

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**ANNOUNCEMENT  
INSIDE INFORMATION**

The announcement is made by China Energy Engineering Corporation Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Pursuant to the Listing Rules of the Shanghai Stock Exchange, China Gezhouba Group Stock Company Limited (中國葛洲壩集團股份有限公司) (the “**CGGC**”), a subsidiary of the Company, published a summary of its 2018 annual report for the year ended 31 December 2018 (the “**CGGC Summary Annual Report**”) on the website of the Shanghai Stock Exchange, a reproduction of which is enclosed to this announcement. For the avoidance of doubt, the “**Company**” contained in the CGGC Summary Annual Report refers to CGGC.

The CGGC Summary Annual Report set out below has been prepared in accordance with the People's Republic of China Generally Accepted Accounting Principles and has been audited by, BDO China Shu Lun Pan Certified Public Accountants LLP, the auditors of CGGC.

**Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.**

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

\* *for identification purpose only*

## I. IMPORTANT NOTICE

1. The summary of annual report is a simplification of the annual report. To comprehensively understand the Company's operating results, financial position and future development plans, investors shall refer to the website of Shanghai Stock Exchange and other designated media of the China Securities Regulatory Commission to carefully read the full text of the annual report.
2. The board of directors, the board of supervisors, the directors, the supervisors and members of senior management of the Company guarantee the authenticity, accuracy and completeness of the contents of the annual report, in which there are no false representations, misleading statements contained or material omissions, and assume the several and joint responsibilities as well.
3. All directors of the Company attended the board meeting.
4. BDO China Shu Lun Pan Certified Public Accountants LLP has issued a standard and unqualified audit report for the Company.
5. The proposal of distribution of profit for the reporting period or the transfer of capital reserve to equity considered by the board of directors.

Based on the Company's total capital of 4,604,777,412 shares, the cash dividend of RMB1.80 (tax included) for every 10 shares, i.e. a total of RMB828,859,934.16 in cash, were distributed to all shareholders and the remaining profit was transferred to the following year. The Company did not transfer capital reserve to equity in the current year.

## II. BASIC INFORMATION OF THE COMPANY

### 1. The Company profile

Stock profile				
Stock type	Relevant Exchange that stock listed on	Stock abbreviation	Stock code	Stock abbreviation before change
A Share	Shanghai Stock Exchange	CGGC	600068	/

Contact person and contact methods	Secretary of the board of directors	Securities affairs representative
Name	Peng Liquan	Ding Xianyun
Office address	Gezhouba Tower, 558 Jiefang Road, Qiaokou District, Wuhan, Hubei Province	Gezhouba Tower, 558 Jiefang Road, Qiaokou District, Wuhan, Hubei Province
Telephone	027-59270353	027-59270353
Email	gzb@cggc.cn	dxianyun@sina.cn

## 2. Main businesses of the Company in the reporting period

During the reporting period, the Company's business scope covers construction, environmental protection, real estate, cement, civil blasting, roads, water affairs, high-end equipment manufacturing and finance. The Company adhered to the strategic goal of "becoming an internationally competitive engineering company" and has built a diversified development pattern with construction as its core supplementing with other businesses. It achieved a dual-wheel drive of construction contracting and investment business and coordinated development at home and abroad.

### (1) Construction

Construction business is an important source of the Company's operating income. Among them, the main modes of domestic projects are PPP and general construction contracting, and the main modes of international projects are general construction contracting and EPC. The project types mainly involve roads, water conservancy and hydropower, housing construction, railways, municipal administration, water affairs, urban underground comprehensive corridors, ports and navigation channels, etc. The Company ranked No. 10 in the "Chinese Construction Enterprise 500" in 2018 by Chinese Construction Enterprises Management Association, and No. 4 and No. 9 among over 4,000 "Going Global" enterprises in terms of new contract value and turnover of overseas projects in 2018 according to data issued by the Ministry of Commerce.

Given remained rigid demand for infrastructure construction in the international market, the nation actively implemented the "Belt and Road" initiative to assist enterprises going global; domestically, the policy support for strategies such as infrastructure supplements, poverty alleviation and regional development has increased with easing fiscal and financial policies. The market demand for domestic highways, housing construction, railways, municipal and water conservancy, urban underground integrated pipe corridors, ports and waterways remains relatively strong and the overall infrastructure market is in a stable and rapid development trend.

## **(2) *Environmental protection***

The major entities of the Company's environmental protection businesses are Lvyuan Company, Cement Company, etc. Their major scope of businesses included recycling of renewable resources, water environment treatment, treatment of sewage sludge, new paving materials, solid waste treatment and clean energy, etc.

Recycling of renewable resources: Hubei Xingye Company and Gezhouba Zhanci, both held by Lvyuan Company, were mainly engaged in the recycling processing and cyclic utilization of waste steel, plastic, paper, glass, nonferrous metals, etc..

Water environment treatment: The Company gave full play to its qualifications and experience in engineering construction of its own and of its subsidiaries in construction industry, implemented PPP projects by winning the bid and other modes and actively participated in the comprehensive remediation of black and odorous water treatment, sludge treatment, pipe network construction, water source protection, soil and water conservation, greening landscape, operation and maintenance, etc. in the water environment such as river basins and urban rivers.

Treatment of sewage sludge: Zhonggu Corporation held by Lvyuan Company and possessing advanced technology and processing capacity in soil curing treatment, sludge pollution control and solid waste treatment, was engaged in the research and development and production of soil curing agent and sludge modifier and was capable of undertaking environmental protection construction such as soil treatment and sludge control.

New paving materials: Road Materials Company held by the Company's subsidiary Cement Company, possessing patented technology for production of asphalt concrete slag aggregate from steel-making residue, was engaged in the processing, production and sales of steel slag aggregate.

Solid waste treatment: The Kiln Line enterprise, held by the Company's subsidiary Cement Company, is engaged in the treatment businesses of solid waste and municipal household refuse.

Clean energy: The Company's subsidiary Cement Company commenced cement kiln waste heat power generation business.

In recent years, the state has successively launched important documents as the Resolution on Enhancing Protection of Ecological Environment on All Fronts and Determination to Fight the Battle of Pollution Prevention and Treatment and the Opinions on Enhancing Protection of Ecological Environment on All Fronts and Determination to Fight the Battle of Pollution Prevention and Treatment. National leaders have also made a number of important instructions on environmental protection and the market for environmental protection is huge in the future. Meanwhile, the state has put forward higher development requirements for the environmental protection industry and more resources will be concentrated on enterprise with standardized, intensive and high-end development.

The new Environmental Protection Law was officially promulgated, the Water Pollution Prevention Action Plan, the Implementation Plan for Urban Black and Stinky Water Management, the Lake Officer Policy (湖長制) and the River Officer Policy (河長制) were gradually implemented, and the requirements for water environment management were higher, which also contains broad market opportunities.

### (3) *Real estate*

The real estate business has been operated by the Real Estate Company, which is engaged in high-end property development and management, including boutique residential, urban complex, tourism real estate and high-end office buildings, etc.

As one of the first 16 state-owned central enterprises approved by the SASAC of the State Council to be mainly engaged in real estate, the Company has level I qualification of real estate development.

During the reporting period, the growth rate of domestic real estate investment was stable, and the industry as a whole was in a stable development period; rigid demand for new urbanization construction, affordable housing, shantytown renovation and policies in housing leasing industry provided certain opportunities for real estate development; market differentiation intensified, the first- and second-tier cities have stabilized, and the market in the third- and fourth-tier cities has shown a downward trend; industry differentiation has gradually emerged, mergers and acquisitions have accelerated in the industry, and talents and resources have accelerated to concentrate on quality housing enterprises.

#### **(4) *Cement***

The cement business of the Company has been operated by Cement Company, and mainly involves the production and sales of cement, clinker, commercial concrete and related products. As one of the 60 large cement enterprises supported by government, the pilot enterprise that integrates industrialisation and computerisation for the promotion of energy conservation and emissions reduction, and the first enterprise passing clean production acceptance in Hubei cement industry, Cement Company has the largest production base for specialty cement production in China. It was awarded “National Civilized Unit”, “Excellent Pilot Enterprise for Green Development of China”, “Environmental Protection Model Enterprise of Large-Scale Cement Enterprise in China” and “Electricity Demand Side Management Demonstration Enterprise in National Industry Field”. Its Research and Development (Technology) Center has national first-class laboratory qualification, oil well cement obtained US API certification and was credited AAA in corporate credit rating. Its product was identified as a boutique brand by the Hubei Provincial Government. A number of subsidiaries were recognised as high and new technology enterprises in Hubei Province and won the Technology Innovation Award in Hubei Building Materials Industry.

During the reporting period, the overall capacity of the cement industry was excessive and the downward pressure on cement demand was relatively high. The more stringent environmental protection policy and difficulty in the procurement of raw materials and fuels resulted in increase in the operating costs of enterprise, while the vigorous implementation of rural revitalization strategy, the strategy of the Yangtze River Economic Belt and the improvement of the shortcoming of the infrastructure construction provided basic guarantees for the development of cement industry for the demand side. The continuation of environmental protection and peak production policy of the industry were objectively beneficial to the balance of market supply and demand and stabilization of product prices.

#### **(5) *Civil explosives***

The civil explosives business of the Company was operated by Explosive Co., Ltd., and mainly includes the production and sales of civil explosive products, construction of explosive projects, general contracting services for mining projects construction and raw materials production and equipment manufacturing of civil explosive raw materials, etc.

During the reporting period, the industrial explosives production of the civil explosive business of the Company ranked the third in the industry, and it possessed a number of core technologies.

The “13<sup>th</sup> Five-year Plan in civil explosive industry” put forward to cultivate 3 to 5 industry leading enterprises with certain driving power and international competitiveness, and support 8 to 10 leading enterprises with outstanding technology leading role and strong integration service ability. The industry concentration is still the general trend. The Ministry of Industry and Information Technology issued the Opinions on Promoting the High-Quality Development of the Civil Explosive Industry, which clarified the specific path and timetable for shutting down and transformation of “small-size, scattered and low-production” enterprises. The Company will firmly seize the opportunity in the new wave of mergers and acquisitions in the civil explosive industry, and respond to challenges with wisdom to promote the steady growth of the Company.

**(6) *Roads***

Operated by Road Company, the Company’s road business mainly included highway, parking lot operation, management and maintenance, scientific research, highway project construction and management, smart transportation development and application, vehicle maintenance and other road projects, etc.

With the launch of the Regulations on the Management of Toll Roads, smart transportation has become a development trend, and industry supervision has become increasingly strict. The highway network continued to improve, and the network and technology upgrades were continuously promoted. The traffic volume and tolls continued to grow. The market prospect of road derivative economy was broad.

**(7) *Water affairs***

Operated by Water Affairs Company, the Company’s water affairs expanded the scale of sewage treatment and water supply business through investment and mergers and acquisitions, actively promoted the expansion of the plant water storage and continuously improved the quality of asset operations to create a professional operation company. During the reporting period, it won the honor of “Water Environment PPP Leader in China’s Water Industry” and “Hubei Province Science and Technology Progress Second Prize”, etc.

**(8) *High-end equipment manufacturing***

Operated by Equipment Industrial Company and Ship Machinery Company, the high-end equipment manufacturing business mainly includes the design, manufacture and sales of energy and environmental protection equipment including energy storage air-conditioning for construction, high-efficiency energy-saving boiler, gas (oil) internal combustion engine generator unit, gas turbine generator unit, large-scale compressed air energy storage system and carbon dioxide cold storage refrigeration system as well as integrated services of comprehensive solutions.

The “13th Five-Year National Strategic Development Plan on Emerging Industry” and other supporting policies will raise the high-end equipment manufacturing to the national strategy. At the Central Political Bureau meeting “promoting high-quality development of manufacturing industry” was proposed. The Central Economic Work Conference listed “promoting high-quality development of manufacturing industry” as the top priority of the seven key tasks in 2019, and the equipment manufacturing business will maintain good development prospects in the future.

**(9) *Finance***

The finance business of the Company mainly includes finance leasing and industry fund. During the reporting period, the Company’s innovative financing has built a project-oriented, financial institution’s contact and communication mechanism from the regions to the headquarters. By fund introduction, equity cooperation and other methods, it boosted the Company’s business development. Financial Leasing Company has maintained steady development by promoting models of business transformation, innovative business and way of financing.



### 3. Significant accounting data and financial indicators of the Company

#### 3.1 Significant accounting data and financial indicators in the last 3 years

Unit: Yuan Currency: RMB

	2018	2017	Increase/decrease (%) compared to last year	2016
Total assets	218,209,265,921.73	186,923,673,743.72	16.74	151,228,830,823.89
Operating revenue	100,625,669,771.65	106,807,099,535.40	-5.79	100,254,150,416.16
Net profit attributable to shareholders of the listed company	4,657,706,341.59	4,683,602,072.05	-0.55	3,395,312,602.05
Net profit attributable to shareholders of the listed company deducting the non-recurring gains and losses	4,012,361,000.79	3,916,359,065.53	2.45	2,970,733,902.91
Net assets attributable to shareholders of the listed company	42,803,990,684.04	41,031,722,199.64	4.32	38,522,416,103.38
Net cash flow from operating activities	1,277,803,608.77	-823,888,219.55	N/A	-3,428,476,233.72
Basic earnings per share (Yuan/share)	0.887	0.892	-0.56	0.686
Diluted earnings per share (Yuan/share)	0.887	0.892	-0.56	0.686
Weighted average ROE (%)	15.652	17.279	Decreased by 1.627 percentage points	14.782

*Explanation:* According to Accounting Standards for Business Enterprises, while calculating earnings per share, the interest of other equity instruments perpetual bonds shall be deducted by the net profit attributable to the shareholders of the listed company, of which the interest for perpetual bonds in 2018 amounted to RMB575,100,000.00 and the interest for perpetual bonds in 2017 amounted to RMB575,100,000.00.

### 3.2 Significant quarterly accounting data during the reporting period

*Unit: Yuan Currency: RMB*

	The 1st Quarter (January to March)	The 2nd Quarter (April to June)	The 3rd Quarter (July to September)	The 4th Quarter (October to December)
Operating revenue	20,884,621,552.41	25,226,774,131.20	21,310,564,139.25	33,203,709,948.79
Net profit attributable to shareholders of the listed company	757,696,218.81	1,195,277,454.55	834,086,497.00	1,870,646,171.23
Net profit attributable to shareholders of the listed company deducting non- recurring gains and losses	730,657,689.08	1,096,849,113.04	799,690,818.29	1,385,163,380.38
Net cash flow from operating activities	-9,822,672,276.17	3,698,220,897.23	2,831,427,122.22	4,570,827,865.49

*Notes to the differences between the quarterly data and disclosed data in the regular reports*

Applicable       Not Applicable

#### 4. Information of share capital and shareholders

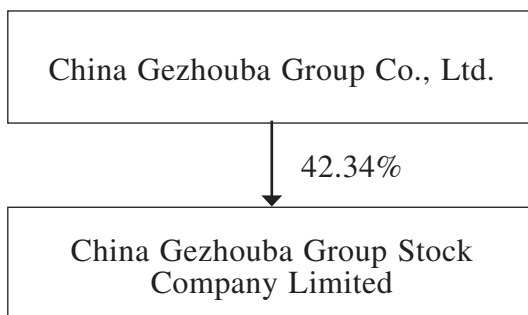
##### 4.1 Number of ordinary shareholders and preferred shareholders with recovered voting rights and the list of shareholding of top 10 shareholders

*Unit: Share*

Total number of ordinary shareholders as at the end of reporting period (individual)								264,442
Total number of ordinary shareholders at the end of the month before annual report disclosure date (individual)								261,154
Total number of preferred shareholders with recovered voting rights as at the end of reporting period (individual)								N/A
Total number of preferred shareholders with recovered voting rights at the end of the month before annual report disclosure date (individual)								N/A
Shareholdings of top 10 shareholders								
Name of the shareholder (full name)	Increase/decrease in the reporting period	Number of shares held at the end of reporting period	Ratio (%)	Number of restricted shares held	Pledge or freeze		Nature of the shareholder	
					Share Status	Number		
China Gezhouba Group Co., Ltd.	0	1,949,448,239	42.34	0	None	0	State-owned legal person	
China Securities Finance Co., Ltd.	-87,278,000	138,343,785	3.00	0	None	0	State-owned legal person	
Central Huijin Asset Management Co., Ltd.	0	70,785,800	1.54	0	None	0	State-owned legal person	
Portfolio 106 of National Social Security Fund	-27,427,166	56,836,029	1.23	0	None	0	Others	
Hong Kong Securities Clearing Company Limited	32,590,288	48,176,523	1.05	0	None	0	Others	
Portfolio 107 of National Social Security Fund	21,599,800	34,999,789	0.76	0	None	0	Others	
Portfolio 103 of National Social Security Fund	Unknown	29,999,916	0.65	0	None	0	Others	
Yan Xiaohu	6,421,300	25,330,670	0.55	0	None	0	Domestic natural person	
Portfolio 407 of National Social Security Fund	Unknown	22,325,338	0.48	0	None	0	Others	
BOCI Securities – Bank of China – BOC Securities China Red – Huizhong No. 1 Collective Asset Management Plan	-2,050,000	20,449,831	0.44	0	None	0	Others	
Note to the connected relationship or concerted action of the shareholders above	Among the top 10 shareholders, the first shareholder has no connected relationship with the others; the Company has no information about the connected relationship or concerted action of the others.							
Note to the number of preferred shareholders with recovered voting rights and shares held by such shareholders	None							

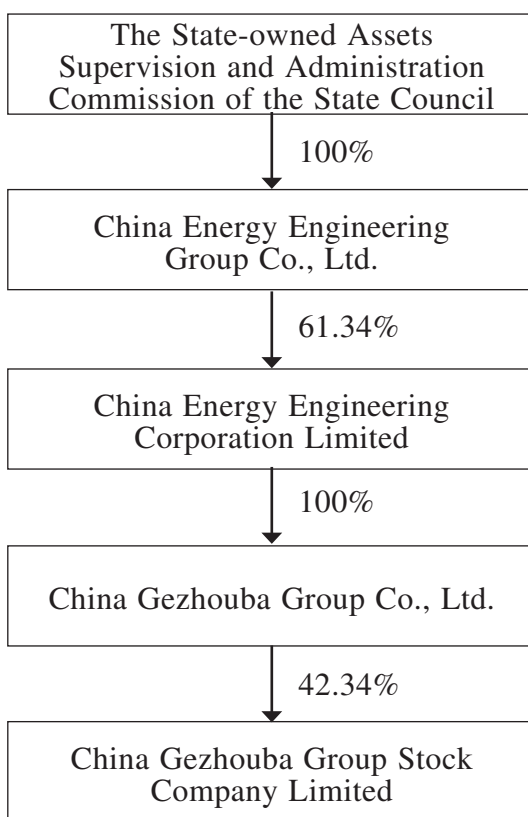
**4.2 Chart of equity and control relationship between the Company and the controlling shareholder**

Applicable       Not Applicable



**4.3 Chart of equity and control relationship between the Company and the ultimate controller**

Applicable       Not Applicable



**4.4 The total number of shareholders of the Company's preferred shares and the top 10 shareholders at the end of the reporting period**

Applicable       Not Applicable

**5 Corporate bonds**

Applicable       Not Applicable

**5.1 Basic information of corporate bonds**

*Unit: 100 million Currency: RMB*

Name of the bonds	Abbreviation	Code	Issue date	Maturity date	Outstanding balance	Interest (%)	Repayment method	Trading place
Public issuance of Corporate Bonds of China Gezhouba Group Stock Company Limited in 2016 (First Tranche)	16GZ01	136130	19 January 2016	19 January 2021	30	3.14	The interests of the corporate bonds are paid in installments annually and the final phase will be paid with the principal, which is due at maturity.	Shanghai Stock Exchange
Public issuance of Corporate Bonds of China Gezhouba Group Stock Company Limited in 2016 (Second Tranche)	16GZ02	136427	4 May 2016	4 May 2021	30	3.27	The interests of the corporate bonds are paid in installments annually and the final phase will be paid with the principal, which is due at maturity. The term of the bonds is 5 years, with the option to adjust the coupon rate and investor's resale option at the end of the third year.	Shanghai Stock Exchange
Public issuance of Corporate Bonds of China Gezhouba Group Stock Company Limited in 2016 (Third Tranche)	16GZ03	136434	13 May 2016	13 May 2021	40	3.45	The interests of the corporate bonds are paid in installments annually and the final phase will be paid with the principal, which is due at maturity.	Shanghai Stock Exchange

Name of the bonds	Abbreviation	Code	Issue date	Maturity date	Outstanding balance	Interest (%)	Repayment method	Trading place
Public Issuance of Renewable Corporate Bonds of China Gezhouba Group Stock Company Limited in 2016 (First Tranche)	16GZY1	136994	21 July 2016		25	3.24	The interests of the corporate bonds are paid in installments annually if the issuer does not exercise the right of deferred payment of interest. If the issuer chooses to repay the bonds in full in a year of exercising the renewal option, the interest payment date shall be the repayment date of the bonds.	Shanghai Stock Exchange
Public Issuance of Renewable Corporate Bonds of China Gezhouba Group Stock Company Limited in 2016 (First Tranche)	16GZY2	136995	21 July 2016		25	3.48	The interests of the corporate bonds are paid in installments annually if the issuer does not exercise the right of deferred payment of interest. If the issuer chooses to repay the bonds in full in a year of exercising the renewal option, the interest payment date shall be the repayment date of the bonds.	Shanghai Stock Exchange
Public Issuance of Renewable Corporate Bonds of China Gezhouba Group Stock Company Limited in 2016 (Second Tranche)	16GZY3	136992	3 August 2016		20	3.15	The interests of the corporate bonds are paid in installments annually if the issuer does not exercise the right of deferred payment of interest. If the issuer chooses to repay the bonds in full in a year of exercising the renewal option, the interest payment date shall be the repayment date of the bonds.	Shanghai Stock Exchange
Public Issuance of Renewable Corporate Bonds of China Gezhouba Group Stock Company Limited in 2016 (Second Tranche)	16GZY4	136993	3 August 2016		30	3.43	The interests of the corporate bonds are paid in installments annually if the issuer does not exercise the right of deferred payment of interest. If the issuer chooses to repay the bonds in full in a year of exercising the renewal option, the interest payment date shall be the repayment date of the bonds.	Shanghai Stock Exchange

Name of the bonds	Abbreviation	Code	Issue date	Maturity date	Outstanding balance	Interest (%)	Repayment method	Trading place
Public Issuance of Green Corporate Bonds of China Gezhouba Group Lvyuan Technology Co., Ltd. in 2018 (First Tranche)	G18LY1	143822	19 September 2018	19 September 2023	12	4.74	The interests of the corporate bonds are paid in installments annually and the final phase will be paid with the principal, which is due at maturity. The term of the bonds is 5 years, with the option to adjust the coupon rate and investor's resale option at the end of the third year.	Shanghai Stock Exchange
Public Issuance of Corporate Bonds on House Leasing Project of China Gezhouba Group Stock Company Limited in 2019 (First Tranche)	19GZ01	155129	9 January 2019	9 January 2024	10	3.85	The interests of the corporate bonds are paid in installments annually and the final phase will be paid with the principal, which is due at maturity.	Shanghai Stock Exchange

## 5.2 *Interests payment and bonds repayment of the Company*

Applicable       Not Applicable

- On 19 January 2018, the Company paid the interest of China Gezhouba Group Stock Company Limited's 2016 public issuance of corporate bonds (first tranche) for the period from 19 January 2017 to 18 January 2018.
- On 4 May 2018, the Company paid the interest of China Gezhouba Group Stock Company Limited's 2016 public issuance of corporate bonds (second tranche) for the period from 4 May 2017 to 3 May 2018.
- On 14 May 2018, the Company paid the interest of China Gezhouba Group Stock Company Limited's 2016 public issuance of corporate bonds (third tranche) for the period from 15 May 2017 to 13 May 2018 (For 13 May 2018 was a non-trading day, it was postponed to the first working day thereafter).
- On 23 July 2018, the Company paid the interest of China Gezhouba Group Stock Company Limited's 2016 public issuance of renewable corporate bonds (first tranche) for the period from 21 July 2017 to 20 July 2018 (For 21 July 2018 was a non-trading day, it was postponed to the first working day thereafter).

5. On 3 August 2018, the Company paid the interest of China Gezhouba Group Stock Company Limited's 2016 public issuance of renewable corporate bonds (second tranche) for the period from 3 August 2017 to 2 August 2018.

### 5.3 *Bond rating of the Company*

Applicable       Not Applicable

#### (I) *Public issuance of 2016 corporate bonds of China Gezhouba Group Stock Company Limited*

Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. will conduct continuous follow-up ratings on the Company during the duration of the bonds. Continuous follow-up ratings include regular follow-up ratings and irregular follow-up ratings. The regular follow-up rating is conducted once a year, and a formal regular follow-up rating report will be issued within 2 months from the Company's audited annual financial report disclosure date.

According to the Follow-up Rating Report regarding China Gezhouba Group Stock Company Limited and its 16GZ01, 16GZ02 and 16GZ03 in Issue issued by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. on 30 May 2018 and published on the websites of Shanghai Stock Exchange and Shanghai Brilliance Credit Rating & Investors Service Co., Ltd., the Company's overall credit rating remains AAA, the rating outlook is stable. At the same time, the bonds' credit rating remains AAA.

#### (II) *Public issuance of 2016 renewable corporate bonds of China Gezhouba Group Stock Company Limited*

The Company has commissioned United Credit Ratings Co., Ltd. to serve as the follow-up rating agency of China Gezhouba Group Stock Company Limited for the public issuance of renewable corporate bonds in 2016. The latest follow-up rating report will be disclosed on the websites of Shanghai Stock Exchange and United Credit Ratings Co., Ltd. within two months after the announcement of the annual report of the Company. During the duration of the corporate bonds, United Credit Ratings Co., Ltd. will issue at least one official regular follow-up rating report each year. According to the issuance and disclosure of 2018 Follow-up Rating Report of China Gezhouba Group Stock Company Limited on Renewable Corporate Bonds issued by United Credit Ratings Co., Ltd. on 29 May 2018 on the websites of Shanghai Stock Exchange and United Credit Ratings Co., Ltd., the Company's overall credit rating remains AAA, and its rating outlook is stable. At the same time, the bonds' credit rating remains AAA.



*(III) Public issuance of 2018 green corporate bonds (first tranche) of China Gezhoubu Group Lvyuan Technology Co., Ltd.*

According to the Credit Rating Report regarding Public Issuance of 2018 Green Corporate Bonds (First Tranche) of China Gezhoubu Group Lvyuan Technology Co., Ltd. issued by United Credit Ratings Co., Ltd. on 7 September 2018 and published on the websites of Shanghai Stock Exchange and United Credit Ratings Co., Ltd., China Gezhoubu Group Lvyuan Technology Co., Ltd. was rated AA in overall credit rating and the bonds' credit rating is AAA with stable rating outlook.

China Gezhoubu Group Lvyuan Technology Co., Ltd. has commissioned United Credit Ratings Co., Ltd. to serve as the follow-up rating agency of China Gezhoubu Group Stock Company Limited for the public issuance of green corporate bonds in 2018 (first tranche). The latest follow-up rating report will be disclosed on the websites of Shanghai Stock Exchange and United Credit Ratings Co., Ltd. within two months after the announcement of the annual report of the Company. During the duration of the corporate bonds, United Credit Ratings Co., Ltd. will issue at least one official regular follow-up rating report each year.

During the reporting period, the bonds for the period did not involve in disclosure of follow-up rating report.

*(IV) Public issuance of corporate bonds on house leasing project of China Gezhoubu Group Stock Company Limited in 2019 (first tranche)*

According to the Credit Rating Report of China Gezhoubu Group Stock Company Limited on 2019 Corporate Bonds on House Leasing Project (First Tranche) issued by United Credit Ratings Co., Ltd. on 28 December 2018 on the websites of Shanghai Stock Exchange and United Credit Ratings Co., Ltd., China Gezhoubu Group Stock Company Limited was rated AAA in overall credit rating and the bonds' credit rating is AAA with stable rating outlook.

The Company has commissioned United Credit Ratings Co., Ltd. to serve as the follow-up rating agency of China Gezhoubu Group Stock Company Limited for the public issuance of corporate bonds on house leasing project in 2019 (first tranche). The latest follow-up rating report will be disclosed on the websites of Shanghai Stock Exchange and United Credit Ratings Co., Ltd. within two months after the announcement of the annual report of the Company. During the duration of the corporate bonds, United Credit Ratings Co., Ltd. will issue at least one official regular follow-up rating report each year.

During the reporting period, the bonds for the period did not involve in disclosure of follow-up rating report.

#### 5.4 Key Accounting data and financial indicators in the last 2 years of the Company

✓ Applicable       Not Applicable

Key indicator	2018	2017	Increase/decrease (%) compared with the same period of last year
Liabilities to assets ratio (%)	74.76	72.67	Increased by 2.09 percentage points
EBITDA to total liabilities ratio	0.08	0.08	–
Interest coverage ratio	2.28	3.00	-24.00

### III. OPERATION DISCUSSION AND ANALYSIS

#### (I) Major operations during the reporting period

In 2018, facing the complicated and ever-changing situations both at home and abroad as well as the arduous and challenging tasks of reform and development, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company focused on formulating overall development strategy to embrace the challenge, vigorously promoted transformation and upgrade, and pushed forward reform and innovation, laying a solid foundation for high quality development. The Company continued to maintain an operating income of more than RMB100 billion with an increasing market contracting, and its profitability remained at a higher level. The Company has made steady progress in investment activities, further improving its position in the industry.

#### 1. Construction

During the reporting period, the Company's subsidiaries in the construction industry have overcome difficulties and continuously promoted business upgrades, further enhancing its brand value. In 2018, the Company's newly signed contracts amounted to RMB223.074 billion, of which, the newly signed domestic constructions contracts amounted to RMB147.001 billion, and the newly signed international constructions contracts was equivalent to RMB76.073 billion.

(1) Further innovation in the business model. Through innovation in cooperation mode, we successfully secured PPP projects such as Yangxuan Expressway and Jiaozuo Ecological Management, secured conventional projects such as Lishui Airport and Anqiu Old House Renovation in the mode of EPC+F, and signed a number of international projects in the mode of participating in EPC, effectively boosting the market development of the Company.

- (2) The international business advantage was further reinforced. The Company accelerated overseas development to obtain a dominant market share by optimizing the market layout, building high-end relationships, strengthening communication between government and enterprise, and taking advantage of major platforms including the Forum on China-Africa Cooperation, China International Import Expo and Xiong'an New Area International Building Forum to demonstrate its corporate strength and enhance brand value. During the reporting period, the Company took the lead in setting up the International Investment Alliance for New Energy to actively build a platform for the development of international new energy market; expanded into six new countries with its market presence covering Asia, Africa and Latin America; improved the project working mechanism, and successfully signed a series of representative projects including the five cascade hydropower stations project in the upstream of the Tentek River(騰太科河) in Kazakhstan and the Indonesian Pasuruan 440MW gas and electricity integration project.
  
- (3) The project management capability has been significantly improved. The Company comprehensively rationalized the project management mechanism, defined the key aspects of project management, strengthened inspection on general contracting project, PPP project, international project, key project and difficult project, introduced information management measures, and continued to implement the staff performance management of the project department, so as to ensure the good performance of the construction in progress. The Xiaowan Hydropower Station on the Lancang River in Yunnan and the Jinping Grade-II Hydropower Station on the Yalong River in Sichuan undertaken or participated by the Company won the 16th China Civil Engineering Zhan Tianyou Award; the Fengxian Zone Land Reclamation Project in Shanghai Lingang Industrial Zone and the Baise Water Conservancy Project on You River in Guangxi won the 2017-2018 China Water Conservancy Quality Project – Dayu Award; the Jinping Grade-I Power Station Project won the Outstanding Achievement Award in Engineering from the FIDIC in 2018. The Company received a total of 333 awards and honors in the year, an increase of 1.52% over the year of 2017.

During the reporting period, the construction business of the Company recorded an operating income of RMB54.539 billion, representing a year-on-year decrease of 4.30%; a total profit of RMB3.730 billion, representing a year-on-year increase of 6.68%.

## 2. *Environmental protection*

During the reporting period, the Company further improved the structure of the environmental protection business through implementing market layout with a focus on the environmental protection industry chain.

### (1) *Recycling of renewable resources*

During the reporting period, the Company's renewable resources recycling business ranked top in the industry in terms of comprehensive strength with significant competitive advantage, enabling it to become the core environmental protection business of the Company. With the Company's relatively sound recycling system, the business covered the substantial majority of renewable resources types, and is gradually spanning across the whole country. The Company possessed advanced processing, cleaning and sorting technologies. The recycling and processing stations were established within the scope of 300 km to 500 km away from the environmental protection industrial park to further improve the regional recycling system.

During the reporting period, three long-fiber PET bottle flake production lines in the Huai'an Industrial Park project have been accepted for operation; the scrap steel crushing production line and the recycled PET plastic production line in the Laohekou Industrial Park have been put into operation; the construction of the scrap steel crushing production line in the Huaiyuan Industrial Park has been completed; the preparatory work before construction of the Qixian project and the Guangping project has been completed.

During the reporting period, Zhanci Company of the Company completed the technical improvements for the automatic feeding machine in the continuous casting workshop and the pickling line in the precision workshop, effectively enhancing the production efficiency and realizing the optimization and upgrade of product structure. 33,800 tons of continuous casting copper rods, 7,100 tons of precision copper rods and 20,900 tons of aluminum alloy ingots were produced throughout the year.

During the period, Lvyuan Company received the second prize of the 25th National Enterprise Management Modernization Innovation Achievement Award, the State-owned Enterprise Youth Innovation Award, the China Excellent Environmental Protection Science and Technology Innovation Practical Achievement Award for 2018, etc.; participated in the preparation of numerous national standards for environmental protection business, including of the Same Category Multi-Grade Aluminum Alloy Acceptance Standards (《同系列多牌號鋁合金驗收標準》), Classification and Code of Waste Plastics and Technical Specifications for the Recycle of Waste Plastics. Xingye Company is the vice president member of China Association of Metalscrap Utilization and China National Resources Recycling Association, and was ranked as one of the 46 invisible champion demonstration enterprises in the first batch of pillar industry segments of Hubei Province; Zhanci Company is the vice president member of China Nonferrous Metals Industry Association and was honored the title of "Advanced Enterprise in China Nonferrous Metals Industry".

(2) *Water environment treatment*

During the reporting period, the Lvyuan Company successfully entered the field of sewage treatment membrane product manufacturing through acquisition of Rizhao Sainuo Environmental Technology Co., Ltd. (the “**Sainuo Company**”) (日照賽諾環境科技有限公司) by the means of capital increase to actively promote the deep processing and fine processing business of environmental-friendly new materials with high added-value, further enriching its industrial structure to realize the coordinated development of various segments of the environmental protection business. As of the end of the reporting period, the Sainuo Company has completed the installation of three production lines, which have commenced operation.

During the reporting period, the Wenling Phase I and Phase II Projects undertaken by the Company have been completed and put into operation; the Haikou Water Treatment Project has basically been completed and was under operation and maintenance; the black odor water treatment of Tongzhou Water Treatment Project has been completed; the remediation of Zhupi River in Jingmen, Nandu River and Fuyang water system were progressing smoothly.

(3) *Soil and sludge treatment*

During the reporting period, the “Integrated Treatment Technology for Sludge Dewatering Tail Water of Rivers and Lakes” of the affiliated Zhonggu Corporation was applied to the Dianchi Lake Caohai Project, which saved the production cost while improving the tail water indicators; the “Corridor Constructed Wetland Patent Technology” was successfully applied to the tail water deep treatment of Xiajiawan Wastewater Treatment Plant in Zhupi River; “HAS Sludge Solidification for Hills Piling and Landscaping Technology” successfully solved the problem of 200,000 cubic meters sludge disposal in the Jiangshan Reservoir of Zhupi River, realizing sludge reduction, harmless treatment and conversion of resource. As of the end of the reporting period, the Lvyuan Company has applied for a total of 51 patents and was granted approval for 58 patents (including applications made in 2017 and approved in 2018). Among them, the integrated technology of sludge mechanical dewatering and chemical modification won the China Excellent Environmental Protection Technology Innovation Practical Achievement Award.

(4) *New paving materials*

During the reporting period, Road Materials Company completed the design change of three expressway projects in Shandong Province and was actively carrying out the raw material preparation for the production of steel slag aggregate products; the main construction of the expansion project of Huanggang Yiaihu Sewage Treatment Plant has been completed; the construction target for 2018 of the maintenance project of the Xiangyang-Jingzhou Expressway and Neijiang-Suining Expressway has been completed according to the proprietor's requirements; the independently developed expressway intelligent maintenance management platform has entered the phase I physical construction stage. The steel slag asphalt concrete product was admitted into the Material Selection Catalogue for Construction of Xiong'an New Area, and the science and technology project of Key Technology Research on the Large-Scale Application of Steel Slag Asphalt Concrete in Highway Construction was awarded the first prize of Science and Technology Progress Award by China Association of Construction Enterprise Management.

(5) *Solid waste treatment*

During the reporting period, the three domestic municipal solid waste treatment production lines, i.e. Laohekou, Songzi and Yicheng were under normal operation, with a total processing capacity of up to 1,300 tons/day; the first cement kiln co-processing contaminated soil project – Jiayu cement kiln co-processing contaminated soil project was put into operation, and actively promoted the Zhongxiang cement kiln, Dangyang cement kiln and other domestic waste disposal projects as well as Yicheng cement kiln hazardous waste disposal project. During the reporting period, the cement kiln co-processing business disposed 243,800 tons of domestic garbage, contaminated soil and general solid waste.

(6) *Clean energy*

During the reporting period, the Cement Company recorded cement kiln waste heat power generation of 520,695,500 kWh.

During the reporting period, the Company's environmental protection business recorded an operating income of RMB19.429 billion, representing a year-on-year decrease of 27.09%.

### 3. *Real estate*

During the reporting period, the Real Estate Company adhered to the spirit of “Integrity and Craftsmanship” and adhered to the active and steady development strategy. The Company acquired 4 parcels of new land with an area of 183,400 square meters, contributed a capital of RMB8.516 billion for the equity of new land reserve with gross floor area (“GFA”) of the corresponding equity of land reserve of 376,100 square meters.

During the reporting period, the Real Estate Company deeply penetrated into first-tier cities, focused on layout in second-tier core cities and third-tier cities with better development potential. Positioning high-quality real estate, it continuously innovated development models and concepts, and streamlined its business structure to form four major product series of State (國府系), Houses (府系), Residence (公館系) and Orchid Garden (蘭園系). The standardization of different product series was gradually established based on the four major product series, laying a good foundation for saving construction time and accelerating turnover of development. Meanwhile, the Real Estate Company took the lead in developing the domestic industry-leading “5G Technology” system, improving the industry’s theory system of green technology housing and sharply enhancing the position of its brand. The Real Estate Company was awarded the titles of the “Top Ten Brand Value of China Real Estate Company” and “China Top 100 Real Estate Enterprises”, and received the “Brand Value Communication Award” and such honors as “China Real Estate Trustworthy Enterprise ” and “The Most Strategically Focused Strength State-owned Enterprise”; its development projects were granted numerous honors, including “ELITE Science and Technology Award – Sustainable Community Gold Award (Construction Stage)”, “Healthy Habitat Award” and “The Most Anticipated Chinese Cultural Tourism Business Landmark Award”.

During the reporting period, the newly-constructed GFA, completed GFA and equity GFA of projects under construction of the Company were 757,100 square meters, 758,900 square meters and 4,685,100 square meters, respectively. The sales area achieved 425,200 square meters, and the contracted sales amount was RMB10.131 billion. As at the end of the reporting period, the area offered for sale by the Company was 200,000 square metres.

During the reporting period, the Company’s real estate business realised an operating income of RMB7.441 billion, representing a year-on-year increase of 19.13%, and recorded a total profit of RMB644 million, representing a year-on-year decrease of 42.56%.



#### 4. *Cement*

During the reporting period, Cement Company adhered to the business philosophy of high-quality development, implemented the off-peak production policy, took the road of green development, and paid attention to quality efficacy and brand building. It achieved remarkable results in production and operation by intensifying efforts on product quality, improving core competitiveness and adhering to the stable price and quantity strategy. During the reporting period, the Company had a cement production capacity of 24.6 million tons and clinker production capacity of 17.07 million tons.

- (1) Making breakthrough progress in international business. The production line project with daily production of 2,500 ton clinker cement in Kazili, Kazakhstan (哈薩克斯坦克西里日產2,500噸熟料水泥生產線項目), the first international project of Cement Company, was put into operation and received the Kazakhstan Investment Contribution Award from the Ministry of Investment and Development of Kazakhstan. Meanwhile, we continued to promote the development of key regional projects.
- (2) Achieving significant results in marketing. We achieved stable market share increase through consolidating advantages in core regional markets. We paid close attention to information on major infrastructure projects and strengthened bidding planning, thus solidifying our status as the core supplier of key projects of Hubei Province. In 2018, the Company sold 25.42 million tons of goods (including 23.26 million tons of cement and 2.16 million tons of clinker), 1.73 million cubic meters of concrete and 6.37 million tons of aggregates.
- (3) Obtaining fruitful achievements in scientific and technological information management. During the reporting period, the initiation of 26 scientific and technological projects and the appraisal of 10 results were completed; 50 national patents were obtained, including 7 invention patents; and 6 national standards we participated in compilation were published. We actively carried out the trial operation of intelligent equipment and delivered good performance in production management.
- (4) The level of production management refinement continued to increase. We coordinated various work including production organization system optimization, inspection plan formulation and automatic and intelligent equipment application, and promoted the efficiency of the “giant department” reform, enabling the further enhancement of productivity. With the active implementation of the budget modular unit management system and a combination of multiple measures, the clinker physical coal consumption and clinker comprehensive electricity consumption have continued to realize year-on-year decrease.



During the reporting period, Cement Company ranked 13th in the China Top 50 Cement Enterprises in terms of Clinker Production Capacity of 2018, and 26th in the China Top 50 Building Materials Enterprises of 2018. A number of scientific and technological achievements reviewed and considered by the China Association of Construction Enterprise Management and other institutions reached domestically leading level, and the national standards for the Domestic Waste Combustibles Pre-treatment in the Cement Kiln Co-processing (GB/T 35170-2017) was officially published. In 2018, Cement Company was granted the title of “Home of National Model Workers” by the All-China Federation of Trade Unions.

During the reporting period, the Company’s cement business achieved an operating income of RMB8.891 billion, representing a year-on-year increase of 33.10%; recorded a total profit of RMB2.442 billion, representing a year-on-year increase of 136.95%.

## 5. *Civil explosives*

During the reporting period, Explosive Co., Ltd. actively responded to multiple challenges such as intensified competition in the industry and sharp rise in raw material costs by strengthening internal business linkages, coordinating operations and developing existing markets in a rolling way, and insisted on innovative development and improving development quality, further reinforcing its position in the industry. During the reporting period, the production capacity of industrial explosives reached 326,500 tons, and the production of industrial explosives and industrial detonators was 275,000 tons and 23.52 million shots, respectively.

- (1) Adhering to structural adjustment and defining development path. During the reporting period, the Company successfully completed the acquisition and reorganization of the civil explosives business assets of Pengzhou Branch of Sichuan Tongda Chemical Co., Ltd. (四川通達化工有限公司彭州分公司), further enhancing its licenced production capacity and position in the industry. We steadily expanded the civil explosives business and enhanced its dominance in core regional markets. We accelerated the development of related auxiliary business, and successfully signed a number of mining general construction contracting projects and sand aggregate projects, with the revenue of related auxiliary business accounting for 33% of total revenue. We actively explored new business and had a number of pipeline projects in the security industry and the field of green mine.
- (2) Taking international market development as priority to ensure steady growth. During the reporting period, we expanded into the markets of three new countries, i.e. Kuwait, Malaysia and Niger. The affiliated Liberia Mining Service Company (利比里亞礦業服務公司) achieved rapid growth in revenue and profit, and the profitability of the Karot (卡洛特) Project Department improved. The Kuwait Project Department realized the execution of new projects undertaken of the very year and received high praise from the local government. We successfully completed the supply for our own projects and the first export of civil explosives production equipment with a 38% year-on-year increase in international trade revenue.

- (3) Adhering to reform and innovation to improve the quality of development. During the reporting period, the goal of maintaining the supply and price stability of ammonium nitrate was achieved by improving the resource allocation and procurement methods. Through integrating the production capacity layout of industrial explosives, we have formed six mixed explosives production bases with a capacity of 15,000 tons or above, which successfully revitalized the idle and surplus explosives capacity of 20,000 tons, and a capacity of 10,000 tons received industry incentive. Our capacity utilization rate was 20 percentage points higher than the industry average level. We implemented system improvement and achieved 17 percentage points year-on-year increase in the utilization rate of major equipment. We greatly promoted the localized employment to meet the requirements of performance.
- (4) Adhering to scientific and technological progress to strengthen development momentum. During the reporting period, we established academician and expert workstations and engaged consultants in the field of security technology, carried out the compilation of a number of technical standards for the explosives industry and undertook key scientific research projects of the Ministry of Industry and Information Technology, enhancing its scientific and technological influence in the industry. We completed the research initiation work of a number of key projects, such as new polymer emulsifiers, blasting in extreme cold environment and at high altitudes and green mine construction. We had formed a list of 15 scientific and technological achievements with potential to convert into application, built scientific and technological achievements incubation base, and successfully facilitated the trial production or trial use of digital electronic detonators, small charging equipment and latex matrix delivery vehicles, achieving initial results in the conversion of scientific and technological achievements.

During the reporting period, Explosive Co., Ltd. won the title of “Excellent Enterprise” and “Advanced Unit in Corporate Culture” of the year in the sand aggregate industry, and was invited to participate in the China Intelligent Blasting Development Forum and the Civil Explosive Industry Safety Management and Technology Development Forum and delivered a keynote speech. A number of its scientific and technological achievements were granted the 9th Science and Technology Incentive of China Society of Engineering Blasting and the project initiation fund of National Natural Science Foundation of China (Youth Science Fund).

During the reporting period, the Company’s civil explosives business recorded an operating income of RMB3.185 billion, representing a year-on-year increase of 5.04%; recorded a total profit of RMB309 million, representing a year-on-year increase of 8.26%.

## 6. *Roads*

During the reporting period, Road Company insisted on benchmarking with industry model enterprises, and constantly strengthened the implementation of “standardization, stylization, intensification and informatization”, accelerated management improvement, reduced costs and enhanced efficiency, leading to steady growth of operating results.

During the reporting period, the Company’s operating highway mileage reached 457 km, including G55 Xiangyang to Jingzhou section, G45 Hubei Macheng to Xishui section, Sichuan Neijiang to Suining Expressway, the connection line of Shandong Ji’nan-Tai’an Expressway.

During the reporting period, the affiliated Xiangjing Company (襄荊公司) was awarded the title of “Grade A Tax Credit Taxpayer”, and Xiangjing Company and Daguangbei Company (大廣北) were awarded the title of “Enterprise of Keeping Promise and Honoring Contracts” of Hubei Province.

During the reporting period, the Company’s road business achieved an operating income of RMB1.918 billion, representing a year-on-year increase of 20.42%; recorded a total profit of RMB733 million, representing a year-on-year increase of 43.37%.

## 7. *Water affairs*

During the reporting period, Water Affairs Company comprehensively carried out the building of standardization and promoted refinement management, continuously improving its operational management capability and profitability and enabling the relatively rapid growth of production and operation indicators.

- (1) Water operation. Domestically: during the reporting period, Water Affairs Company operated and managed 58 water plants, more than 1,000 kilometers of pipe network and 33 pumping stations. The water treatment capacity under operation and under construction was approximately 3 million tons/day, which were distributed in various regions including Beijing, Tianjin, Shandong, Henan, Hebei, Hunan, Hubei, Sichuan and Zhejiang. During the reporting period, the water treatment volume was 346,327,200 tons with an operating income of RMB642,366,100 and a total profit of RMB121.90 million. Internationally: Gezhouba Brazil Co., Ltd. (葛洲壩巴西有限公司), a subsidiary of Gezhouba Overseas Investment Co., Ltd. (葛洲壩海外投資有限公司) completed the acquisition of equity interests in San Noronso Water Supply Company in May 2018, becoming the 100% controlling shareholder of the project company. It is responsible for follow-up operation and management of the San Noronso Water Supply project in the franchise period. In July 2018, the project was officially put into commercial operation. As of the end of the reporting period, the project company has received franchised service income of BRL150,504,400 (tax inclusive) (equivalent to RMB270,908,000).

- (2) Hydropower station operation. During the reporting period, the Company's domestic operating hydropower stations generated a total of 738.70 million kWh of electricity, and recorded an operating income of RMB242,952,100.

During the reporting period, the Company's water affairs business achieved an operating income of RMB1.511 billion, representing a year-on-year increase of 91.16%; recorded a total profit of RMB237 million, representing a year-on-year increase of 23.45%.

## 8. *High-end equipment manufacturing*

During the reporting period, Equipment Company focused on the energy and environmental protection high-end equipment industry base on the "core equipment + industry integrated application solution" two-wheel drive concept. Meanwhile, by following the transformation and upgrade strategy of the Company and leveraging on its advantages in main businesses, we developed related equipment manufacturing business, striving to become an leading high-end equipment manufacturing enterprise in the industry and an integrated application solutions provider.

- (1) Actively promoting mergers and acquisitions. During the reporting period, we expanded into the field of building energy conservation through acquisition of Hangzhou Huadian Huayuan Environmental Engineering Co., Ltd. (杭州華電華源環境工程有限公司), the primary business scope of which is technology development, technical service, technical consultation, installation, contracting, etc., achieving breakthroughs in equity investment projects. We actively explored for cooperation targets, and had established a number of pipeline projects for mergers and acquisitions.
- (2) The construction of industrial park progressed smoothly. During the reporting period, the construction of four plants for high-speed power generating unit, medium-speed power generating unit, carbon dioxide refrigeration and compressed air energy storage has been completed. In particular, the high-speed power generating unit plant has been fully completed and delivered for use, and was officially put into operation in May; the three high-speed power generating units under the first overseas order were delivered in July; certain equipment for the compressed air energy storage project have arrived at the site, and the civil works for the installation of related equipment will be carried out subsequently.
- (3) Scientific research management achieved significant results. Equipment Company established the science and technology association to promote the deep integration of scientific and technological innovation into production, academy and research. The "Project of Establishing National Technology Innovation Center for Large-scale Mixed Physical Energy Storage" was admitted into the 2018 National Science and Technology Innovation Platform Establishing Projects of Wuhan City, and was granted a fund of RMB3 million. The application for 11 patents such as "gas-fired power generating unit with gas leakage alarm" and "compressed

air energy storage device with variable grades” were approved. We participated in the Hubei regional competition of the first China Innovation Method Competition jointly organized by Hubei Science and Technology Association and Hubei Science and Technology Department, and obtained the first prize for the “application of trough high temperature molten salt solar thermal power generation technology” (槽式高溫熔鹽光熱發電技術的應用) innovation project, the second prize for the “large-capacity mixed physical energy storage system” and three third prizes.

- (4) The building of market development platform achieved preliminary results. Equipment Company set up a sales branch, improved the platform building of the market development system, integrated the products and business of each subsidiary and coordinated market development, product sales and management. It has signed strategic cooperation agreements or has carried out project cooperation with a number of design institutes, large EPC companies and the government.

During the reporting period, Equipment Company of the Company was elected as the director of the first session of the committee of Digital Design and Manufacturing Innovation Alliance and the member of the Alliance of Industrial Internet, and won the honorary title of “2018 Forerunning Enterprise for Science and Technology Innovation in Wuhan”.

During the reporting period, the Company’s high-end equipment manufacturing business recorded an operating income of RMB1.308 billion, representing a year-on-year decrease of 40.27%.

## **9. Finance**

During the reporting period, Financial Leasing Company adhered to new development concepts, fulfilled the high-quality development requirements, and maintained stable development of production and operation. It established and improved its internal process of direct financial lease business, and successfully handled the first direct financial lease with the feature of overseas purchase and domestic leasing. Communication with policy banks was strengthened to actively seek for preferential financing policies for “Belt and Road” projects.

During the reporting period, the Company achieved the operating revenue of RMB100.663 billion, representing a year-on-year decrease of 5.79%; the profit of the operation was RMB7.709 billion, representing a year-on-year increase of 5.74%; net profit attributable to the shareholders of the parent company was RMB4.658 billion, representing a year-on-year decrease of 0.55%. As of the end of the reporting period, the total assets of the Company amounted to RMB218.209 billion, representing an increase of 16.74% over the beginning of the year.

**(II) The reason for the suspension of listing**

Applicable      Not Applicable

**(III) The reason for the termination of listing**

Applicable      Not Applicable

**(IV) Analysis and explanation of reasons and the relating impacts for the change of accounting policies and accounting estimations**

Applicable      Not Applicable

In 2017, the Ministry of Finance revised the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation (the above four terms are referred to as the New Financial Instruments Standards) and “Accounting Standards for Business Enterprises No. 14 – Revenue” (referred to as the New Income Standard), requiring companies simultaneously listed at both home and abroad to implement from 1 January 2018. China Energy Engineering Corporation Limited, an indirect controlling shareholder of the Company, was listed abroad, the Company therefore implemented the said New Income Standard and New Financial Instruments Standards from 1 January 2018.

On 15 June 2018, the Ministry of Finance issued the Notice on Amending the Format of 2018 Financial Statements of General Enterprises (referred to as the New Report Format Notice), which revised the financial statement format of general enterprises. The financial statements of the Company were prepared in accordance with the provisions of the New Report Format Notice, and items in the comparative statements were reclassified and presented.

The impacts of the accounting policy are as follows:

- (1) According to the New Financial Instruments Standards, except some particular circumstances, the Company made retrospectively adjustment for the classification and measurement of financial instruments (including impairment), the differences between the original carrying value of the financial instruments and the new carrying value of the financial instruments at the date of implementation of the New Financial Instruments Standards (i.e. 1 January 2018) was included in the undistributed profit as at the beginning of 2018. Meanwhile, no adjustment was made by the Company on figures of the comparative financial statements. The affected items and amounts were as follows:



*Unit: Yuan Currency: RMB*

Item in consolidated statements	Amount on 31 December 2017 before change in accounting policy	Reclassification influence under the New Financial Standards	Re-measurement according to the New Financial Standards	Amount on 1 January 2018 after change in accounting policy
Available-for-sale financial assets	5,615,186,206.42	-5,615,186,206.42		
Other equity instrument investment		1,069,368,926.24		1,069,368,926.24
Other non-current financial assets		4,545,817,280.18	121,766,694.14	4,667,583,974.32
Deferred income tax liabilities	819,890,250.18		18,265,004.12	838,155,254.30
Undistributed profit	10,759,826,667.48		103,501,690.02	10,863,328,357.50

*Unit: Yuan Currency: RMB*

Item in statements of the Parent	Amount on 31 December 2017 before change in accounting policy	Reclassification influence under the New Financial Standards	Re-measurement according to the New Financial Standards	Amount on 1 January 2018 after change in accounting policy
Held-to-maturity investments	3,570,000,000.00	-3,570,000,000.00		
Debt investment		3,570,000,000.00		3,570,000,000.00
Available-for-sale financial assets	4,508,143,155.13	-4,508,143,155.13		
Other equity instrument investment		1,069,368,926.24		1,069,368,926.24
Other non-current financial assets		3,438,774,228.89	121,766,694.14	3,560,540,923.03
Deferred income tax liabilities	129,813,694.46		18,265,004.12	148,078,698.58
Undistributed profit	5,734,671,029.25		103,501,690.02	5,838,172,719.27

- (2) According to the New Income Standard, the Company uses the transfer of control as the judgment standard of the time when the income is recognized, and recognizes income upon fulfillment of performance obligations under the contract, that is, when the customer obtains the control of the relevant goods or services. When certain conditions are met, they are subject to performance obligations within a certain period of time. Otherwise, they are subject to performance obligations at a certain point in time. For performance obligations performed during a certain period of time, the income shall be recognized in accordance with the progress of the performance during the period except that the progress of performance cannot be reasonably determined. For performance obligations performed at a certain point in time, the income is recognized when the customer obtains control of relevant goods. Contract assets or contract liabilities are presented in the balance sheet based on the relationship between performance obligations and customer payments.

After reviewing the source of income and the customer's contract process, the New Income Standard has no significant impact except for the presentation of the financial statements. According to the requirements of the standard, the Company only adjusts the cumulative impact of contracts that had not been completed on the first execution date.

*Unit: Yuan Currency: RMB*

Items in consolidated statements	Amount on 31 December 2017 before change in accounting policy	Reclassification influence under the New Financial Standards	Re-measurement according to the New Financial Standards	Amount on 1 January 2018 after change in accounting policy
Inventory	64,116,989,027.60	-17,114,136,192.01		47,002,852,835.59
Contract assets		17,114,136,192.01		17,114,136,192.01
Receipts in advance	10,011,743,718.84	-10,011,743,718.84		-
Contract liabilities		10,011,743,718.84		10,011,743,718.84

*Unit: Yuan Currency: RMB*

Item in statements of the Parent	Amount on 31 December 2017 before change in accounting policy	Reclassification influence under the New Financial Standards	Re-measurement according to the New Financial Standards	Amount on 1 January 2018 after change in accounting policy
Inventory	2,582,365,525.30	-147,066,064.79		2,435,299,460.51
Contract assets		147,066,064.79		147,066,064.79
Receipts in advance	575,344,298.28	-575,344,298.28		
Contract liabilities		575,344,298.28		575,344,298.28



- (3) According to the New Report Format Notice, the Company adopts the financial statement format that has implemented the New Financial Standards and New Income Standard.

*Unit: Yuan Currency: RMB*

Item in consolidated balance sheet	Amount before adjustment on 31 December 2017	Adjustment	Amount after adjustment on 31 December 2017
Bills receivables	2,708,466,221.80	-2,708,466,221.80	
Trade receivables	16,485,904,028.83	-16,485,904,028.83	
Bills receivables and Trade receivables		19,194,370,250.63	19,194,370,250.63
Dividend receivables	39,200,000.00	-39,200,000.00	-
Other receivables	11,640,434,166.47	39,200,000.00	11,679,634,166.47
Fixed assets	14,289,609,300.52	3,531,406.99	14,293,140,707.51
Liquidation of fixed assets	3,531,406.99	-3,531,406.99	
Bills payables	380,248,804.65	-380,248,804.65	
Trade payables	35,518,759,341.93	-35,518,759,341.93	
Bills payables and Trade payables		35,899,008,146.58	35,899,008,146.58
Interest payables	290,608,336.62	-290,608,336.62	
Dividend payables	255,764,884.60	-255,764,884.60	
Other payables	15,538,668,159.22	492,596,500.00	16,031,264,659.22

*Unit: Yuan Currency: RMB*

Item in consolidated balance sheet of the Parent	Amount before adjustment on 31 December 2017	Adjustment	Amount after adjustment on 31 December 2017
Bills receivables	36,600,000.00	-36,600,000.00	
Trade receivables	8,378,222,200.04	-8,378,222,200.04	
Bills receivables and Trade receivables		8,414,822,200.04	8,414,822,200.04
Fixed assets	343,058,332.08	320,815.46	343,379,147.54
Liquidation of fixed assets	320,815.46	-320,815.46	
Interest payables	257,870,666.67	-257,870,666.67	
Dividend payables	234,725,833.33	-234,725,833.33	
Other payables	15,538,668,159.22	492,596,500.00	16,031,264,659.22

*Unit: Yuan Currency: RMB*

Item in consolidated statement of profit	Amount before adjustment in 2017	Adjustment	Amount after adjustment in 2017
Management expenses	5,426,171,780.73	-1,597,450,002.07	3,828,721,778.66
R&D expenses		1,597,450,002.07	1,597,450,002.07
Other revenue	1,811,402,642.10	3,883,556.58	1,815,286,198.68
Non-operating income	255,005,613.57	-3,883,556.58	251,122,056.99

*Unit: Yuan Currency: RMB*

Item in statement of profit of the Parent	Amount before adjustment in 2017	Adjustment	Amount after adjustment in 2017
Management expenses	779,438,202.50	-322,990,754.79	456,447,447.71
R&D expenses		322,990,754.79	322,990,754.79
Other revenue	36,987.57	36,987.57	
Non-operating income	929,783.88	-36,987.57	892,796.31

**(V) Analysis and explanation of the reasons and impacts for the correction of significant accounting errors**

Applicable      Not Applicable

**(VI) Compared with the previous annual financial report, the Company should make a specific description for the changes in the scope of consolidated financial statements.**

Applicable      Not Applicable

## 1. Mergers between companies under non-common control in current period

Unit: Yuan Currency: RMB

Name of Acquiree	Date of Equity Acquisition	Acquisition Cost	Acquisition Ratio (%)	Acquisition Method	Acquisition Date	Basis for Determining the Acquisition Date	Revenue of the Acquiree from Acquisition Date to the end of the Reporting Period	Net Profit of the Acquiree from Acquisition Date to the end of the Reporting Period
San Noronso Water Supply System Co., Ltd.	23 May 2018	1,015,780,046.63	100.00	Equity transfer	23 May 2018	Obtain actual control	555,560,415.64	173,945,385.90
Gezhouba Water Affairs (Baoding) Co., Ltd.(葛洲壩水務(保定)有限公司)	1 July 2018	70,433,158.15	51.00	Capital increase acquisition	1 July 2018	Obtain actual control	42,544,333.38	8,341,982.36
Guazhou Lianyang New Energy Co., Ltd.(瓜州聯洋新能源有限責任公司)	2 August 2018	7,200,000.00	60.00	Capital increase acquisition	2 August 2018	Obtain actual control	6,454,549.39	-2,971,455.46
Hangzhou Huadian Huayuan Environment Engineering Co., Ltd.(杭州華電華源環境工程有限公司)	1 October 2018	161,142,352.68	40.00	Capital increase and equity transfer	1 October 2018	Refer to Note 1	260,430,468.09	18,951,443.47
Rizhao Sainuo Environmental Technology Co., Ltd.	1 July 2018	52,040,816.33	51.00	Capital increase acquisition	1 July 2018	Obtain actual control	191,517.24	37,791.03
Pengzhou Branch of China Gezhouba Group Explosive Stock Co., Ltd.	29 October 2018	170,883,400.00	100.00	Business combination	29 October 2018	Refer to Note 2	4,034,874.44	156,031.31

- Note:**
- The Company acquired Hangzhou Huadian Huayuan Environment Engineering Co., Ltd. (杭州華電華源環境工程有限公司) in September 2018 by increasing capital of RMB161,142,352.68, with a shareholding of 40%. According to the acting-in-concert agreement between the Company and the original shareholder Hangzhou Xiangyuan Asset Management Partnership (Limited Partnership)(杭州祥源資產管理合夥企業(有限合夥)) and Mayan, Hangzhou Xiangyuan Asset Management Partnership (Limited Partnership) and Mayan entrusted the Company to exercise their voting rights irrevocably. Therefore, the Company enjoys 51.83% of the voting rights of Hangzhou Huadian Huayuan Environmental Engineering Co., Ltd. The acquisition date is determined as 1 October 2018. The basis for determining the acquisition date: (1) the investment agreement and management agreement have been signed; (2) the consideration has been paid; (3) industrial and commercial registration of change is completed; (4) the transfer procedure is completed.
  - China Gezhouba Group Explosive Co., Ltd., a holding subsidiary of the Company, acquired operating assets, capacity and employees of Pengzhou Branch of Sichuan Tongda Chemical Co., Ltd. at the consideration of RMB170,883,400.00, constituting a business combination. The basis for determining the acquisition date: (1) the investment agreement and management agreement have been signed; (2) the consideration has been paid; (3) industrial and commercial registration of change is completed; (4) the transfer procedure is completed.

## 2. Disposal of subsidiaries

Unit: Yuan Currency: RMB

Name of Subsidiary	Equity disposal price	Proportion of equity disposal (%)	Equity disposal method	Time point of losing control right	Basis for determining the time point of losing right of control	The difference between the disposal price and the share of the subsidiary's net assets at the level of the consolidated financial statement corresponding to the disposal of the investment	Proportion of remaining stocks at the date of loss of control	The book value of the remaining equity at the date of loss of control
Gezhouba Weiye (Hubei) Insurance Brokerage Co., Ltd. (葛洲壩偉業(湖北)保險經紀有限公司)	13,669,750.00	55.00	Equity transfer	30 July 2018	Losing the right control of asset transfer	6,560,275.61		
Beijing East Greentown Real Estate Co., Ltd. (北京東部綠城置業有限公司)	45,261,700.00	51.00	Equity transfer	31 December 2018	Losing the right control of asset transfer	3,282,403.24		