmental protection business and water plant construction and operation, etc.

Revenue before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company decreased by 13.16% from RMB23,982.5 million in 2017 to RMB20,826.1 million in 2018. The decrease was primarily attributable to the decline in revenue of environmental protection business.

Cost of sales before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company decreased by 16.75% from RMB23,683.2 million in 2017 to RMB19,715.5 million in 2018. The decrease was primarily attributable to the decline in cost of environmental protection and power generation business.

The gross profit before inter-segment elimination of the clean energy, environmental protection and water utilities business of the Company was RMB299.3 million and RMB1,110.6 million in 2017 and 2018, respectively, and gross profit margin was 1.25% and 5.33% in the same period, respectively. The increase was primarily due to the Company's adjustment on the structure of the recycling business for the renewable resources, causing a reduction in the sales of volume of recycling business for renewable resources that has a lower gross profit and the outsourcing patterns of sales.

3.5 Investment and Other Business

This business generates revenue primarily from real estate development, expressway operation, financial services and other businesses.

Revenue before inter-segment elimination of investment and other businesses of the Company increased by 9.30% from RMB19,830.8 million in 2017 to RMB21,675.5 million in 2018. The increase was primarily attributable to increase in revenue of real estate development business, expressway operation business and financial services.

Cost of sales before inter-segment elimination of investment and other businesses of the Company increased by 11.20% from RMB15,595.8 million in 2017 to RMB17,342.3 million in 2018. The increase was primarily due to the increase in the cost of real estate development business, resulted from policies on encouraging the sales of finely decorated rooms promulgated by the government in PRC.

Gross profit before inter-segment elimination of investment and other businesses of the Company was RMB4,235.0 million and RMB4,333.2 million in 2017 and 2018, respectively. Gross profit margin decreased from 21.36% in 2017 to 19.99% in 2018, primarily attributable to the decreased gross profit margin of real estate development business that has a larger contribution to the gross profit.

4 CASH FLOW

	For the year ended 31 December	
	2018	2017
	(RMB in million)	*(RMB in million)*
Net cash (used in)/generated from operating activities	**5,059.0**	5,632.5
Net cash (used in)/generated from investing activities	**(20,358.4)**	(13,252.7)
Net cash (used in)/generated from financing activities	**14,283.7**	9,497.4
Net (decrease)/increase in cash and cash equivalents	**(1,015.7)**	1,877.2
Cash and cash equivalents at the beginning of the year	**47,699.8**	46,774.1
Effects of exchange rate changes	**959.0**	(951.5)
Cash and cash equivalents at the end of the year	**47,643.1**	47,699.8

4.1 Cash Flow Generated from Operating Activities

The net cash generated from operating activities decreased from RMB5,632.5 million in 2017 to RMB5,059.0 million in 2018, representing a decrease of RMB573.5 million or 10.18%, primarily due to (i) the net profit of operating activities during the year amounting to RMB15,872.7 million, representing a decrease compared to the same period of last year; (ii) the increase in properties under development for sale of RMB9,826.0 million resulting from business expansion; (iii) prepaid amounts for construction contracts increased by RMB4,248.3 million; (iv) paid income tax of RMB3,106.7 million. The decrease was offset by the net cash inflow of RMB1,482.5 million due to the combined effects of the increase in amount receivables and the extension of settlement cycle to suppliers accordingly following the increase of business volume; at the same time, the net cash inflow of RMB4,685.5 million due to the corresponding increase of the contract asset and the contract liability.

4.2 Cash Flow Used in Investing Activities

Net cash used in investing activities increased from the RMB13,252.7 million in 2017 to the RMB20,358.4 million in 2018. The increase of RMB7,105.7 million or 53.62%, primarily due to: (i) payment of RMB15,790.8 million in the intangible assets and property, plant and equipment; (ii) the increase of RMB3,887.8 million of the capital contributions to associates and joint ventures; (iii) payment of RMB7,719.0 million in the acquisition of the financial assets; (iv) the consideration of acquisition of the subsidiaries of RMB1,093.6 million; (v) the increase of RMB2,295.4 million in pledged deposits. The cash outflow was offset by the decrease in the structured deposit of RMB2,140.0 million and the cash generated from disposal of financial asset of RMB8,073.6 million.

4.3 Cash Flow Generated from Financing Activities

The net cash generated from financing activities increased by RMB4,786.3 million or 50.40% from RMB9,497.4 million in 2017 to RMB14,283.7 million in 2018, primarily due to: (i) the total proceeds of RMB4,200.0 million from the issuance of the 5 year corporate bonds and green bonds; (ii) the proceeds of RMB1,180.0 million from the issuance of the 2018 debt financing plan; (iii) the newly increase of bank borrowings and other borrowings of RMB61,345.1 million. The cash inflow was offset by the repayment of bank borrowings and other borrowings of RMB48,175.1 million, and the payment of interests on borrowings and bonds of RMB4,551.5 million.

4.4 Capital Expenditure

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

	For the year ended 31 December	
	2018	2017
	(RMB in million)	*(RMB in million)*
Property, plant and equipment	**6,916.6**	4,007.6
Prepaid lease payments	**1,324.9**	231.7
Intangible assets	**12,056.1**	6,192.5
Investment properties	**2.2**	3.1
Total	**20,299.8**	10,434.9

5 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 Company continued to focus on improving return on equity and return on assets while maintaining prudent capital and financial policies.

6 INDEBTEDNESS

As at 31 December 2018, the Company's total liabilities amounted to RMB294,221.6 million and total assets amounted to RMB389,385.5 million, with a gearing ratio of 75.56%, representing a decrease of 1.22 percentage points from 76.78% for last year. The Company's total indebtedness amounted to RMB111,988.6 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 31 December	
	2018	2017
	(RMB in million)	*(RMB in million)*
Long-term		
Bank borrowings		
Unsecured	**24,280.5**	14,853.8
Secured	**16,107.7**	16,268.7
Other borrowings		
Secured	**501.7**	1,427.2
Corporate bonds(1)	**15,141.8**	15,140.0
Sub-total	**56,031.7**	47,689.7
Short-term		
Bank borrowings		
Unsecured	**32,813.2**	25,527.5
Secured	**6,421.6**	2,971.4
Other borrowings		
Unsecured	**11,846.8**	9,372.1
Secured	**144.5**	99.0
Corporate bonds(1)	**4,730.8**	11,231.8
Finance lease payables(2)	**–**	0.9
Sub-total	**55,956.9**	49,202.7
Total	**111,988.6**	96,892.4

Notes:

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

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

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

	As at 31 December	
	2018	2017
	(RMB in million)	*(RMB in million)*
USD	**11,142.2**	5,037.1
Japanese Yen	**121.9**	119.1
Total	**11,264.1**	5,156.2

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

	As at 31 December	
	2018	2017
	(RMB in million)	*(RMB in million)*
Guaranteed by:		
Third parties	**128.9**	119.1

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

	As at 31 December	
	2018	2017
	(RMB in million)	*(RMB in million)*
Repayable within 1 year	**51,959.9**	49,202.7
Repayable after 1 year but within 2 years	**8,870.8**	10,233.6
Repayable after 2 years but within 3 years	**18,278.0**	6,049.3
Repayable after 3 years but within 4 years	**2,880.5**	11,567.4
Repayable after 4 years but within 5 years	**7,023.0**	3,372.6
Repayable after 5 years	**22,976.4**	16,466.8
Total	**111,988.6**	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 31 December	
	2018	2017
Bank borrowings	**1.05-9.00**	1.05-8.70
Other borrowings	**3.92-4.61**	4.66-8.00
Corporate bonds	**3.14-5.37**	3.14-5.37
Finance lease payables	**–**	6.77-7.56

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

	As at 31 December			
	2018		*2017*	
	(RMB in million)	*%*	*(RMB in million)*	*%*
Fixed rate bank and other borrowings	**36,988.8**	**1.05-8.00**	30,879.1	1.05-8.00
Floating rate bank and other borrowings	**55,127.2**	**1.20-9.00**	39,640.6	1.20-8.70
Total	**92,116.0**		70,519.7	

Bank borrowings of the Company were incurred primarily for the purposes of working capital, property development and investment in fixed assets. Other borrowings mainly represented deposits of ENERGY CHINA GROUP and its subsidiaries (excluding the Company) with China Energy Engineering Group Finance Co., Ltd..

Indebtedness of the Company increased by RMB15,096.2 million from 1 January 2018 to 31 December 2018, mainly due to the working capital requirement.

To supplement liquid capital, the Company issued corporate bonds on 20 April 2018 valuing RMB3 billion with a maturity of 5 years, appended with the Company's adjustment in coupon rate option, the redemption option, and the investor put-back option at the end of the third year, with the face value being RMB100 and annual interest rate being 4.65%.

To support the green industry projects, China Gezhouba Group Lvyuan Technology Co. Ltd, a subsidiary of the Company, issued corporate bonds in September 2018 valuing RMB1.2 billion with a maturity of 5 years, appended with the issuer's adjustment in coupon rate option and the investor put-back option at the end of the third year, with the face value being RMB100 and annual interest rate being 4.74%.

The Company did not have any material defaults in payment of bank borrowings or breaches of other debt financing obligations or breaches of any restrictive terms. In addition, as at 31 December 2018, the Company had RMB28.8 billion of authorized but unissued debt securities, namely the unsecured corporate bonds and perpetual bonds without guarantees.

As at 31 December 2018, the Company had RMB379.0 billion of unutilized and unrestricted bank facilities. As at the date of announcement, the Company was not subject to any material restrictive terms in the borrowings.

7 PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

7.1 Pledge of assets

As at 31 December 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 31 December	
	2018	2017
	(RMB in million)	*(RMB in million)*
Property, plant and equipment	**3,977.2**	2,946.8
Prepaid lease payments	**279.6**	340.6
Intangible assets	**12,988.9**	7,484.8
Trade receivables	**2022.8**	410.4
Properties under development for sale	**24,105.5**	21,388.6
Completed properties for sale	**–**	32.3
Bank deposits	**5,749.2**	3,453.7
Total	**49,123.2**	36,057.2

7.2 Contingent liabilities

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

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

	As at 31 December	
	2018	2017
	(RMB in million)	*(RMB in million)*
Guarantees given to banks and other financial institutions in respect of bank loans and finance leases granted to[1]:		
Joint ventures	**736.9**	938.8
Associates	**3,594.4**	3,405.1
Third party[3]	**258.9**	258.9
Investee recognised as available-for-sale financial asset	**–**	33.6
Investee recognised as financial assets at FVOCI	**24.5**	–
	4,614.7	4,636.4
Mortgage loan guarantees provided by the Company to banks in favor of its customers[2]	**1,790.4**	833.1
Total	**6,405.1**	5,469.5

Notes:

(1) At initial recognition, the fair value of these guarantee contracts is insignificant. There has been no material change in contingent liabilities of the Company since 31 December 2018 to the date of this announcement.

(2) The Company has 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 upon the buyer obtained 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 these financial statements for these guarantees.

(3) One subsidiary of the Company has provided guarantee in respect of a finance leasing contract with one financial institution to a third party.

8 SUBSEQUENT EVENTS

On 16 February 2019, CGGC has received the approval from China Securities Regulatory Commission ("**CSRC**") for the initial issue of perpetual corporate bonds (the "**Bonds**") with a total face value of RMB3,000 million to qualified investors, for the repayment of interest-bearing liabilities and supplementary working capital. The initial issue will be completed within 12 months from the date of approval by CSRC.

9 RISK

9.1 Business risk

(1) Policy risk

In 2019, the domestic economic growth continues to fall, rendering macroeconomic policies and industry policies subject to the risk of change. This may lead to increasing difficulties in market exploring, narrowed financing channels, increasing financing costs, slower transformation and upgrading, and a synchronous increase in operational risks. The Company will intensify industry policy research, consolidate the traditional market, strengthen business transformation and upgrading, expand non-power business areas and overseas markets, and exert the role of new business models to achieve sustainable and healthy development of enterprises.

(2) International operation risk

The international political, economic, and security situations are complex and dynamic, coupled with rising trade protectionism, increasingly fierce international competition, rapidly changing business models, and rising exchange rate, legal, compliance and security risks. The Company will refine its international operational management system, improve the international business market layout, and avoid disorderly internal competition and vicious external competition while strictly implementing international work procedures for market development, intensifying research on exchange rate, legal and compliance risks, and improving the overseas security risk prevention system to elevate overseas security and emergency response capabilities.

(3) Construction project management risk

The inadequate planning breadth and depth in the early stage of projects, the less-satisfactory contracting quality, the sub-standard subcontract management, the deficient construction resource allocation and other reasons jointly contributed to the unsmooth contract fulfillment of projects, leading to delayed schedules, non-compliant product performance and quality, and ultimately to a property loss and damage of brand image. The Company will strengthen examination and assessment of execution ability of system, especially examination of subcontracting system execution, standardize subcontracting management and supervise strict execution of management system. The Company will continue to strengthen management and check and special supervision on domestic and international construction projects and timely detect and solve existing problems. The Company will strengthen supervision and guidance on project planning and management and uplift project performance and profitability.

(4) Legal dispute risk

The number and value of legal dispute cases grew, and some cases were complicated. In the event of inappropriate response, they may directly lead to economic loss, and may even produce negative impact on the reputation, market development and production and operation of the Company. The Company will strengthen dispute case management, improve the handling performance of major cases, carry out legal research of PPP, investment and other businesses in depth to keep potential legal risks under control. The Company will consolidate the legal audits, prioritise risk prevention, so as to effectively serve production and operation.

(5) Investment risk

The Company is undergoing business transformation with its invested business constantly expanding, especially the constant rise of its PPP business. If risk element identification and analysis are not profound enough, implementation management is not in place, financing schemes fail to be launched or the cost is too high, problems such as budgetary overrun of construction cost, insufficient revenue, and difficult implementation may occur. The Company will establish and improve its full-process investment risk management system, strictly enforce the access criteria for investment projects, and forbid investment in non-economically efficient projects, enhance project supervision, inspection and appraisal and urge investing entity to rectify when discovered problems and weak links within a defined time period.

(6) Cash flow risk

Subject to factors of centralized investments, receivables, cost management and operation loss, some certain sub-enterprises are short of cash flow with the risk of debt default and declining credit. The Company will strengthen budget management, optimize debt structure, broaden financing channels, lower financial costs, strengthen management on inventory and receivables and supervision on capital operation, further strengthen capital concentration and commit to enhancing capital operation capability. The Company will enhance the management on centralized procurement, carry out task of cost deduction and fee control and steadily uplift the operating capacity of the enterprise.

(7) Safety and environmental risk

Engineering construction is a high-risk sector. Subject to the impact of the nature of industry and environmental condition on the construction site, security and environmental protection are always exposed to risks. If the management is less adequately practised and not well arranged, safety and environmental accidents may occur, leading to loss of life or property or environmental destruction. The Company will clarify the subject of liability for safety and environmental protection, strictly observe the redline of health and safety, augment resources input, enhance educational training and foundation work, strengthen investigation and rectification of hidden hazards and risk management to stay strictly on guard against accidents.

9.2 Exchange Rate Fluctuation Risk

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

10 NUMBER OF EMPLOYEES, SHARE OPTION SCHEME AND TRAINING PROGRAM

As of the end of 2018, the Company has a total of 124,503 employees, and a legion of high-quality talents, including 36,140 management personnel, 39,815 professional technicians, and 29,426 skilled operators.

The Company has 11,344 talents with various national registered qualifications. Also, the Company has a team of top talents of China, including the 32 experts who enjoy the State Council governmental special subsidies, 5 national engineering survey and design masters, 2 national nuclear industry engineering survey and design masters, 4 national candidates of the "Millions of Talents of the New Century" project, 2 national young and middle-aged experts with outstanding contribution, and 25 national technical experts.

The Company did not implement any share option scheme during the reporting period except for other share incentive scheme. For details, please refer to the announcements of the Company dated 27 July 2016, 3 October 2016, 21 November 2016 and 16 November 2018 and the circular of the Company dated 6 October 2016.

The Company attaches high importance to the education and training of the employees. The Company increased the input of the education and training expenditure and enhanced the employee's quality and professional skills continuously. The Company planned to train 460,400 employees in 2018 and actually trained 480,100 employees, including on-the-job training for 328,300 employees, continuing education training for 36,100 employees, and other trainings for 115,700 employees.

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

In 2018, the Company has addressed the Company's investment direction and special investment business plans for the upcoming period of time.

(1) Eyeing driving engineering business and facilitating transformation and upgrading, the Company, based on its resource endowment, seized the opportunities from the national effort to make up infrastructure short slabs and vigorously open up domestic and overseas engineering contracting market by means of BOT, BOOT and PPP among others to drive its major engineering business. Besides, the Company also utilized the Group's advantages to promote the development of its system debugging, operation, maintenance and equipment businesses and push forward transformation and upgrading of enterprises.

(2) Centering around the goal of building a "digital intelligent power station and information-based smart enterprise" with international competitiveness, the Company utilized multiple means such as mergers and acquisitions, and made functional investment in asset-light and intelligent target enterprises or target enterprises with high technical content, high added value, and sound market prospect both domestically and internationally, including waterworks and hydropower as well as non-power design and consulting enterprises, high-quality construction enterprises with high-grade qualifications for non-power businesses such as municipal administration, housing construction, highway construction and environmental protection, as well as high-end equipment manufacturers in clean energy, smart grids, energy-saving and environmental protection sectors, so as to improve the Company's industrial chain of the major engineering industry and enterprise functions, drive engineering business development and enhance international operation capabilities.

In 2018, the Company did not hold any significant investment projects exceeding the net assets of the Company by 10% and are required to be considered and approved by the Board.

12 GEARING RATIO

As at 31 December 2018, the gearing ratio of the Company was 117.7%, representing a decrease of 3.6 percentage points as compared to 121.3% for the same period of 2017. Gearing ratio represents interest-bearing debts divided by total equity at the end of the year.

13 OUTLOOK

According to the estimates of the Chinese Academy of Social Sciences, China's investment tends to become streamlined and stable in 2019, with the consumption situation relatively positive. The export trade is expected to grow further but at a slower rate. The GDP growth rate will be approximately 6.3%, slightly lower than that in last year.

Domestic Power Market

Looking forward to 2019 to 2020, the energy and power structure of China will continue to be optimized and adjusted following a green, low carbon, efficient, diversified and intelligent agenda. It is expected that there will still be regional and structural market opportunities for traditional coal-fired power. The upgrading and transformation as well as the operation and maintenance of existing units will have relatively larger markets. There exists a relatively larger market for natural gas power generation, while nuclear power construction is expected to be resumed. Regular hydropower and pumped storage will maintain a stable trend, biomass energy will maintain a stable growth, while waste-to-power still have a relatively larger room for development. Solar thermal power generation demonstration projects will be accelerated, and power storage as well as hydrogen energy will have potentials for long-term development; under the current premise of the country promoting the steady growth of infrastructure construction, which situation is expected to improve significantly, power grid construction will continue to maintain having a relatively larger scale of investment. In general, the long-term positive momentum of China's energy and power development remain unchanged.

Domestic non-power market

According to the prediction of the Chinese Academy of Social Sciences, the total national investment in fixed assets will reach RMB81.4 trillion in 2019, representing a national growth of 5.6% and an effective growth of 0.4%, of which investments in real estate and infrastructure will increase by approximately 6.3% and 7.8% year-on-year, respectively, continuing to be the main force of stabilized investment and steady growth. In general, the domestic infrastructure construction market is broad, which is demonstrated in:

(1) Hydropower projects: The main water-taming conflicts in the new era have shifted from the one between people's demand for eliminating water hazards and booming water conservancy and the insufficient hydropower capability, to the one between people's demand for water resources, water environment and water ecosystem and the insufficient regulatory competence of the hydropower industry segments. Hydropower projects usually involve multiple points of network, broad coverages and large volumes, and are an important area for expanding effective investment and making up short slabs in infrastructure. In 2019, the Ministry of Water Resources of China will continue to advance the construction schedule of 172 major hydropower projects in accordance with the principle of "start a project as long as condition is ripe", and create conditions to carry forward the construction of other major projects.

(2) Transport projects: In 2019, it is expected that around RMB1.8 trillion will be invested in fixed assets of highway and waterway in China. 200,000 kilometers of rural roads will be rebuilt, 400 kilometers of up-to-standard inland high-grade river channels will be newly built, 5,000 incorporated villages with access to passenger cars will be added, another 350 million tonnes of cargoes will be shipped via railway, and the container railway-waterway combined shipping volume will grow by more than 15%. In 2019, Civil Aviation Administration of China will enhance infrastructure supply, and strives to increase fixed asset investment to RMB85 billion.

(3) Urban infrastructure: In 2019, China will advance in depth the sponge city construction, step up its efforts in treating black and odorous water body and making up short slabs of drainage and waterlogging prevention facilities in cities. China formulates a three-year action plan for implementing urban sewage treatment for quality and efficiency improvement, and accelerates the construction of non-hazardous treatment facilities for domestic waste in cities and counties while continuing to advance underground comprehensive pipe rack construction according to local conditions.

(4) Housing construction: In 2019, the Ministry of Housing and Urban-Rural Development will continue to advance the shantytowns transformation and strictly manage the shantytowns transformation scope and standards, with the stress laid on dirty, noisy and disorder shantytowns in the old urban areas and state-owned industrial and mining areas, forest areas and reclamation shantytowns, while strengthening the construction of supporting infrastructures.

International Market

Into 2019, the world economy will carry on with the mild growth. As China establishes its new pattern of all-round opening-up, the bilateral and multilateral cooperation between China and the rest of the world will continue to get deepened. The "Belt and Road" initiative, the Sino-African cooperation, the China-Central and Eastern Europe 16+1 cooperation, and the cooperation between SCO member states continue to proceed in depth. China's opening-up scope keeps developing and level keeps improving, creating a sound development environment. With the support and promotion of the "Belt and Road" and the international capacity cooperation policies, the competitive strengths of China's overseas contracting companies in the fields of power, transport, and property construction will be more highlighted.

(1) Countries along the "Belt and Road" enjoy broad space for power construction market growth. According to the IEA (International Energy Agency) statistics, the population in countries along the "Belt and Road" totaled 4.6 billion, with the per capita power use of 1,600 kWh/year, far lower than the per capita of approximately 3,100 kWh/year globally, showing broad space for increase. It is expected that the newly installed capacity may exceed 1 billion KW by 2030, representing an average annual growth of 4%. The second "Belt and Road" Forum for International Cooperation will be held in Beijing in April 2019, marking a new stage of "Belt and Road" construction. In the future, the Company will continue to explore in depth the traditional markets in countries along the "Belt and Road" while extending businesses to emerging and mid-to-high-end markets such as the Central and Eastern Europe, the Middle East and the Latin America, in a bid to gradually cover major engineering contracting markets around the world.

(2) The international non-power infrastructure construction market has a large room for expansion. According to the Global Infrastructure Outlook issued by the Global Infrastructure Hub (GIH), the global infrastructure investment will average at USD3.7 trillion by 2040, with Asian and African countries accounting for 60% by around USD2.2 trillion, mirroring the broad infrastructure construction market. While consolidating the traditional advantages in the power market, the Company will actively extend its businesses to non-power sectors such as the hydropower, housing construction, municipal administration, environmental protection, highways and bridges, the Company will actively participate in the comprehensive development and construction of economic corridors, logistic parks, industrial parks and ports and vigorously develop international non-power businesses to gradually form a business landscape centering around power construction and with diversified development.

The international market has a broad prospect. The Company will continue to invest much effort in seizing major strategic opportunities of the "Belt and Road" and international capacity cooperation, and fully play the Company's core competitive advantages throughout the industrial chain to further optimize the international market landscape, innovate international business operation models and promote high-quality development of international businesses.

14 USE OF PROCEEDS FROM THE LISTING

The Company raised total net proceeds of RMB10,890.22 million from the initial public offering on 10 December 2015 and exercise of over-allotment option on 8 January 2016. Pursuant to the Resolution on Adjustment to the Categories of the Use of Proceeds of the Company was considered and approved at the nineteenth meeting of the first session of the Board, the Company will transfer the proceeds and interest used for power and infrastructure construction and contracting projects abroad into those for power and infrastructure construction and contracting projects in mainland China, the amount of proceeds was adjusted to RMB10,986 million. Upon the consideration and approval at the third meeting of the second session of the Board, the proceeds RMB3,262.16 million in 2018 was paid in accordance with the proposal of the prospectus. As of 31 December 2018, RMB3,262.16 million as the actual payment according to the approved proposal was paid, in which:

(1) RMB2,239 million being used as actual payment for the domestic and international power infrastructure engineering and construction projects.

(2) RMB557 million being used as actual payment for purchasing equipment for core business.

(3) RMB283 million being used as actual payment for investing in necessary fixed assets for expansion and upgrading of production capacities.

(4) RMB156.25 million being used as actual payment for the key project for improving the scientific and research and management level of the Company.

(5) RMB26.91 million being used as actual payment of working capital for general corporate purpose.

As of 31 December 2018, the net proceeds were applied as accumulated expenses in aggregate of RMB10,986 million according to the use of proceeds as set out in the prospectus and such proceeds had been fully utilized for payments.

DIVIDEND

The Board recommended the payment of a final dividend of RMB0.0306 per share (tax inclusive) for the year ended 31 December 2018, with a total amount of dividend of approximately RMB918.6 million, subject to the approval of shareholders at the annual general meeting held on 28 June 2019 (the "**AGM**"). If approved, the dividend is expected to be paid on 26 August 2019 to shareholders whose names appear on the register of members of the Company on 11 July 2019.

FINAL DIVIDEND INCOME TAX WITHHOLDING

Enterprise income tax withholding of non-resident enterprise shareholders

In accordance with "the Enterprise Income Tax Law of the People's Republic of China" (the "**Enterprise Income Tax Law**") and its implementation regulations and "The Notice on the Issues Concerning Enterprise Income Tax Withholding of Dividends Paid to Overseas Non-resident Enterprise Shareholders of H shares by Resident Enterprise in the PRC" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)) issued by the State Administration of Taxation of the PRC, the Company shall be obligated to withhold 10% enterprise income tax before it distributes the final dividends to non-resident enterprise shareholders as listed on the Company's register of members of H shares (the "**Register of Members of H shares**") on Thursday, 11 July 2019 (the "**Record Date**"). Any H shares registered in the name of non-individual shareholders is deemed as held by the non-resident enterprise shareholders. As such, the enterprise income tax shall be deducted from the dividend thereof. The non-resident enterprise shareholders shall apply to relevant tax authorities for refund according to applicable tax arrangements (if any).

After the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold any enterprise income tax when it distributes the final dividends to resident enterprise shareholders of H shares as listed on the Register of Members of H shares on the Record Date. If any resident enterprise (the same meanings as defined in the Enterprise Income Tax Law) listed on the register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (region) but with a PRC-based de facto management body, does not desire the Company to withhold the aforesaid 10% enterprise income tax, a legal opinion, issued by a qualified lawyer in mainland China (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status shall be lodged at the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 5 July 2019.

Individual income tax withholding of overseas resident individual shareholders

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

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

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

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

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

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

If a H share individual shareholder considers that his/her individual income tax withheld by the Company does not comply with the tax rate stipulated by the tax treaties between country(ies) or region(s) in which he/she is domiciled and the PRC, he/she should file a timely authorisation letter together with the reporting materials relating to him/her being a resident of the related country or region, to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on Friday, 5 July 2019. The materials will be submitted to the competent tax authority by the Company, for subsequent taxation handling.

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

CLOSURE OF REGISTER OF MEMBERS

The holders of H shares and domestic shares whose names appear on the register of members of the Company on Friday, 28 June 2019 are qualified to attend and vote at the forthcoming AGM. The register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019 (both days inclusive), during which no transfer of shares can be registered. All transfer documents together with the relevant share certificates and transfer forms must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the registered office of the Company at Building 106, Lize Zhongyuan, Chaoyang District, Beijing, the PRC (for holders of domestic shares) no later than 4:30 p.m. on Tuesday, 28 May 2019.

The holders of H shares and domestic shares whose names appear on the register of members of the Company on Thursday, 11 July 2019 are qualified to receive the final dividend to be approved by the shareholders of the Company. The register of members of the Company will also be closed from Saturday, 6 July 2019 to Thursday, 11 July 2019 (both days inclusive), during which no transfer of shares can be registered. All transfer documents together with the relevant share certificates and transfer forms must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the registered office of the Company at Building 106, Lize Zhongyuan, Chaoyang District, Beijing, the PRC (for holders of domestic shares) no later than 4:30 p.m. on Friday, 5 July 2019.

THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance, so as to safeguard the rights and interests of shareholders and improve enterprise value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as the corporate governance code of the Company. During the year ended 31 December 2018, the Company has always complied with all code provisions contained in the CG Code. The Company will continue to review and improve its corporate governance practices, so as to ensure the compliance with the corporate governance codes.

THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by relevant directors and supervisors of the Company. According to the specific enquiries made to all directors and supervisors, each of the directors and supervisors has confirmed that they have always complied with the standards set out in the Model Code during the year ended 31 December 2018.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 December 2018. The Audit Committee considered that the consolidated results of the Group for the year ended 31 December 2018 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made in this announcement in accordance with Appendix 16 to the Listing Rules.

PUBLICATION OF AUDITED CONSOLIDATED ANNUAL RESULTS AND THE 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

The Company will dispatch all the information required by the Listing Rules together with the 2018 annual report of the Company to the shareholders in due course, which will also be published on the websites of the Company and the Stock Exchange.

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

Beijing, the PRC
29 March 2019

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

* *For identification purpose only*