

## Social Responsibility Report



Stock Code: 1829.HK



— CMEC MAKES —  
THE WORLD BETTER

## ABOUT THIS REPORT

### Reporting Period

January 1, 2016- December 31, 2016. This Report also includes additional content and information that pre-dates the stated reporting period.

### Reporting cycle

This Report is annually published and it is the fourth social responsibility report released by China Machinery Engineering Corporation.

### Reporting Scope

The whole body of China Machinery Engineering Corporation.

### Reference to China Machinery Engineering Corporation

In this report, "CMEC", "the Company", or "We" refer to China Machinery Engineering Corporation, and "SINOMACH" refers to its controlling shareholder China National Machinery Industry Corporation.

### Reporting Data Sources

All data in this Report is from CMEC's annual report 2016, work report and other official documents, with some historical data restated in compliance with accounting standards.

### Compilation Conformance

*Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities* by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC)

*Environmental, Social and Governance Reporting Guide* by Stock Exchange of Hong Kong

*Sustainability Reporting Guidelines (G4)* from Global Reporting Initiatives (GRI)

*ISO 26000: Guidance on Social Responsibility (2010)* by International Organization for Standardization

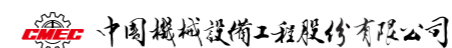
*Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR3.0)* by Chinese Academy of Social Sciences

*Guide on Social Responsibility for Chinese International Contracting Industry* by China International Contractors Association

### Access to This Report

This Report is prepared and released in Chinese and English versions and is available in paper and electronic formats. For any ambiguity between Chinese and English versions, the Chinese version shall prevail.

Please contact us if you need a paper version. You may visit our website to download the online version.



ADD: CMEC Building, No.178, Guang'anmenwai Street, Xicheng District, Beijing, China

Postcode: 100055

TEL: + 86-10-63312002

E-mail: csr@mail.cmec.com

Contact person: Wang Sudan, Social Responsibility Office

FAX: + 86-10-63268156

Website: www.cmec.com



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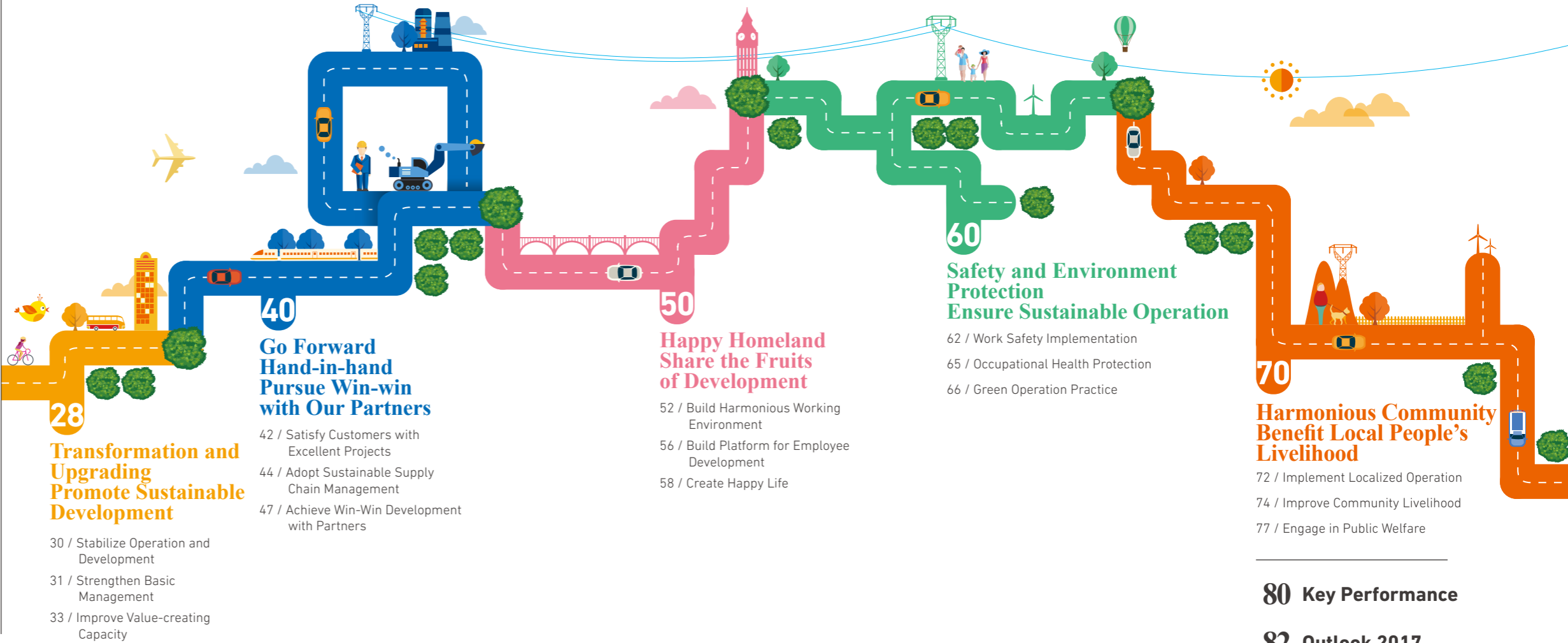
Ten Years' Hard Work Makes Competitive Products  
Responsibility Brings Glories

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## Q&amp;A WITH CHAIRMAN



Party Secretary  
Chairman

Q

In respond to China's Belt and Road Initiative, major Chinese central SOEs and state-owned enterprises have actively taken actions in strategic research and market planning. What actions did CMEC take in 2016 in this regard?

A

To actively implement the Belt and Road Initiative and other national strategies, CMEC has taken actions to sort out and promote a series of projects to the national "Belt and Road" project library. In order to adapt to the business status quo and promote the in-depth development and the leading role of the core market, CMEC adjusted the original core markets and added seven new core markets based on comprehensive research. In addition, CMEC strengthened efforts in developing the markets of the countries along the "Belt and Road". Echoing the Belt and Road Initiative, ten ASEAN members and four countries of South Asia will become our key markets for development. According to the arrangements, CMEC's departments have organized meetings on allocation of markets in ASEAN and South Asia and have formed a work plan on allocation for ASEAN and South Asia markets.

Q

Talents are the backbone of an enterprise. CMEC's achievements owe to the efforts of the excellent management team and employees. What constructive actions did CMEC take to build the team and how did CMEC make better use of the diverse talents?

A

In the past few years, we have made positive achievements in leadership. Internally, we have developed an outstanding leadership team with strong work ethics, broad international vision, forward-looking strategic mindset and pioneering spirit, and highly professional execution teams including project managers with strong market sense, excellent operations management skills, and outstanding execution ability. Externally, as a pioneer of SINOMACH and its rebranding strategy, we will further innovate the talent management system, promote the building of talent team, evaluate the talents according to the market evaluation criteria, and establish effective systems on talent recruitment, allocation, assessment, training, development and employee benefits, to create an optimal working environment and improve the structure of the talent team. Meanwhile, we will continue to optimize the incentive mechanism, further improve the performance based compensation system, and strive to form a structure of multi-tier corporate hierarchy and multiple business lines with think tanks, talent pool, and clear promotion & resignation channels, enabling the employees to share CMEC's development opportunities and grow with CMEC.

Q

Strategy is the soul and guideline for the development of an enterprise. The CMEC's Five-Year Strategic Plan will come to a close in 2017. What do you think CMEC will do to ensure the achievement of its strategic objective and formulate its strategic objective for the next period?

A

To better implement the 13th Five-Year Plan, CMEC's strategic plan of the next period will keep pace with the 13th Five-Year Plans of both China and SINOMACH, and align with the Belt and Road Initiative and the strategy of "rebuilding a new SINOMACH in overseas market", to ensure a more accurate strategic positioning, clearer objectives and more adequate measures, which will guide CMEC to advance in the right direction. We will not only firm our determination and confidence in the development of our nation and the Company but would also carefully evaluate risks. We will comprehensively analyze the difficulties and complexity, measure the risks, and consider all kinds of scenarios in advance to ensure CMEC's steady development. In addition, we will take the structure adjustment, mode transformation and innovation promotion as the core of the strategy to carry out the reform of the company. We will also firmly grasp the enterprise development elements, set priorities, break barriers, and constantly improve six management systems, regulations and policies to support our rapid development.

## Q&amp;A WITH PRESIDENT

Executive Director  
President

张 健

Q  
A

In 2016, the world economic recovery was difficult and the macro environment was still severe, however CMEC operated in good condition and got a steady rise in profitability. How do you evaluate CMEC's business performance over the past year?

In 2016, our employees united in a concerted effort to sustain high market performance and stable operations. In 2016, CMEC, in general, operated in good condition and got a steady rise in profitability. The 105 key tasks deployed in the work meeting were well completed. The repeated successes in the development of the engineering contracting business market were achieved; the project execution was overall good; the social benefits increased greatly; the sector management scheme was further carried out; the investment and financing models were continuously innovated; the trading and services business was actively developed; the size and profitability of the design and consulting business was significantly improved, and the scientific and technological innovation ability was further enhanced. In 2016, CMEC obtained hard-won good results and won a number of honors, including "SINOMACH Top Ten Contribution Enterprise Award", "Golden Bauhinia Awards – Award for the Listed Company with Best Brand Value" and "2016 Legal Team of the Year in the Category of Manufacturing & Engineering by In-House Community".

Q  
A

In 2016, CMEC proposed to build six management systems to enhance its corporate governance capacity and create its unique competitive advantages. How is CMEC's performance in this aspect?

The performance of the six management systems could be summarized as follows:

- Engineering contracting management system. We further implemented the policies, specified the procedures and improved the specialization of our management.
- Investment and financing management system. We strengthened our system for pre-investment and investment stage, built up overseas investment and financing platforms, and assigned investment and financing account managers to various business divisions and subsidiaries such as China National Electric Engineering Co., Ltd., and China National Complete Engineering Corporation.
- Financial management system. We carried out financial analysis on the impact of the exchange rate and established a database for the finance and tax agency in our core markets, including countries along the "Belt and Road" to optimize our corporate consolidated financial management system.
- Legal management system. We completed the legal risk analysis and due diligence of seven countries including Indonesia and Sri Lanka, drafted the templates of seven investment agreements including the Shareholders Agreement, and built up a talent pool of lawyers for the core markets and other important markets.
- Social responsibility management system. We carried out practices and strengthened communication in this regard. Social responsibility is further integrated into our daily business operation and thus earned compliments from external stakeholders.
- Corporate culture management system. We promoted the "diversity, tolerance and innovation" corporate culture through different channels, revised the Brand VI Manual, and successfully held the Thai brand exhibition to effectively improve the brand value.

Q  
A

What do you think might be the challenges for CMEC in 2017? what plans have been laid out by the Company?

Currently, we are facing six major issues and challenges: First, the contracting business outshines others and other business need improvement in quality and efficiency. Second, we need to consider the following questions for our business: how to further promote the regionalization and localization of the engineering contracting sector? How to consolidate the trading and services business modes to achieve the expected benefit? How to develop more business in investment and financing? and how to further clarify the direction for development of designing and consulting business. Third, we need to strive for the balance between risk control and efficiency as well as the balance between dynamics and order in the management improvement process. Fourth, we need to further enhance the role of innovation in our business development. Fifth, we need to strengthen the collaboration among the sectors. Sixth, talent shortage is a problem to be solved. In 2017, we will further strengthen our guidance and support for the business, fully utilize our function of strategic control, investment and financing decision-making and resource allocation, support the sustainable development of core business and provide adequate resources and development space for emerging business. We will further improve the management level, consolidate the management foundation, enhance the delicacy management ability, and optimize crucial management functions, so as to lay a solid foundation for the specialization of diversified business management and the differentiation of industrial chain management capacities.

FEATURE  
ON  
RESPONSIBILITY

**10 Years'**  
**HARD WORK MAKES**  
**COMPETITIVE PRODUCTS**  
**RESPONSIBILITY**  
**BRINGS GLORIES**

# PUTTALAM Coal-fired Power Plant

lights up thousands of families in Sri Lanka

**CMEC Puttalam 3x300MW Coal-fired Power Plant in Sri Lanka is the largest government construction project since the founding of Sri Lanka and also the largest project of economic and trading cooperation between China and Sri Lanka.**

As an important landmark project for "Belt and Road" in the countries along the routes, Puttalam Coal-fired Power Plant plays a very important role in Sri Lanka's electricity supply. It supplies nearly half of Sri Lanka's electricity and reduces Sri Lanka's electricity price by 25%. It has been ten years since the commencement of the Puttalam Coal-fired Power Plant project. Ten years of hard work makes the power plant well-known to every household. Honored as Sri Lanka's "Three Gorges Project" and the "Light of Victoria" by local people, Puttalam Coal-fired Power Plant has been printed in Sri Lanka's 100-rupee banknote and forms a beautiful scene of Sri Lanka.



100-rupee banknote with the panoramic view of Puttalam Coal-fired Power Plant

## Achieve Excellent Management

As the Puttalam Coal-fired Power Plant project involves the power station, dock, power-transmission line, transformer substation and many other areas, CMEC stood up to the pressure and made continuous explorations in the construction, management and operation process. In the management practice, CMEC created a professional project management system, adopted standardized management, developed scientific management mechanisms, strengthened the party building and established a high-quality project team; we emphasized the people-oriented thought and shaped the first-class project culture; we took the perspective of others and created a harmonious and safe external work atmosphere; we insisted on refinement process management in the implementation of the project and achieved remarkable results. In 2012, the CPMAA Assessment Committee, after assessing the management practice of the Puttalam Coal-fired Power Plant project, granted the "China Project Management Achievement Award - Excellent Project Management Practice Award" to the first-phase work of Puttalam Coal-fired Power Plant. In 2013, the first-phase project won the "Bronze Winner of the IPMA International Project Excellence Award" in the 27th IPMA World Congress held in Croatia.

## Build Eco-friendly Projects to Strengthen Ecological Protection

Since the commencement of the Puttalam Coal-fired Power Plant project, we have established the purpose of harmonious coexistence of the power plant and the local natural and human environment. In the project implementation, to meet the index of good performance on environmental protection, we always adhered to the guidelines for energy conservation and emission reduction: First, optimize designs and save resources; second, establish various systems, reduce environmental pollution, and save electricity in production and living; third, strengthen publicity and management, and improve the employees' awareness of energy saving, emission reduction and environmental protection. Sri Lanka is a country with rich tourism and fishery resources. In order to protect the marine biodiversity and marine resources, we adopted the seawater desulphurization technology in the Puttalam Coal-fired Power Plant project, invited the experts of Israeli ITA to assess the equipment and system operation. We also took ongoing supervision and detection means to ensure that the temperature of the water discharged into the sea was below 7°C to reduce the thermal pollution to the surrounding waters and to monitor the discharge of industrial wastewater and domestic sewage, so as to minimize the pollution of the marine environment.



Puttalam 300MW Coal-fired Power Plant Project in Sri Lanka

# FEATURES



the electricity price of Sri Lanka fell by

25% /

more than

1,000 /

local persons employed

## Reliable Quality Power Provided to the Local Residents

After the completion of Puttalam Coal-fired Power Plant, the power shortage and interruption situation was significantly reduced. The average daily power interruption time was up to eight hours before 2011 but was less than one hour after 2014. Nowadays, the power interruption is gradually shortening. The power generation cost of Puttalam Coal-fired Power Plant is only eight rupees, making it possible to reduce the high electricity bill. At the opening ceremony of the Power Plant, Mahinda Rajapaksa, then-president of Sri Lanka, immediately announced to reduce the national electricity price by 25%, and reduce the price of kerosene, oil and diesel by 20 rupees, 5 rupees and 3 rupees, respectively. The problem of "difficult and expensive for local residents and enterprises to use electricity" has been solved and the cost of residential electricity consumption has been significantly reduced. More than 20 million Sri Lankan people are benefited. As the local living standard is generally underdeveloped, Puttalam Coal-fired Power Plant has saved a huge amount of expenditures for Sri Lanka, which is struggling for recovery after the war, and has benefited the people with the increased per capita household electricity consumption and electricity coverage, as well as lower generation cost and electricity price.

## PUTTALAM

## Promote the Local Employment and Enhance the Local's Skills

In the construction peak period of the Puttalam Coal-fired Power Plant, CMEC employed more than 1,000 locals and trained a variety of skilled workers. As Puttalam Coal-fired Power Plant is Sri Lanka's first coal-fired power plant, technical workers and post-stage operation talents were severely short in Sri Lanka, so CMEC kept providing trainings on management and operation of the power plant for the locals in the construction process. Moreover, CMEC signed a long-term operation and maintenance guidance agreement with the proprietors to train Sri Lankan technical workers and to ensure the proprietors could master the power plant management and operation technologies. So far, CMEC has helped more than 70 Sri Lankan receive the ten-week systematic training in China to study theoretical knowledge, practice in power plants and visit equipment manufacturers, etc.



The Chinese and Sri Lankan engineering and technical personnel communicate and exchange on business in the control room of the power plant.



Local residents working in Puttalam Coal-fired Power Plant.

## Fulfill the Responsibility of a Global Corporate Citizen to Promote the Development and Prosperity of the Community

For a long time, CMEC has always paid close attention to the social development of Sri Lanka, strictly abided by the local laws and regulations, respected the local people's religious beliefs and traditional customs and strengthened mutual communication and exchanges. We actively fulfilled our social responsibility by subsidizing the construction of Buddhist temples, helping local people respond to unexpected disasters and improving the local education conditions and medical and sanitation facilities ect., with the total spending of about RMB 3 million. We treat local people with all sincerity, and have a harmonious relationship with local people, striving for the affective commitment and value cognition.

We fully adopted the Chinese standards in the Puttalam Coal-fired Power Plant project, which helped the Chinese standards go abroad, directly led to the export of nearly 1,000 kinds of products from more than 300 Chinese equipment manufacturers and got more than 2,000 Chinese construction workers and engineering and technical personnel involved in the construction of an international project. The project construction, as a basis and platform, promoted the employment and export of Chinese labor. We helped Puttalam Coal-fired Power Plant develop from nothing by providing supports from infrastructure construction, high-end sets of equipment, cultivation of equipment operating capacity to the follow-up technical support, giving wings to China's high-end manufacturing industry to go abroad. The cultural exchanges and economic and trading development between China and Sri Lanka were promoted and the win-win economic and trading cooperation between China and Sri Lanka has been achieved.

## Company Profile

Formerly known as China National Machinery Import & Export Corporation founded in 1978, CMEC was successfully listed in Hong Kong in 2012. The core business of CMEC is engineering contracting, but as a large international conglomerate controlled by SINOMACH, it also extends its business into trade, investment, R&D and international services.

With more than 30 years of experience in the engineering industry, CMEC has strong ability in providing one-stop customized engineering solutions involving project pre-planning, EPC, financing, operation and maintenance. Presenting in more than 48 countries and regions in Asia, Africa, Europe, South America, etc., CMEC has established an engineering contracting business system centered on power energy and supported by transportation, telecommunication, water engineering, building materials, cement, etc.

In February 1983, CMEC Guddu 210MW Thermal Power Plant project in Pakistan created a precedent for Chinese enterprises to undertake international projects by export of seller's credit. In the 21st century, CMEC's 600MW supercritical coal-fired power unit stepped into the international market for the first time. In December 2012, CMEC's project of EREN (1+1)×600MW Supercritical Coal-fired Power Plant in Turkey won China's Luban Prize for Construction Project, which made it the first coal-fired power plant winning the Luban Prize since the setting-up of Luban Prize (for overseas projects). In November 2015, CMEC's project of Berezovskaya of Power Plant in Belarus also won China's Luban Prize for overseas projects. Completed in 2010, Congo (Brazzaville) Imboulou 4×30MW Hydropower Station was known as the "Three Gorges Project" of Congo (Brazzaville). Pakistan Thar Coal-electric Project was started in April 2016, which is the first coal-electricity integration project along the China-Pakistan Economic Corridor and also the first overseas power project supported by CMEC's investment-driven business development strategy.

In the international trading field, CMEC serves as the window of China mechanical and electrical industry to the outside world and has made great achievements. Owing to its high-end casting and forging products, CMEC has become a core supplier to GE, Caterpillar, Liebherr and other world-class enterprises. As a comprehensive electrical service solutions provider, CMEC worked as a partner in Beijing Olympic Games, CCTV new site, the Shanghai World Expo and other famous projects. The new energy projects actively promoted by the distributed photovoltaic power plant has already possessed the capacity to provide customers with one-stop system services.

CMEC is able to offer customers door-to-door customized logistics solutions and all-process logistics services applicable to all kinds of engineering projects. So far, it has provided "tailored" logistics services for more than 100 overseas EPC projects, making it rank towards the top in China's international engineering logistics field. Through the exhibition business, CMEC has led Chinese foreign trading enterprises and manufacturers to travel through over 100 countries and regions around the world. CMEC has held or participated in more than 1,000 world famous exhibitions (expositions) and covered more than 30 sub-sectors in the industrial sector. As a leader in exhibition business scale in China, CMEC has also become a developer of standards for overseas exhibition business and the first exhibition business brand of China.

CMEC has established sound management systems on quality, environment, occupation health and safety to ensure the high quality products and services. After years of innovation and development, CMEC has become an internationally renowned brand, with its business covering more than 150 countries and regions around the world. As China's first-class and the world's famous international engineering contractor and service provider, CMEC adopts the corporate philosophy of "Make Wish come true". In order to help the people around the world live happier, CMEC promises to continue to provide high value-added and high-quality services and constantly devote itself to mutual benefit, joint development and harmonious progress to contribute to a better world!

## Development Strategy

### Corporate Vision

To be the world leading international engineering contractor and service provider

### Strategic Goal

To ensure the stability of the overall business scale and profitability, to strengthen the integration and upgrading of all sectors, and to actively explore and nurture new business and development modes to form a business platform; to strengthen the industrial core competence through internal and external collaboration and seek the incorporation of more quality enterprise resources at home and abroad, and to establish an internal key management system step by step to lay the foundation for the long-term building of an international business platform and the achievement of rapid and high-quality business development.

### Business Structure

To establish a cooperative multi-service platform, with Engineering Contracting as the pivot, Trade and Services, Investment as the business to drive transformation and upgrading, and Design and Consulting, CMEC Properties, and Regional/Agricultural Comprehensive development as innovative business.

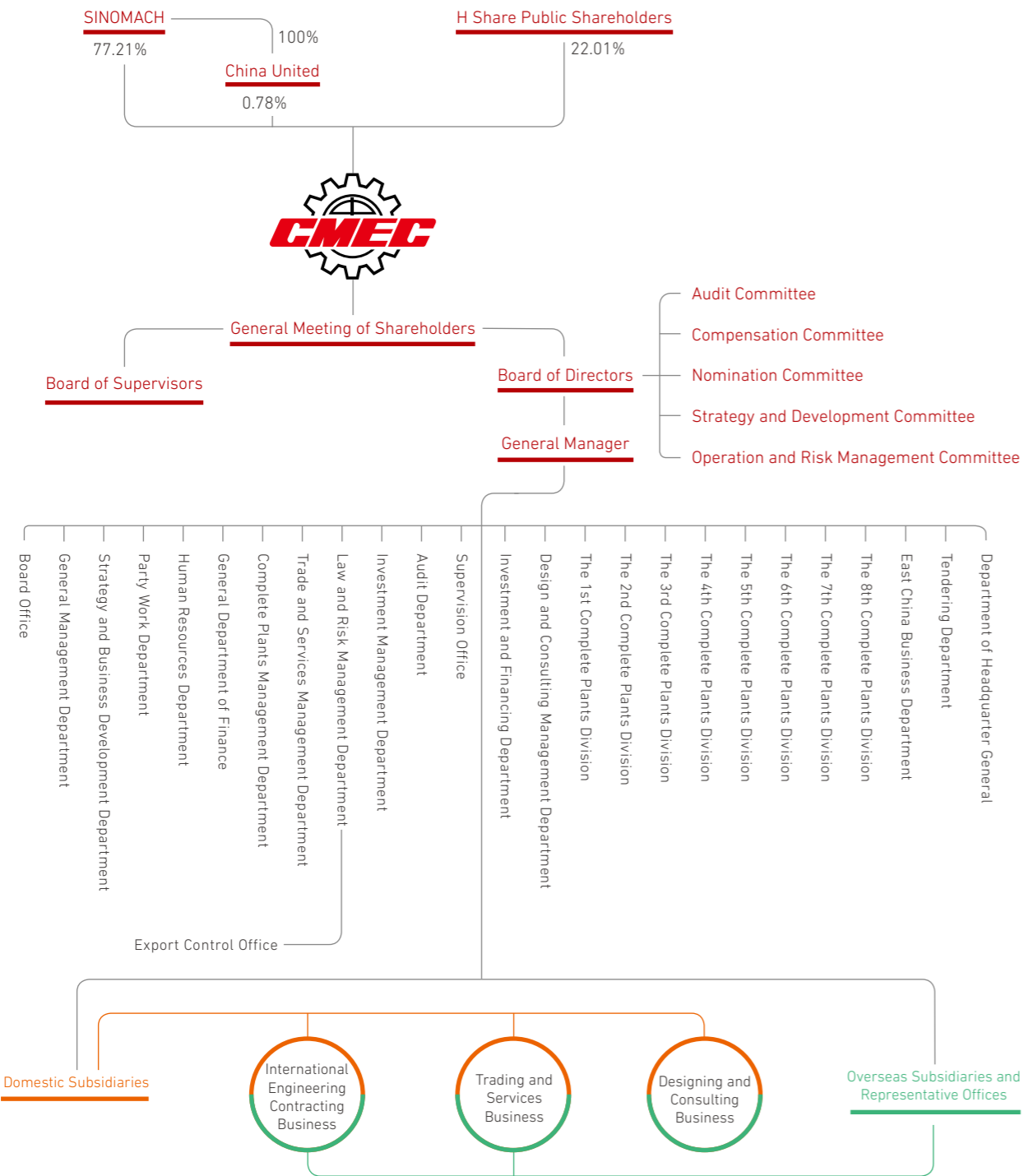
### Core Competitiveness

- Market development
- Management innovation
- Multi-service collaboration
- Industry chain integration

### Supporting Systems

- To establish a management and controlling mode to satisfy the need of "multi-level, diversified and innovative" business development
- To establish an "internationalized, diversified and professional" talent team and talent building and reserve mechanism
- To establish a risk management system to meet the challenges of "diversified and international" business development
- To establish an information system to strengthen multi-service management and international operation management
- To deepen the corporate brand core, and strengthen the construction of corporate culture through system construction and culture promotion

## Corporate Structure



## Corporate Governance

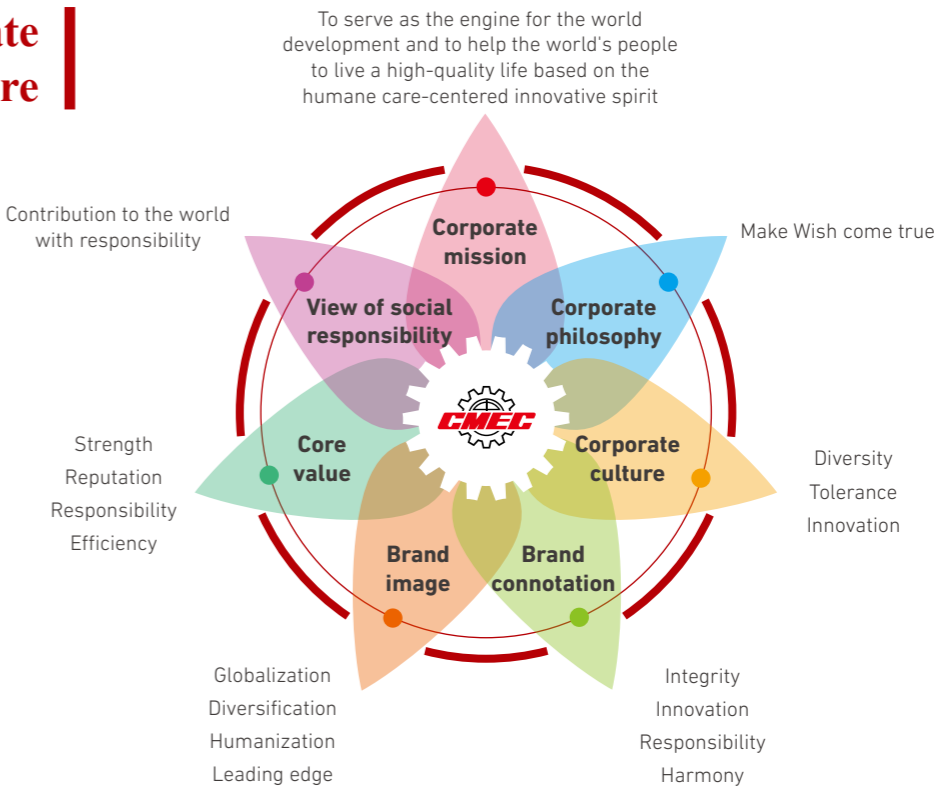
In strict accordance with the *Company Law of the People's Republic of China* and other relevant national laws as well as the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong*, CMEC continues to improve the corporate governance mechanism and optimize the corporate governance structure to form a normal and rational governance framework featuring clearly specified powers and responsibilities among the Shareholders' Meeting, Board of Directors, Board of Supervisors, all professional committees and management. CMEC operates in a normative, harmonious and efficient way in accordance with clear debate rules and working procedures to promote the Company's sustainable and steady development and earnestly safeguard the legitimate rights and interests of investors.

CMEC also improves the management system of Board of Directors, standardizes the construction of Board of Directors, and clarifies the decision-making boundaries and procedures to ensure the legal, compliant and efficient operation of the Company in strict accordance with the *Company Law of the People's Republic of China* and other relevant national laws. The Company's Board of Directors is composed of two executive directors, three non-executive directors and four independent non-executive directors, including Chairman and Executive Director Sun Bai, President and Executive Director Zhang Chun, Non-executive Directors Wang Zhian, Yu Benli and Zhang Fusheng, and Independent Non-executive Directors Liu Li, Liu Hongyu, Fang Yongzhong and Wu Delong. The Board of Supervisors is composed of three members, including Chairman Quan Huaqiang, Supervisor Qian Xiangdong and Employee Representative Supervisor Bai Ming.

Based on its operation and business characteristics, CMEC further deepens and perfects the specialized construction of board system, increases the general mandates and enhances the control efforts, continuously improving the normalization and effectiveness of the Board of Directors operation. In 2016, CMEC held 4 shareholders' meetings, 2 Board of Supervisors meetings, 13 Board of Directors meetings, and 12 specialized committee meetings of the Board of Directors, totally approving 33 general mandate proposals.

CMEC attaches importance to investor relation and market value management and continuously optimizes the information disclosure mechanism. We released 42 announcements in time, participated in 5 large investor summits, and nearly 200 times communication with investors. The efforts have effectively enhanced the interaction with capital market, inspired the investors' confidence, enhanced the brand awareness and ensured the stable market value of the Company.

## Corporate Culture



Business Layout

CMEC boasts 47 subsidiaries both at home and abroad, with diversified businesses covering multiple modern international service industries, including engineering contracting, import and export trading, engineering design, international bidding, international exhibitions, international logistics and property management.

CMEC's Global Business Layout

26 Domestic Subsidiaries

- CMEC Engineering Machinery Import & Export Co., Ltd.
- CMEC International Engineering Co., Ltd.
- China National Machinery & and Equipment Import & Export (Fujian) Co., Ltd.
- Shanghai International Transportation Co., Ltd.
- China National Machinery & Equipment Import & Export (Suzhou) Co., Ltd.
- China Machinery International Engineering Design & Research Institute Co., Ltd.
- China Machinery and Equipment International Tendering Co., Ltd.
- China Machinery Industrial Products Co., Ltd.
- CMEC Machinery & Electric Equipment Import & Export Co., Ltd.
- CMEC International Trading Co., Ltd.
- China National Complete Engineering Corporation
- China JIkan Research Institute of Engineering Investigations and Design Co., Ltd.
- China Power Construction Engineering Consulting Central Southern Corporation
- China Machinery Engineering Henan Co., Ltd.
- Shenzhen CMEC Industry Corporation Limited
- Shanghai Zhong Jing Import & Export Corporation
- CMEC Beijing Property Development Co., Ltd.
- CMEC Comtrans International Co., Ltd.
- CMEC International Exhibition Co., Ltd.
- China-East Resources Import & Export Co., Ltd.
- CMEC General Machinery Import & Export Co., Ltd.
- China National Machinery & Equipment Import & Export (Hubei) Co., Ltd.
- China Machinery Engineering Wuxi Co., Ltd.
- CMEC Petrochemical-General Machinery Co., Ltd.
- CMEC (Beijing) International Economic & Legal Advisors Inc.
- China Machinery Engineering Yinchuan Free Trade Zone Co., Ltd.



21 Overseas Subsidiaries

- China Machinery & Equipment (HK) Company Limited (Hong Kong)
- China Everbest Development International Limited (Hong Kong)
- CMEC Nigeria Development Limited (Nigeria)
- CMEC Senegal S.A. (Senegal)
- Ausino Pty. Ltd. (Australia)
- Euro M.E.C. Import & Export GmbH (Germany)
- CMEC Enmei Co., Ltd. (Japan)
- CMEC Japan Co., Ltd. (Japan)
- Sino American Machinery Corporation (Delaware, USA)
- CMEC Mexico Engineering S. DE R.L.DE C.V. (Mexico)
- CMEC LanKa (Private) Limited (Sri Lanka)
- CMEC Middle East FZE (United Arab Emirates)
- China Machinery Engineering Corporation (PNG) Limited (Papua New Guinea)
- Sinland Development PTE, Ltd. (Singapore)
- China Machinery Engineering Corporation Namibia (Proprietary) Limited (Namibia)
- China Machinery Engineering Argentina S.A. (Argentina)
- CMEC Engineering C.A. (Venezuela)
- CMEC Zambia Development Limited (Zambia)
- CMEC Engineering XXK (Mongolia)
- CMEC Africa Development Limited (Kenya)
- Maldives Renewable Energy Company Limited (Hong Kong)



- ★ Headquarters
- 📍 Domestic Subsidiaries
- Market Distribution

Subsidiaries

Business interests cover more than

47 / 150

countries and regions in the world

# Social Organizations Joined

CMEC has never confined its objective to pursuing its own development, and also attaches great importance to playing the leading role in the industry and actively strengthens communications with industry associations and peer companies, so as to make contributions to the healthy and sustainable development of international contracting project and service industry.

Vice President Company

China Chamber of Commerce for Import and Export of Machinery and Electronic Products

Vice Chairman Company

The Shanghai Cooperation Organization China Business Council

Standing Director Member

China International Contractors Association

Standing Director Member

China Tendering & Bidding Association

Standing Director Member

China Engineering & Consulting Association

Council Member

China Association for Quality

Council Member

China Electrotechnical Society

Council Member

the Chinese-African People's Friendship Association

Member

China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters

Member

China Construction Industry Association

Member

China Association of Construction Enterprise Management

Member

China Chamber of International Commerce

Member

Foreign Affairs Council of China Engineering Cost Association

# Awards and Honors

2015 Outstanding Enterprise for Safety Production  
2015 Advanced Unit  
2015 Business Collaboration Contribution Award  
2015 Quality Award  
Awarded by SINOMACH

The Most Influential Enterprise of Alibaba Group Import Sources in 2015  
Awarded by Alibaba Group

The Trade Union of China JiKan Research Institute of Engineering Investigations and Design Co., Ltd. won the "National Model Home" title in 2015.  
Awarded by All-China Federation of Trade Unions

The de-gating hammer jointly developed China Machinery Industrial Products Co., Ltd. and Jinan Foundry and Metalforming Machinery Research Institute Co., Ltd. won the "Prize of Innovative Foundry Equipment".  
Awarded by China Foundry Association

GoldenBee • Good Overseas CSR Practice  
Awarded by China WTO Tribune

2016 Legal Team of the Year in the Category of Manufacturing & Engineering  
Awarded by In-House Community

CMEC International Exhibition Co., Ltd. won China Eurasia Expo Special Contribution Award.  
Awarded by China Eurasia Expo

China Machinery International Engineering Design & Research Institute Co., Ltd. won the "Residential Building BIM Application Award" and "Integrated Municipal Excellent BIM Application Award" in the BIM design competition "Innovation Cup".  
Awarded by China Engineering & Consulting Association

CMEC and Chairman Sun Bai respectively won "Award for the Listed Company with Best Brand Value" and "Award for the Most Influential Leader of Listed Companies" of 2016 China Securities Golden Bauhinia Awards.  
Awarded by Ta Kung Pao

GoldenBee Excellent CSR Report 2016 • Overseas CSR Disclosure Award  
Awarded by China WTO Tribune

"Best China Overseas Project Award", "Theme Class - Harmony and Prosperity Excellence Award", "Theme Class - Green and Nature Third Prize" and "Most Popular Award".  
Awarded by China International Contractors Association

Jan. 2016

Apr. 2016

May. 2016

Jun. 2016

Sep. 2016

Oct. 2016

Nov. 2016

Dec. 2016

# RESPONSIBILITY MANAGEMENT

As a leading enterprise in the international engineering contracting industry, CMEC has always fulfilled its corporate social responsibility and enhanced the CSR work, aiming to be a CSR practitioner, promoter and leader. In addition to the social responsibility management system composed of the social responsibility theory system, the social responsibility organization system, the social responsibility practice system, the social responsibility communication system and the social responsibility evaluation system, CMEC has integrated the concept of social responsibility into all aspects of corporate business operations and functional management, laying a solid foundation for its sustainable development.

## Social Responsibility Management Model

Based on sustainable development, as well as industry characteristics, its own advantages and responsibility practice, CMEC sets the comprehensive value creation as the primary goal of corporate operation and development, centers on the correct concept of justice, and provides approaches and innovative solutions for the Company to fully integrate social responsibility into its strategy, management and operation. The Company strives to achieve common development and harmonious win-win cooperation with all stakeholders, and enables the projects to promote economic development, environmental protection and harmonious community relations.



## Social Responsibility Organizational System

CMEC has established Social Responsibility Committee with its Chairman as the director, President as the executive director, General Managers of functional departments and business divisions as the committee members, to plan and coordinate the Company's overall social responsibility work. Under the Committee, there is a Social Responsibility Office in the Department of Strategy and Business Development that implements its policies and performs daily work. Functional departments and business divisions have also appointed social work liaison officers to carry out social responsibility work and other related tasks to jointly promote the integration of social responsibility into corporate daily management.



## Social Responsibility Work Promotion

CMEC attaches great importance to the capacity building of social responsibility, continuously strengthens communication with stakeholders, actively participates in exchanges and cooperation between industry associations, peer companies and professional organizations, with an aim to enhance the awareness and ability of social responsibility managers and practitioners, deepen social responsibility management, and finally contribute to a solid foundation for corporate development. In the process of going global, CMEC actively explores ways for overseas corporate social responsibility practice, and has been one of the outstanding Chinese enterprises in CSR fulfillment overseas. In 2016, CMEC's CSR practices were included in the *2015 GoldenBee Competitive CSR Practice*. By the end of 2016, CMEC had investigated and interviewed a total of 26 enterprises, and had attended 30 large-scale social responsibility seminars and exchanges including various domestic and international social responsibility international forums and international summits.

26

enterprises investigated and interviewed

30

large-scale social responsibility seminars and exchanges attended, including various domestic and international social responsibility international forums and summits

August 22, 2016

CMEC attended "Light up the Future - 2016 China Summit On Achieving SDGs" to learn experience of achieving sustainable development from pioneer enterprises and identify the opportunities that these goals can bring.

October 30, 2016

CMEC attended The First China 100 CSR Forum and Press Conference for the Blue Book of Corporate Social Responsibility 2016. Through discussions on the driving force and direction of CSR development in China, CMEC thought about its own CSR plan.



May 3 - 6, 2016

CMEC attended the 17th Sino-Swedish CSR Workshop to enhance professional skills of employees working exclusively on social responsibilities. This had paved the road for CMEC to further its work on social responsibilities.



June 16, 2016

CMEC attended the "1st Forum on Belt and Road Sustainable Development and Responsible Investment", discussing and learning how to perform social responsibilities in "Belt and Road" countries, invest in a responsible way, and facilitate regional sustainable development.

LIABILITY MANAGEMENT



October 2, 2016

CMEC attended the promoting activity of the 2015 Report on the Sustainable Development of Chinese Enterprises Overseas at the United Nations Headquarters and delivered a speech as a representative. During the activity, CMEC showed its ability of overseas sustainable development and its fulfillment of the social responsibilities to the participants, so as to further increase CMEC's brand awareness and influence.

September 7 - 11, 2016

CMEC attended the Seminar on Sino-Swedish Corporate Social Responsibility Development in Sweden, learning the experience and best practices from developed countries. Meanwhile, this has served as publicity and research to increase CMEC's international competitiveness and the ability of sustainable development.





October 25, 2016

CMEC attended "Innovation • Connectivity • Win-Win Global Sustainable Infrastructure and Connectivity Summit" to learn the path for sustainable infrastructure development and shed a light on CMEC's overseas projects.

LIABILITY MANAGEMENT



August 16, 2016

CMEC attended the 2016 Canon (China) Corporate Social Responsibility Work Communication Conference, where it learned Canon's social responsibility practice and offered suggestions on how to keep social responsibility reports in a sustainable pattern.

November 22, 2016

CMEC attended the GRI Regional Hub China Annual Reporters Meeting in Beijing held in the Dutch Embassy, trying to catch up with the latest development of sustainability, learn relative experience and insights from pioneer organizations, and participate in the discussion on "showing the organizations' progress on sustainable development through GRI Meeting".



November 3, 2016

CMEC attended the 2nd HNA CSR Forum, including learning one social responsibility report and two versions of reporting ideas from HNA. Additionally, it also talked about the way to increase the sustainability for big international companies, so as to promote global sustainable development, bring benefits to the people, and safeguard the peace of the world.

June 7, 2016

CMEC attended the Award Ceremony of "the 11th International CSR Forum" to learn new topics, development and trends of CSR, and was granted the "GoldenBee • Good Overseas CSR Practice" on the strength of the Berezovskaya 427MW Combined Plant Extention Project, Belarus. In the process of "Going Global", CMEC has actively looked for the way to practice social responsibilities for overseas companies and has become one of outstanding companies that assume social responsibilities overseas. In addition, CMEC's practice was written in the 2015 GoldenBee Competitive CSR Practice.



June 28 – December 8, 2016

CMEC attended the Beauty of Chinese Enterprises Abroad - Images of Chinese CSR Along the "Belt and Road" activity held by the China Overseas Engineering Contractors Association. By the use of videos and pictures that illustrated its hard work on operation overseas and the fruits from the idea of win-win cooperation, CMEC won the "Best China Overseas Project Award", "Theme Class - Harmony and Prosperity Excellence Award", "Theme Class - Green and Nature Third Prize" and "Most Popular Award".



December 3, 2016

CMEC attended the GoldenBee 9th International Conference on CSR Reporting in China, learning the latest trend of global social responsibility report, the way to negotiate responsibilities among companies and the value of CSR report. CMEC talked about topics such as China's overseas companies' ability of disclosing responsibility information as well as mass publicity. It won the "GoldenBee Excellent CSR Report 2016 – Overseas CSR Disclosure Award" and set an example for China's international contracting industry.

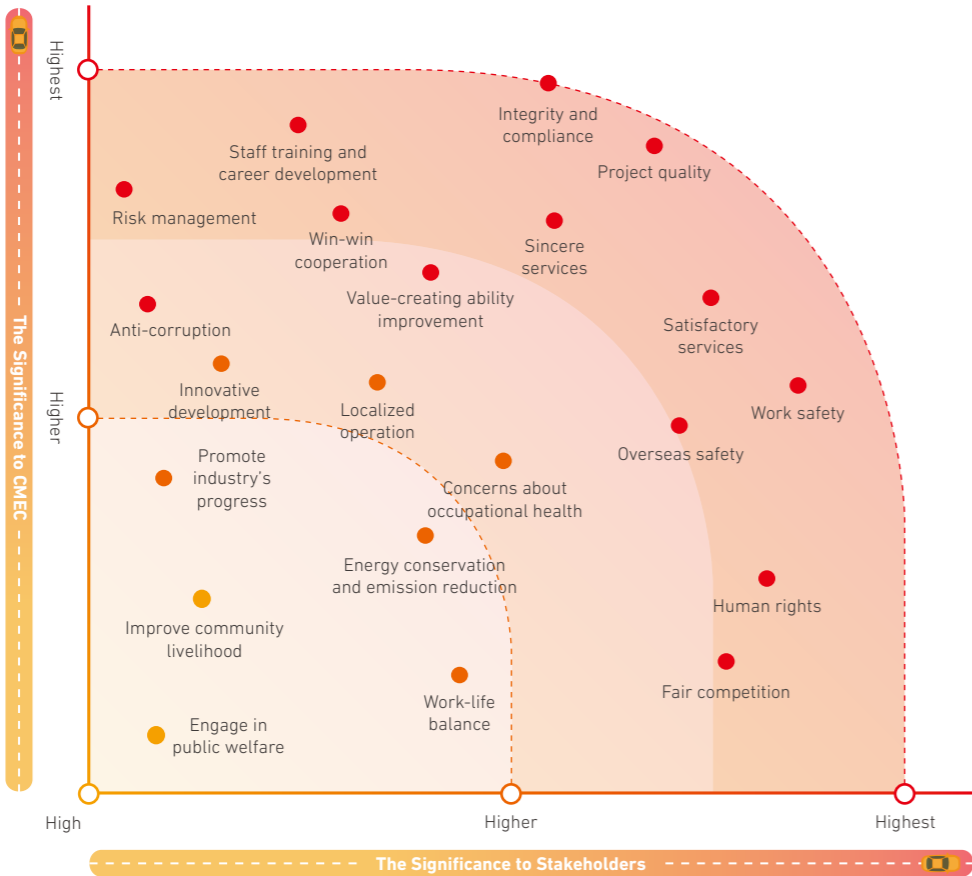
LIABILITY MANAGEMENT

# Stakeholders Management

Based on a comprehensive understanding of the stakeholder appeals, CMEC closely combines the Company's long-term development strategy with the current operation management, explores and discusses material topics related to corporate development at global and local levels, and sorts out information from various stakeholders. By benchmarking the social responsibility standards at home and abroad, the Company identifies the material topics of corporate social responsibility dynamically, providing reference for the realization of sustainable development.

## Identification and Analysis of Social Responsibility Material Topics

Issues Identification	<ul style="list-style-type: none"> <li>Review domestic and international development environment</li> <li>Social responsibility standards</li> <li>Conduct surveys on internal and external stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Hold seminars for stakeholders</li> <li>Refer to social responsibility standards including ISO 26000, G4, CASS-3.0, ESG, GB/T 36001 and others</li> </ul>
Issues Prioritization	<ul style="list-style-type: none"> <li>Issues affecting corporate sustainable development</li> <li>Issues that are highly concerned by stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Issues addressed strategically by the Company</li> <li>Issues stressed during overseas operations</li> </ul>
Examination and Confirmation	<ul style="list-style-type: none"> <li>Preliminary approval by Social Responsibility Reporting Group</li> <li>Review by Social Responsibility Working Group</li> <li>Examination and confirmation of the disclosed issues and priorities by Social Responsibility Committee</li> </ul>	



## Stakeholder Communication and Engagement

Expectation and demands	Stakeholders	Communication approaches
<ul style="list-style-type: none"> <li>Profits and returns</li> <li>Satisfied market values</li> <li>Protection of rights and interests</li> <li>Know about corporate operations</li> </ul>	Shareholders and investors	<ul style="list-style-type: none"> <li>Continuously improving the profitability</li> <li>Disclosing information timely</li> <li>Abiding by the market rules</li> </ul>
<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Paying taxes according to law</li> <li>Local employment</li> <li>Local economic and social development</li> </ul>	Governments	<ul style="list-style-type: none"> <li>Accepting the guidance and supervision</li> <li>Carrying out communication activities</li> <li>Compliance management</li> <li>Paying taxes actively</li> <li>Providing employment opportunities</li> </ul>
<ul style="list-style-type: none"> <li>Integrity compliance</li> <li>Information transparency</li> <li>High quality products</li> <li>High quality services</li> </ul>	Customers	<ul style="list-style-type: none"> <li>Contract execution</li> <li>Demand investigation</li> <li>Daily communication</li> <li>Suggestions and feedback</li> </ul>
<ul style="list-style-type: none"> <li>Common development</li> <li>Resource sharing</li> <li>Responsible procurement</li> <li>Paying as agreed</li> </ul>	Partners	<ul style="list-style-type: none"> <li>Agreement execution</li> <li>Suggestions and support</li> <li>High-level visits</li> <li>Disclosure of procurement information</li> <li>Regular meetings</li> <li>Negotiation and communication</li> <li>Multi-channel cooperation and research</li> </ul>
<ul style="list-style-type: none"> <li>Common growth</li> <li>Wages and welfare guarantee</li> <li>Health and safety</li> <li>Humanistic concern</li> </ul>	Employees	<ul style="list-style-type: none"> <li>Protection of rights and interests</li> <li>Democratic communication</li> <li>Education and training</li> <li>Labor protection</li> <li>Work-life balance</li> </ul>
<ul style="list-style-type: none"> <li>Energy conservation and emission reduction</li> <li>Resources conservation</li> <li>Clean energy</li> <li>Ecological protection and restoration</li> </ul>	Environment	<ul style="list-style-type: none"> <li>Green design</li> <li>Green construction</li> <li>Development of new energy industry</li> <li>Green office</li> </ul>
<ul style="list-style-type: none"> <li>Industrial development</li> <li>Mutual benefit and win-win result</li> </ul>	Industries	<ul style="list-style-type: none"> <li>Carrying out strategic cooperation</li> <li>Participating in standard formulation</li> <li>Holding and attending industrial exhibitions</li> </ul>
<ul style="list-style-type: none"> <li>Public welfare promotion</li> <li>Community engagement</li> <li>Community development promotion</li> </ul>	Communities and the public	<ul style="list-style-type: none"> <li>Localized operation</li> <li>Improving the people's livelihood</li> <li>Carrying out public welfare activities</li> </ul>

# TRANSFORMATION AND UPGRADING

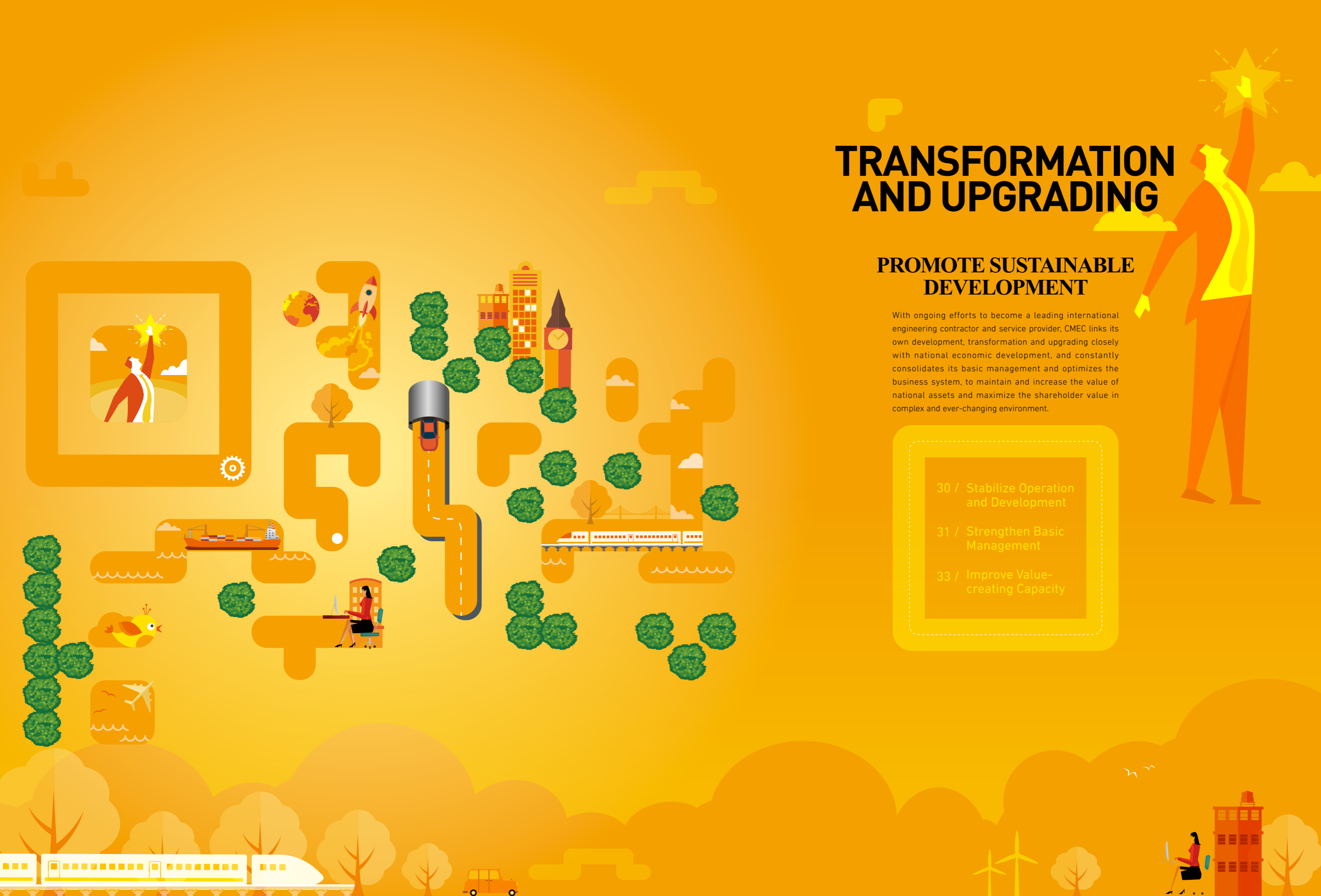
## PROMOTE SUSTAINABLE DEVELOPMENT

With ongoing efforts to become a leading international engineering contractor and service provider, CMEC links its own development, transformation and upgrading closely with national economic development, and constantly consolidates its basic management and optimizes the business system, to maintain and increase the value of national assets and maximize the shareholder value in complex and ever-changing environment.

30 / Stabilize Operation  
and Development

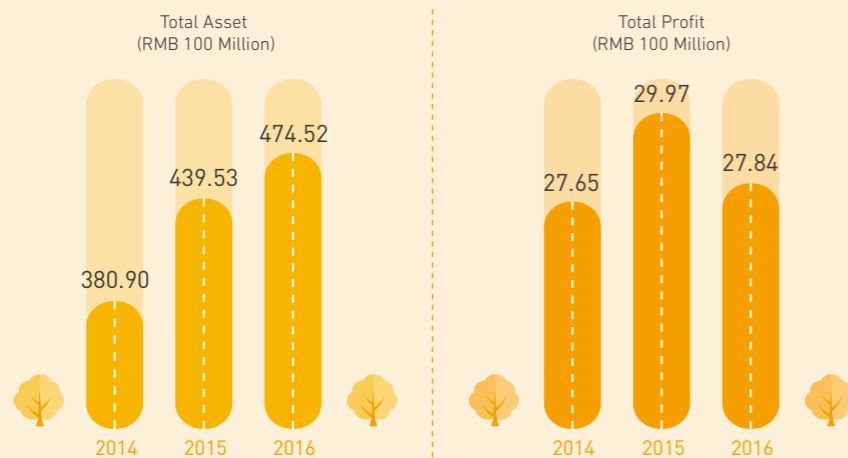
31 / Strengthen Basic  
Management

33 / Improve Value-  
creating Capacity



## STABILIZE OPERATION AND DEVELOPMENT

In 2016, the world economic recovery was difficult and the overall external environment was still severe. CMEC constantly improved the construction of modern enterprise system and formed a positive interaction among the equity layer, governance layer, and operation layer to continuously enhance the ability to manage key links of the industrial chain. Meanwhile, CMEC strengthened the maintenance of investor relations and market management to ensure an overall stable operation of the Company.



SINOMACH visits CMEC for investigation and study.

## STRENGTHEN BASIC MANAGEMENT

Basic management capacity is the basis for an enterprise to achieve sustainable development. CMEC establishes six management systems including engineering contracting, finance, legal affairs, investment and financing, corporate culture and social responsibility, constantly improves the risk control ability and informatization level, and strengthens the party-mass work. All of these efforts will support market exploitation and business development and ensure stable operation and development of the Company.

### Highlight Strategic Control

CMEC conscientiously implements the strategic decisions and plans of the CPC Central Committee, and accurately grasps the profound changes in the domestic and international development environment and conditions. To actively adapt to and take a lead in the new normal of economic development, CMEC developed the *Strategic Renewal Projects (2015-2017)* and made adjustments to *CMEC's Five-year Strategy Plan (2013-2017)* based on a relevant medium-term work summary. With the development theme of "quality assurance, integration, collaboration, innovation", CMEC promotes the construction of the six management systems in steps, further enriches

the connotation of "service provider", and strives to become a service-oriented enterprise integrating the comprehensive exploitation and operation management of regional/industrial parks based on its original business. CMEC also emphasizes the combination of its strategic layout with the Belt and Road Initiative, clearly puts forward a business development path of "integrated development of overseas regions", and further clarifies the international operation development direction, striving to expand the overseas business scale, and achieve the innovation in business model and the upgrade of business functions.

### Manage the Company Strictly According to Laws

CMEC has deeply implemented the concept of "law goes ahead of business" by carrying out legal risk analysis and due diligence work in seven countries and completing the legal due diligence report. To cater to the Company's needs of business development, transformation and upgrading, CMEC develops samples of investment agreements to support the gradual realization of the legal function, perfects the legal service networks for core markets and important markets based on existing international lawyers library, sets up the lawyers libraries for CMEC core markets and important markets, and establishes legal services rapid response mechanism. By actively promoting the compliance management and law

propaganda work, CMEC has raised the employees' compliance awareness and initially created a cultural atmosphere featuring corporate governance by law, legal operation, and risk prevention and control. CMEC also continuously strengthens the building of legal adviser team and improves the professional capacity of legal advisers through business training and other actions, to provide more professional and efficient legal services for business development. In 2016, CMEC won the award of "the Legal Team of the Year in the Category of Manufacturing & Engineering by In-House Community".

## Conduct Risk Management

CMEC further improves and optimizes the comprehensive risk management system, effectively promotes the implementation of multi-channel systems, and establishes and perfects the supervision and examination work mechanism. We constantly optimize various approval processes, identify and actively respond to new risks, monitor the potential operational risks, financial risks, investment risks and legal risks on a regular basis, and have completed the *Overall Risk Management Report for 2016* and revised the *Overall Risk Management Measures*. We also establish working mechanisms to meet the

Company's business development needs, and set up a special working group to carry out special filed survey on the Company's risk management status in key regions. With the increasingly mature legal support and security systems, and risk management and control systems, we have gradually formed a risk management system covering all business divisions, applicable to the headquarters, subsidiaries at home and abroad, overseas regional companies and branches. In 2016, No significant risk events occurred and a significant result was achieved in risk management.

## Improve Financial Management

In 2016, CMEC took positive measures to promote the performance of financial functions and strengthened risk control, set up finance and tax intermediary agency libraries in the "Belt and Road" region and other core markets, and completed the accounting policy study and tax due diligence in seven countries. We promoted the implementation of the on-site fiscal and taxation work program for overseas projects, strengthened the financial system construction, publicity and training and held knowledge contests for accountants and part-time cashiers with 233

participants from 33 overseas sites around the world involved. We continued the financial team building, implemented the "tutor system" and conducted various trainings and business exchanges in a targeted manner to further consolidate the professional foundation of financial personnel and enhance the service ability of its financial team. In addition, we updated the information management and won the first prize "SINOMACH Advanced Enterprise for Information Management" in 2016.

## Promote Informatization Construction

In 2016, CMEC strengthened the information construction, developed the 13th five-year information technology strategic plan, and improved the core data standard management system to deepen its application in business and management systems. We also conducted external research and exchanges and adopted technologies including "Big

Cloud Shift +"

 to ensure the full office informatization in the headquarters' new building. The first-phase construction of the master data management platform and the first-phase transformation of the financial system were completed; the procurement management platform has been officially put into service, steadily improving the informatization.

## Promote Construction of the Clean Party

CMEC was strict in Party disciplines, conscientiously implemented General Secretary Xi Jinping's important statement on "Two Learning and One Being" and the speech essence of important conferences, gave full play to the party's political core role and fighting fortress role, and did well in the adoption of feedback opinions given by national leadership in inspections. CMEC also strengthened the learning and training on *Code of Conduct for Intraparty Political Life under New Circumstances* and the *Regulations of the Communist Party of China on Internal Oversight*,

mainly organized the learning of the *Communist Party of China Regulations on Probity and Self-Discipline* and *Regulation of the Communist Party of China on Disciplinary Actions*, and integrated the construction of the Party conduct and of an honest and clean government and the inspection and supervision work into the Company's external engineering business to strongly support the healthy development of the Company.

## Improve Value-creating Capacity

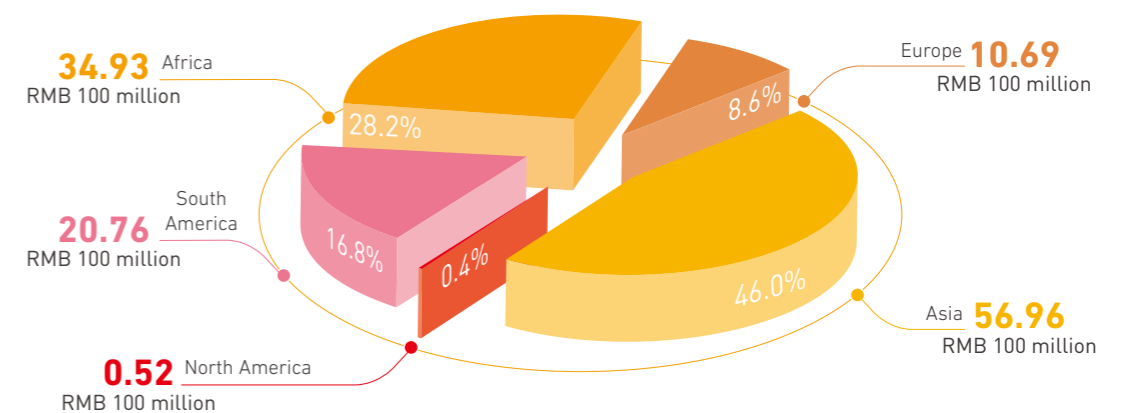
With "Make Wish come true" as its corporate philosophy and the engineering contracting business as a pivot, CMEC deeply expands its business areas, explores new business models, constantly deepens international cooperation, and promotes the coordinated development, striving to build the science and technology innovation platform, the engineering contracting and technical service platform, the one-stop trading business platform, and the one-stop financing service platform. We also promote the regionalized engineering business, the diversified investment and financing, the localized engineering construction, the specialized project management and the differentiated industry chain management capacity. All the efforts have made to facilitate CMEC's transformation, upgrading and leapfrog development.

## Innovative Breakthrough in Complete Engineering Project Business

CMEC actively responds to the Belt and Road Initiative and other national policies, and adheres to the guiding principle of "consolidating foundation and developing innovation". On the one hand, we constantly increase our efforts in developing traditional markets, and boost regionalized and localized construction to consolidate our dominant position in the traditional power industry. We also promote project management refinement to stress the quality and risk control and has basically established the EPC project life-cycle policy system, with the management system covering

main stages and key links of the project; on the other hand, we continue to perfect the industry chain, strive to develop new markets and new business areas, and actively expand after-sales services to promote the project integration process from construction to operation. By deepening international cooperation, we have innovated in overseas engineering contracting business models. In 2016, a total of 43 projects were under construction.

Region Distributions and Corresponding Proportions  
of International Engineering Contracting Revenues in 2016



## CMEC's Main Achievement in Complete Engineering Business in 2016



CMEC and OMA Power Generation Co., Ltd. sign the EPC Contract on Nigeria OMA Power Plant.

Ren Hongbin, the Chairman of SINOMACH, attends the signing ceremony of CMEC's EPC Contract on Iraq 650MW Power Plant Extension.



CMEC, Shahizhian Co. for industrial Investment (Iraqi) and AMTC Global Investment Solutions (UK) sign the contract on the Project of Iraqi Qarachog Cement Plant.



CMEC and Golden Concord Group Limited sign the Cooperation Framework Agreement on Ukrainian Solar Power Plant Project.



CMEC and Southfield Petroleum Limited (Nigerian) sign the Contract on Nigerian Utorogu Gas Treatment Plant.



### CASE



#### CMEC's important progress in the layout along "Belt and Road"

Witnessed by Chinese President Xi Jinping and Serbian President Nikolic, CMEC signed the *Protocol on Finance and Establishment of Serbian Garbage Power Plant and the Memorandum of Understanding on Belgrade Sewage Plant Project* with the government of Serbia. In addition, CMEC signed the *Cooperation Memorandum in relation to Gacko Coal-fired Power Plant* with China Poly

Group Corporation and Serb Republic's Ministry of Energy. Known as Europe's crossroad, Serbia is the gateway of Europe to Asia, the Middle East and Africa. The cooperation between China and Serbia is very important for China to promote the Belt and Road Initiative and build benchmarks in Europe and the Middle East.



Chinese President Xi Jinping witnesses the signing of the Memorandum of Understanding on Belgrade Sewage Plant Project between CMEC and Serbia.



Chinese President Xi Jinping witnesses the signing of the Protocol on Finance and Establishment of Serbian Garbage Power Plant between CMEC and Serbia.

### CASE



#### Successful electricity generation of Ecuador Sopladora Hydropower Station's first unit

The first unit of Ecuador Sopladora Hydropower Station partially built by CMEC was successfully combined into the grid. CMEC subcontracted the mechanical and electrical equipment related work, and took charge of the core part of the Sopladora Hydropower Station project, including design, supply, transportation, installation, testing, commissioning, training and other technical services related to all mechanical and electrical equipment used in the project. Since the commencement of the project in May 2011, all members of the project department have worked together to overcome unfavorable factors such

as cultural and thinking differences and strict norms, and made steady progress toward its goal of building quality projects, and thus won the praises from the proprietor, the supervisor and the general contractor. After completion, the power supply of Sopladora Hydropower Station to the state grid of Ecuador accounts for 13.9% of the nation's total generating capacity and serves 1.3 million families, by which Ecuador can save USD 200 million in fuel use and energy import costs and reduce nearly 1.7 million tons of CO<sub>2</sub> emissions per year.

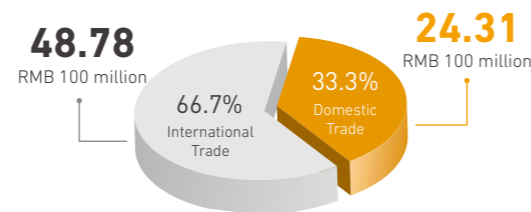
## Transformation and Development of Trading and Services Business

CMEC enhances its efforts in the transformation and upgrading of trading and services business, and constantly promotes the reform of plate management system to further focus on the core markets, core business and core products, and further clarify the developing directions of the four core business covering high-end casting and forging, CMEC electrical engineering, new energy and textile machinery parts and has respectively formed the development patterns with their own characteristics. We continue to put forward the transformation and upgrading of the traditional trading business to high value-added business, and actively promote the "Internet + trading" model to try the new business model of cross-border e-commerce, and accelerate the overseas regional operation and construction of the trading business. Meanwhile, we have steadily promoted the industrial investment and constantly improved the "one-stop" integrated service capability to achieve the transformation into an integrated service provider. We also deepen the cooperation with local governments, and build trading value-added service platform to pull off the localized "one-stop" trade value-added services by providing supply chain trading service and financing service.



The de-gating hammer wins the "Foundry Equipment Innovation Award".

Trade Revenue Distribution of CMEC in 2016



### CASE

#### Transformation of high-end textile machinery parts precision machining business

CMEC Engineering Machinery Import & Export Co., Ltd., by working with suppliers to build Tianjin and Wuxi processing supporting bases, and actively participating in the precision machining and development of the key components of German and Swiss customers' roving machines, spinning frames, two-for-one twisters, embroidery machines and other high-end textile machines, successfully participated in the development of the spindle, guide rail, rack and other main parts for Germany's new generation of high-end spinning frame when the suppliers had inadequate precision machining and testing means. CMEC also urged suppliers to use the world-class ZEISS three-coordinate measuring instruments and other key detection equipment, adopted five-sided machining center and other precision machining equipment, invited German experts and suppliers

to jointly set up a technology research and development team, and introduced Germany's special processing tooling and special cutters. CMEC's hard work finally paid off: Its products beat many "opponents" at home and abroad for excellent processing technology and efficiency and realized the full range production of high-end spinning frame parts in China. In the context of sluggish machinery industry, the high-end textile machinery part precision processing business of CMEC Engineering Machinery Import & Export Co., Ltd. kept growing. Through continuous business transformation and value-added service provision, the product structure of this business has been further optimized and the additional value and market competitiveness of the products have been greatly improved.

## Investment and Financing to Create New Advantages

CMEC has continuously improved the investment and financing business processes to strengthen the systematic construction before and in the investment. By expanding the financing channels and models and innovating in the financing means, we have built the overseas investment and financing platforms, and actively implemented the investment-driven business development strategy to create opportunities for enhancing our external investment strength. In 2016, CMEC (1829.HK) was successfully incorporated into the scope of

Hong Kong Stock Connect subjects, for its market value and other indexes meeting the screening criteria of Shenzhen-Hong Kong Stock Connect. The Thar Coal-electric Project in Pakistan closed its financing and became CMEC's first overseas investment project with official implementation; China National Complete Engineering Corporation completed its reorganization of assets and became CMEC's wholly-owned subsidiary.

### CASE

#### The Thar Coal-electric Project in Pakistan becomes CMEC's first overseas investment project officially implemented

In April 2016, the financing for the Thar Coal-electric Project in Pakistan came to a close, and the commencement ceremony of the Block-II work of the Thar Coal-electric Project was held. As the first coal-electric integration project supported by the Belt and Road Initiative and the Energy Planning of the China-Pakistan Economic Corridor, this project became CMEC's first overseas investment

project officially implemented, indicating a new breakthrough of CMEC in investment and financing business model. Through the financing structure arrangements including non-performing asset repurchase and project assets mortgage via overseas banks, CMEC achieved innovation and breakthrough in project financing model.



In May 2016, after completing equity transfer between CMEC and SINOMACH, China National Complete Engineering Corporation officially became CMEC's wholly-owned subsidiary. Due to the incorporation of China National Complete Engineering Corporation, CMEC expanded the field of international engineering contracting business, developed unique agricultural business, and promoted sustainable development of CMEC's main business.

## Design and Consulting Segment Injects New Development Impetus

CMEC sets up the design and consulting management department and develops sub-strategies for design and consulting business to play their supporting role in the Company's core business. With an objective of building platforms, promoting the cooperation and seeking for development, CMEC has been active in building management structure and improving the prophase technology consulting and onsite technical service capabilities, and has strengthened the business docking and cooperation with other segments, actively promoted the intra-plate market collaboration between enterprises, and enhanced the scientific research and technology innovation ability so as to improve the scale and profitability of the design and consulting business.

China Machinery International Engineering Design & Research Institute Co., Ltd. established the Sponge City Technology Research Center, which was approved to become the Sponge City Construction Integrated Technology Hunan Engineering Research Center. The Research Center has completed a number of national and provincial major special research projects, including

one granted with the second prize of Shaanxi Provincial Scientific and Technological Progress Award. China Machinery International Engineering Design & Research Institute Co., Ltd. also established China-Angola Geotechnical Science and Technology Cooperation Demonstration Base, made preparation for the establishment of an underground space research institute, and actively studied the integrated corridor and other underground projects. In addition, China Machinery International Engineering Design & Research Institute Co., Ltd. provided nearly 50 prophase technical consulting services for CMEC. China JiKan Research Institute of Engineering Investigations and Design Co., Ltd. integrated its strengths to provide technical support for overseas business, including the specialized and resident technical services for pile foundation construction of the projects including Angolan SOYO power station and the Thar coal-electric project. Chief Engineer Zheng Jianguo won the title of the "National Engineering Survey and Design Master".

### CASE

#### China Machinery International Engineering Design & Research Institute Co., Ltd. wins two prizes in the "Innovation Cup" BIM Design Competition

The "Innovation Cup" BIM Design Competition organized by China Engineering and Consulting Association is the most influential BIM application contest with the highest grade and the most mature operation in China. Its entries represent the highest BIM application level nationwide at present.

In 2016, China Machinery International Engineering Design & Research Institute Co., Ltd. applied for the BIM application to the "Maldives Housing Project Phase II" and "Changsha City Underground Pipeline Investigation Project". With the application of BIM technology to the two projects, China Machinery International Engineering Design & Research Institute Co., Ltd. conducted extensive simulation and optimization work in the design phase and completed the cost control and project management support application in the construction phase, and set up 3D visualization platform supporting the operation and maintenance to achieve a digital delivery. The two projects respectively won the "Residential Building BIM Application Award" and the "Integrated Municipal Excellent BIM Application Award" in the 7th "Innovation Cup" BIM Design Competition in 2016, which proved the influence of China Machinery International Engineering Design & Research Institute Co., Ltd. in the BIM application field, and also affirmed the efforts made by various departments in the past three years.



"Maldives Housing Project Phase II" wins the "Residential Building BIM Application Award" in the 7th "Innovation Cup" BIM Design Competition in 2016.



The Project of BIM Application to the Changsha City underground pipeline investigation project wins the "Integrated Municipal excellent BIM Application Award" in the 7th "Innovation Cup" BIM Design Competition in 2016.

## Other Businesses

CMEC improves and expands the logistics services, exhibition services and tender agency services, and meanwhile has been engaged in the strategic investment. In 2016, CMEC Comtrans International Co., Ltd. expanded international logistics network to the Arctic Circle, broadened service areas of the exhibition business, and constantly pursued individual services and value-added services, aiming to build quality projects according to the business operation objective and maintain its leading position in the industry. CMEC International Exhibition Co., Ltd. gave full play to the main business advantages, and actively carried out CMEC brand exhibition campaigns to build trading and exhibition platforms catering to the national strategy based on the concept of global view. Its bidding business achieved an explosive growth, with the commission amount increasing by 469% and the accepted contract amount increasing by 390%. CMEC has also continuously promoted infrastructure work, with the construction of five buildings progressing smoothly.



CMEC holds its 4th brand exhibition in Thailand

### CASE

#### CMEC Comtrans International Co., Ltd. expands its international logistics network to the Arctic Circle

The Swedish Blaiken Wind Power Project stands in the BlaikenVind Park, Stroblaiken, Sweden, about 260 km away from Skelleftea Port. As the project site is near to the Arctic Circle, it begins to suffer icy pavement in late September, and the local traffic regulations and transport restrictions are strict, so the transport is greatly risky and difficult.

By virtue of a wealth of operational experience and the efforts of all staff of the project transportation group, CMEC Comtrans International Co., Ltd. fully cooperated with the construction and installation work at the project site and reasonably deployed the transport capacity. After two months of difficult overseas inland transport, CMEC Comtrans International Co., Ltd. successfully completed all transport tasks and thus got unanimous praise of the contractors and proprietors. The successful implementation of the equipment transportation of the Blaiken Wind Power Project in Sweden is an important milestone for the wind power transportation projects of CMEC Comtrans International Co., Ltd. in Europe, which marks the successful entry of CMEC Comtrans International Co., Ltd. into the European wind transportation market, brings a positive impact on the European engineering logistics and transportation market, and lays a solid foundation for the follow-up conduction

and implementation of the European projects. CMEC Comtrans International Co., Ltd. not only was invited to participate in the bidding for the follow-up project involving 84 wind turbines in Sweden and 92 wind turbines in Stockholm area, but also was invited by other contractors in the European wind power industry to participate in transport program preparation and bid for wind power projects, totally involving 300 wind turbines for Sweden and Norway and other countries in Northern Europe.



CMEC Comtrans International Co., Ltd. successfully ships the goods to the project site near the Arctic Circle.



# GO FORWARD HAND-IN-HAND



## PURSUE WIN-WIN WITH OUR PARTNERS

Creating excellent projects and strengthening quality construction are important social responsibility issues for international contractors. CMEC always gives prime consideration to the customer's interests, pursues excellent projects and strives to return customers' expectations through sincere services. CMEC also actively undertakes the responsibilities to customers, partners, peers and other stakeholders and insists on the principle of mutual benefit and trust, and win-win cooperation to achieve common development.

- 42 / Satisfy Customers with Excellent Projects
- 44 / Adopt Sustainable Supply Chain Management
- 47 / Achieve Win-Win Development with Partners

## SATISFY CUSTOMERS WITH EXCELLENT PROJECTS

Based on the principle of putting customer demand first and providing customers with excellent projects and sincere services, CMEC, with the tireless efforts of all members, continuously improves the project competitiveness and reputation to meet customer expectations and ensure win-win cooperation.

### High-Quality Projects

Adhering to the quality-oriented principle and taking the enhancement of quality construction as a long-term task, CMEC is committed to creating long-term, sustainable engineering value for

customers. In 2016, CMEC devoted to promoting the construction of the EPC whole industry chain management system, and built a series of excellent projects.

Venezuelan No.6 power unit of the central power plant was given with PAC ahead of schedule. This project is Venezuela's first electric power project completed by a foreign company ahead of schedule in decades.

Cameroonian Prime Minister Philemon and his retinues visited the Limbe Stadium built by CMEC. They spoke highly of the stadium construction work and also paid tribute to CMEC's contributions to Cameroon.

Venezuela

Cameroon

Pakistan

Angola

After four years of hard work, CMEC completed the MorroBento 220 KV Power Transmission Project in Angola before Christmas of 2016, allowing Angolans to enjoy a good time in Christmas.

CMEC's Tenaga Wind Power Project in Pakistan was put into commercial operation only in 14 months after its commencement. It is a wind power project with the fastest construction speed and hits a new record on the wind power construction in Pakistan.

### CASE

### Sincere Services

While providing customers with excellent projects, CMEC focuses on thinking from customers' perspective and strives to furnish customers with quality services far beyond their expectations by concerning about, exploring and responding to customers' needs. In 2016, CMEC attached great importance to the project operation and maintenance, and did well in customer services in the complete project period (from contract signing, planning, design, procurement, manufacturing, storage and

transportation, construction, installation, training, commissioning, to after-sales service), to offer the proprietors package solutions, including power plant operation and maintenance trainings, and retaining the operation and maintenance team to provide the proprietors with operation and maintenance services to ensure the safe and stable operation of the power station and other projects after the delivery and improve the value created within all links.

### Establish management systems to enhance the proprietors' satisfaction

In order to enhance the proprietors' satisfaction with the SOYO Phase I Combination Circulation Power Station Project in Angola, CMEC's project department established a set of practical management systems and thus received consistent praise from the proprietors and foreign supervisors. After being completed, the project will become one of the main power plants of Angola, and will play an important role in meeting the fast-growing power demand in Angola, enhancing the safety and stability of Angolan grid, improving the power plant distribution, increasing social and economic benefits and other aspects.



Angola Department of Energy inspects the project engineering progress.

#### Project Management Systems of SOYO Phase I Combination Circulation Power Station in Angola

#### Establish safety and security responsibility system

Establish the safety and security responsibility system with the site manager as the first responsible person and the assistant manager and safety director as the second responsible persons, and develop and complete all kinds of safety rules and regulations to ensure strict education and inspection

#### Enhance project quality management system

Divide the work and clarify the job duties of the staffs at all levels in strict accordance with the quality system to ensure that the staffs can cooperate with each other while performing their own functions to ensure the realization of project quality objectives

#### Implement progress management system

As the power shortage problem was serious in northern Angola, the government of Angola repeatedly shortened the project period. The project department, under the premise of safety and quality assurance, ensured the satisfaction of the proprietors and supervisors through reasonable scheduling and scientific management

#### Organize on-site clean green production and energy saving activities

Increase efforts in controlling various solid and liquid waste pollutants and improve the staffs' awareness of energy saving to achieve the objectives of "energy saving, consumption reduction, pollution mitigation and efficiency improvement"

## ADOPT SUSTAINABLE SUPPLY CHAIN MANAGEMENT

While pursuing its own development, CMEC always pays attention to the needs of various stakeholders and focuses on its leading role in supply chain. With building sustainable and responsible value chains and enhancing the overall level of the industry as the goal, CMEC strengthens the cooperation with suppliers and subcontractors, and deepens the supply chain management, to contribute to the sustainable development of the industry.

### Carry Out Responsible Procurement

CMEC strictly manages suppliers as an important part of the value chain. It integrates the environmental protection, quality management, safety production, and other social responsibilities into the supply chain management, monitors and inspects the supplier management process, and selects and cooperates with suppliers and subcontractors with good CSR performance to promote the standardized project procurement management work. It also adopts the contracting process of qualification review, bidding invitation, contract standardization and signing of contract by law, and examines their CSR performance in the contract fulfillment process.

In 2016, the project procurement management platform was fully put into use, allowing the control from the beginning, by which to regulate procurement behavior, improve procurement quality, and has formed a fair procurement platform featured by transparent regulations, controlled process, full record and permanent trace. By the end of 2016, the Company has 1,009 domestic suppliers, and 217 overseas suppliers, including 68 suppliers in Asia (excluding China and Turkey), 40 suppliers in Africa, 101 suppliers in Europe (including Turkey), 6 suppliers in North America and 2 suppliers in South America, with the top 5 suppliers providing 8.64% of the goods purchased by the Company.

#### CASE

#### Subcontractor actively provides discounts and "subsidy"

As a subcontractor of CMEC's project of Puttalam Coal-fired Power Plant, Johndika undertook the work of improving and upgrading the playground of Puttalam Anand National School and the work of renovating and repairing the buildings and the gate of Pahiyangala Village Primary School respectively in 2015 and 2016.

CMEC always concern about the Sri Lankan people. It supports local education, donates teaching facilities for local elementary schools, and sets up scholarships. It is the first Chinese company setting up scholarships for local schools. CMEC also supports local medical and health services and donates medical products for National Cancer Hospital and Disability Soldiers Rehabilitation Center. Driven by CMEC's philanthropic acts, local subcontractors also actively participate in the public welfare projects sponsored by CMEC. During

the signing of the contracts and the construction of the projects, Johndika not only provided 10% discount but also paid some expense out of its own pocket during the project implementation.



CMEC and Johndika signs the cooperation contract on the project of renovating and repairing the buildings and the gate of Pahiyangala Village Primary School.

### Consolidate Supply Chain Management

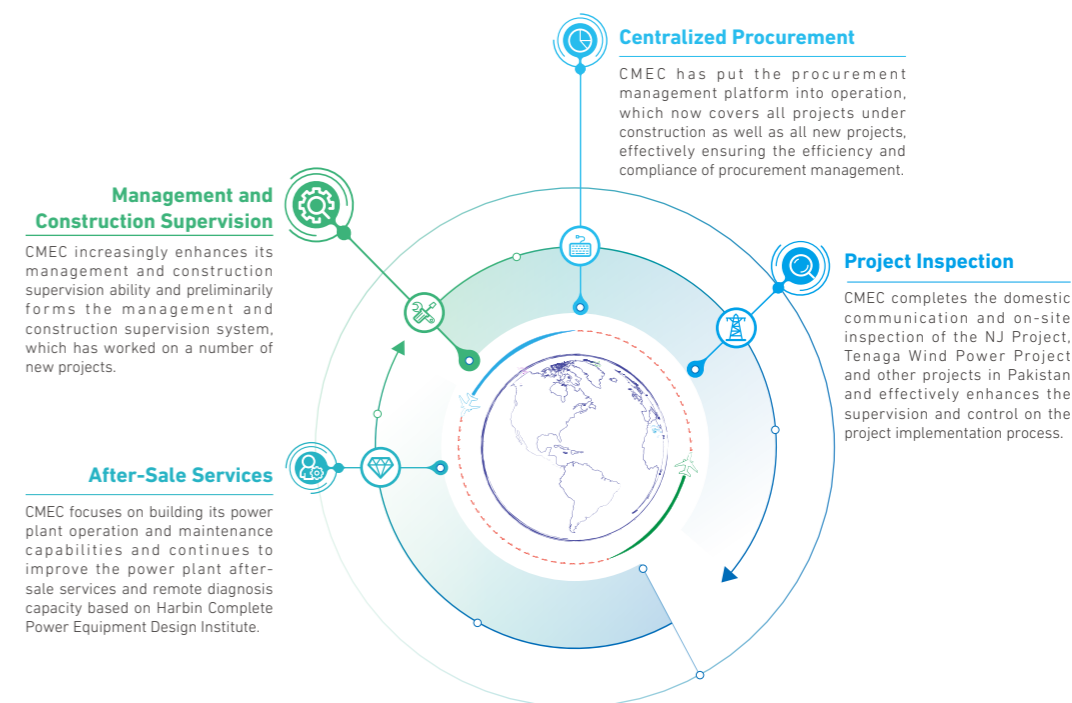
Regarding supply chain management as an important link to avoid operational risks, establish competitive advantages and achieve the healthy development of the Company, CMEC continuously improves the ability to manage the key links of supply chain. CMEC also gives full play to its advantages of the international

contractors and incorporates social responsibility requirements into the supply chain management to achieve effective allocation of the supply chain resources on the project site.

### Drive Industrial Chain Development

CMEC focuses on leading the direction of industrial development to promote the industrial resource aggregation and optimal allocation and constantly increase the resource utilization efficiency of the local companies. By improving the value of all parties up

and down the industrial chain, and lowering the cost of the supply chain, we hope to promote common development of the companies up and down the industrial chain.



CMEC's control of key links of the industry chain management

## Promote the Industry Prosperity

CMEC strictly abides by the industry order and business ethics, and actively participates in the formulation of the industry regulations and standards, and guides and maintains the healthy development of the industry. In 2016, CMEC participated in many industrial exhibitions and exchange meetings to

deepen exchanges and share experience, and joined hands with peer companies to contribute to the healthy and sustainable development of the international engineering contracting and services industries.



CMEC participates in the Israel-China Business Forum in Israel.



CMEC is invited to attend the council meeting of China International Contractors Association.



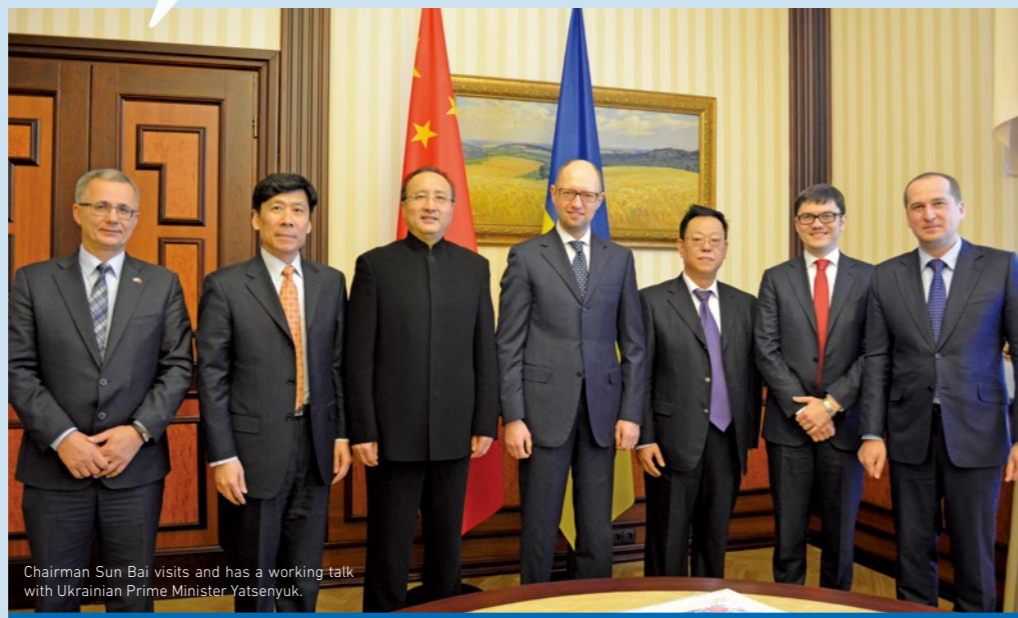
CMEC participates in the Theme Forum of "Made in China 2025" Docking with "Czech Industry 4.0".

## ACHIEVE WIN-WIN DEVELOPMENT WITH PARTNERS

CMEC attaches great importance to expanding the external cooperation, and has actively conducted mutually beneficial cooperation with various organizations and large enterprises at home and abroad. We have established extensive strategic alliances and close cooperative relationship with them to realize the complementary advantages and achieve the resources sharing and collaborative development.



## COOPERATION WITH RELATED PARTIES



Chairman Sun Bai visits and has a working talk with Ukrainian Prime Minister Yatsenyuk.



CMEC and GE renew the memorandum of strategic cooperation to urge their cooperative relationship to step on a higher level.

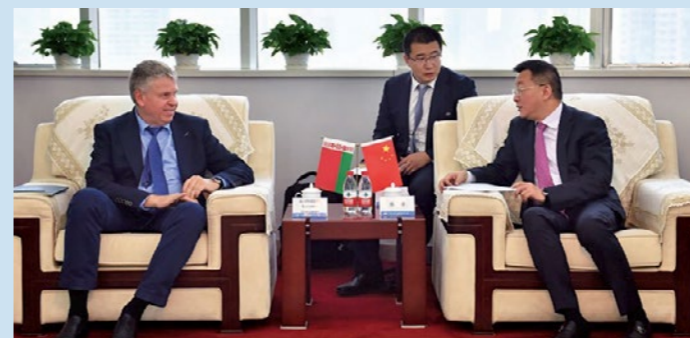
2016

Nearly **60** important partner representatives met in 2016, including the President of Sri Lanka and the Minister of the Ministry Energy and Water Resources of Israel

Nearly **13** major projects won in 2016, including the expansion and construction project of the gas turbine combination circulation power station in Basra, Iraq

**9** strategic cooperation framework agreements signed

**8** major events participated including the Israel-China Business Forum



President Zhang Chun meets and exchanges views on the project construction with Waronov, General Manager of Belarus Energy Co., Ltd.



President Zhang Chun meets and exchanges views on investment cooperation with the delegation of Bank of China Group Investment Limited.



President Zhang Chun visits and has a discussion on future cooperation areas with Asian Infrastructure Investment Bank.



Chairman Sun Bai meets the President of the Central Bank of Nigeria.



CMEC participates in the Matchmaking Meeting on Trade Cooperation with China Council for the Promotion of National Trade and the Business Department of Liaoning Province to lead enterprises in Liaoning to "Going Global".

### CASE

#### Seize opportunities and become an expert in "sponge city"

The Program for Building of the Sponge City Construction Integrated Technology Hunan Engineering Research Center, sponsored by China Machinery International Engineering Design & Research Institute Co., Ltd. and participated by Hunan University successfully, passed the review and examination of the municipal and provincial Class-2 experts. The Center is Hunan's first provincial engineering research center in the sponge city construction field, marking that CMEC has entered a new step in science and technology innovation ability.

# HAPPY HOMELAND

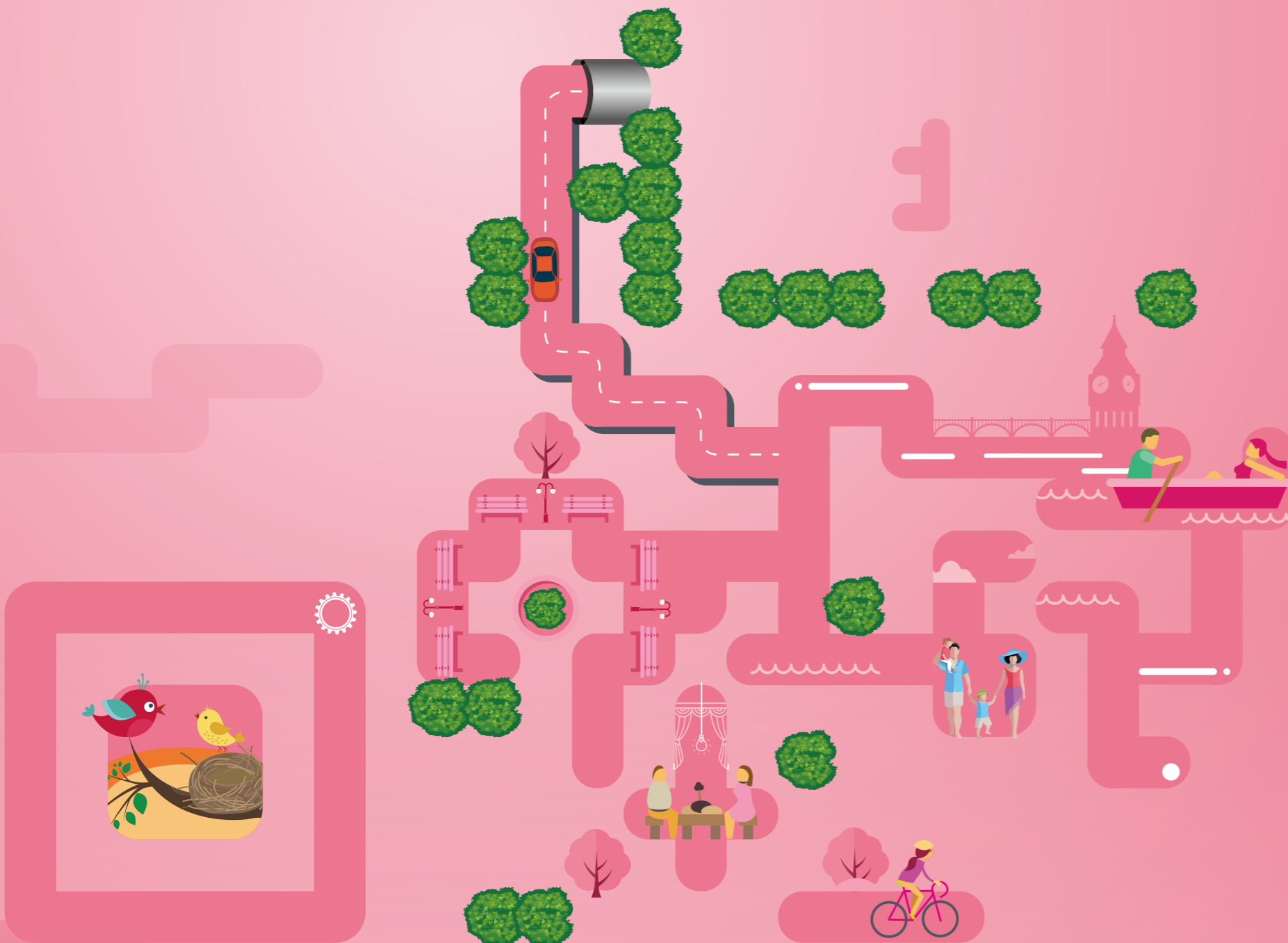
## SHARE THE FRUITS OF DEVELOPMENT

CMEC always adheres to the people-oriented concept of responsibility, and pays attention to the personal value of employees. We implement the strategy of reinvigorating enterprise through human resource development, protect the rights and interests of employees, and provide platforms for the growth of employees. We care about the happy life of employees, and stimulate their working enthusiasm and creativity to enable the employees to share the development fruits of the Company.

52 / Build Harmonious  
Working Environment

56 / Build Platform  
for Employee  
Development

58 / Create Happy Life



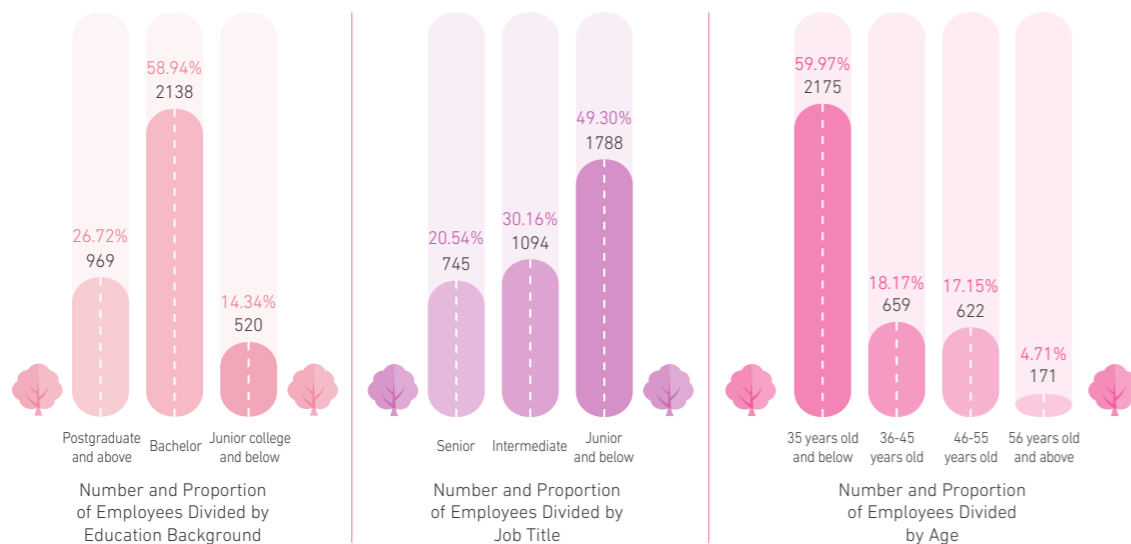
## BUILD HARMONIOUS WORKING ENVIRONMENT

CMEC attaches importance to the protection of employees' rights and interests, and provides equal employment opportunities, market-oriented salary and competitive incentives for its employees in the world. We establish good channels for communication with employees to build harmonious labor relations for the common development of the Company and employees.

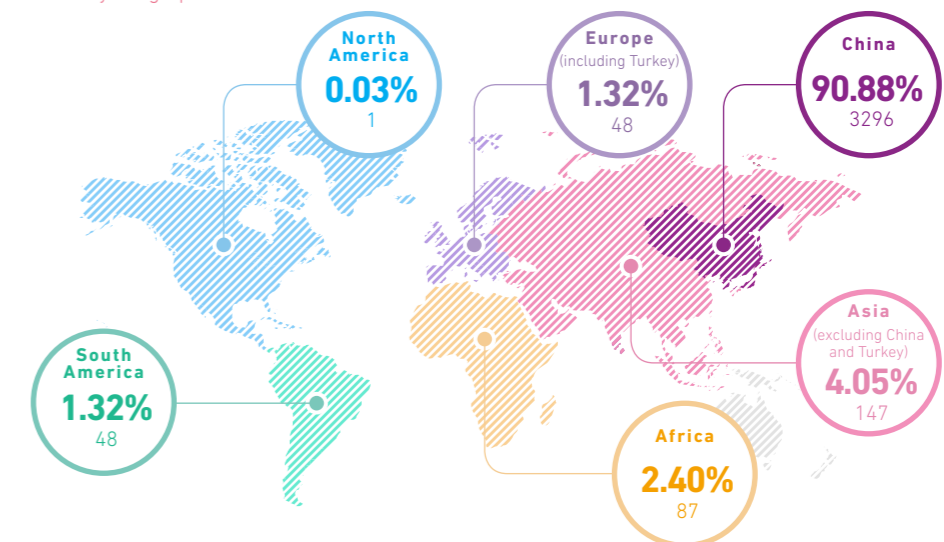
### Standardize the Employment Management

CMEC strictly abides by the *Labor Contract Law of the People's Republic of China* and the local employment laws and regulations of other project operating countries and regions. We respect human rights, pursue the equal and non-discriminatory employment policies, and never discriminate against employees because of their race, nationality, gender, age and religious belief.

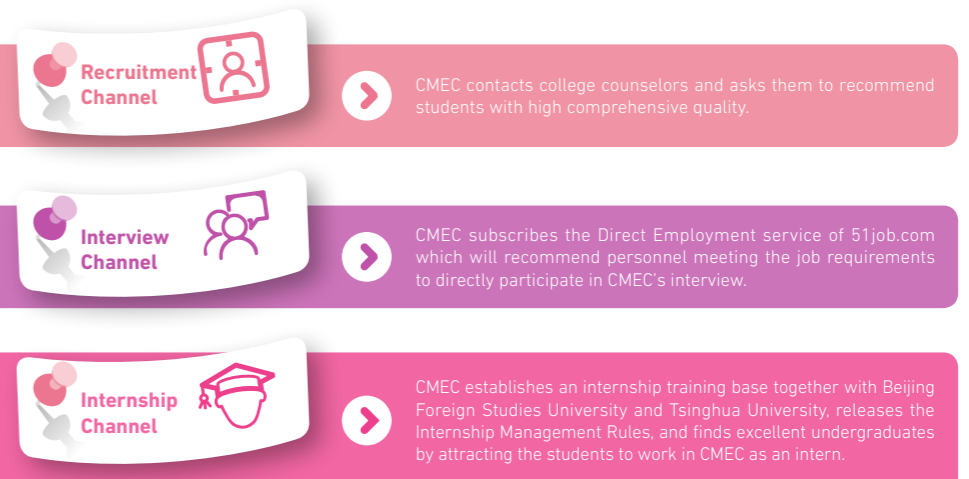
Besides, we never hire child labors, object to all forms of employment discrimination and forced labor, aiming to establish equal and normative labor relations with employees. By the end of 2016, CMEC has 3,627 employees, with the ratio of male employees to female employees at 2:1, the employee turnover rate at 6.31%, and the employee contract signing rate at 100%.



Number and Proportion of Employees  
Divided by Geographical Location



CMEC Expands the Talent Reserve Channels



## Improve Salary and Welfare

CMEC continuously strengthens the salary and welfare management, provides employees with fair and reasonable salary and effectively protect the paid leave and other legitimate rights and

interests of employees, to improve the employees' satisfaction with salary and welfare and ensure the happy life of the employees.

CMEC has formulated and published the *Technical Sequence and Project Manager Qualifications* to broaden the professional development channels of all kinds of talents.



CMEC has formulated and published the *Guidelines for Localized Management of Regional Centers*, including specific provisions on the regional center cadre management and salary and welfare management, to support the development of regional companies.

CMEC has published *Related Measures on Encouraging Employees to Keep Working Abroad* to maximally guarantee the legitimate rights and interests of the employees.

## Strengthen Democratic Administration

CMEC respects the opinions of employees, implements democratic management, constantly promotes and perfects the enterprise democratic management system centering on the systems of trade union, worker representative congress, and making public the affairs of enterprises, to further smooth the channels for democratic participation,

democratic management and democratic supervision. In 2016, the membership of the labor union was 100%; the worker representative congress accepted 37 proposals, and received and adopted three reasonable suggestions, effectively protecting the legal rights of the employees.



CMEC holds the 3rd session of the 6th Workers' Congress.



SINOMACH President Ren Hongbin attends the 2016 Democratic Life Meeting for Leading Cadres of Party Members.

## Corporate Culture Construction

In addition to strengthening of cultural guidance, CMEC enhances the Company's soft power and forms the corporate culture of "diversity, tolerance and innovation". In 2016, we continued to carry out "CMEC Brand Discussion" and "Corporate Culture Conversation" activities. With the introduction of brand VI visual identification manual, our brand value has been effectively improved. we focus on the introduction of new

activities by widely carrying out activities in search for the "Most Beautiful CMEC Front-line Staff", "Touching CMEC Characters" and "Examples around Me", as well as "Most Beautiful CMEC Member" thematic cultural speech activities, to promote CMEC's excellent cultural traditions, enhance cohesion and mission, and to enhance innovation and development capabilities of both the Company and the employees.

### CASE

#### CMEC holds the "Most Beautiful CMEC Member" speech contest

In order to highlight the moving stories in the CMEC's development process, carry forward the spirit of "Most Beautiful CMEC Member", and strengthen CMEC's corporate culture construction, we held the "Most Beautiful CMEC Member" speech contest, and attracted 25 candidates from 15 subsidiaries. In the contest, the candidates demonstrated their extraordinary talents and yielded unusually brilliant results, perfectly interpreting the theme of the "Most Beautiful CMEC Member". The candidates introduced

their team work and told touching stories of the dedicated front-line staffs and corporate leaders. In addition, they sang highly of the integrity and ability shown by the CMEC members in the face of survival with passion. After a fierce competition, a total of 10 candidates were selected into the final. The contest helped the employees further understand the work of the Company and know more about the colleagues, thus improving the cohesion of the family.



The scene of the "Most Beautiful CMEC Member" speech contest

## BUILD PLATFORM FOR EMPLOYEE DEVELOPMENT

CMEC focuses on the exploitation of the staff's value by constantly strengthening the development and training of talents, broadening channels for the staff's career development, optimizing and improving the training system, and enriching the ways of talent incentives and aims to arouse the staff's enthusiasm and creativity to the utmost extent.

### Carry Out Employee Educational Training

CMEC makes efforts to create a good career development environment for the staff, improve the talent pool mechanism and the rational structure of talents, and build a key personnel team. By establishing a talent flow mechanism, we hope to improve the personnel training system, and address the Company's problems of shortage

of key talents and interrupted documentation, so as to lay a foundation for the Company to cultivate innovative international talents. In 2016, we invested a total of RMB 7.04 million in a total of 75,215 hours of training of 4,394 person times, indicating 20.74 hours per capita. The staff's training satisfaction rate reached 98%.



CMEC opens the training class themed by "Corporate Strategy and Internationalization".



The Graduation Ceremony of the New Employee Comprehensive Ability Enhancement Training Course and the Award Ceremony of the Second Business Knowledge Competition.



CMEC holds seminars on the "Interpretation of Core Terms of EPC Contracts and Prevention of Major Risks".



CMEC's first comprehensive quality training course for grassroots cadres is provided.

#### CMEC's Training System Covers All Employees

##### New Employee Induction Training



75-day closed learning of professional courses and 3-month field practice at abroad

##### Training on All Employees



"The Company's Rules and Regulations", "Professional Quality", "Office Software Skills" and other online video courses, as well as the book of How China Became Capitalist for the staff to study in spare times

##### Mid-Level Cadres



Reserve cadre team leadership construction training courses, corporate governance training courses for the directors and supervisors of tier two units, corporate strategy and international vision seminars, and the Phase II Sinology Lecture Hall

##### Mid-Level and High-Level Management Personnel Various Experts Elected by the Group



The 17th, 18th and 19th cadre training courses, the 2016 Young Cadres Training Courses, the risk control seminars, the capital operation and investment management training courses, the science and technology management personnel training courses, the phase II training in France on the theme of "Science and Technology Innovation Strategy and Leadership Enhancement of State-owned Enterprises", and the market development personnel training

##### The Personnel Engaged in the Company's EPC, Investment and Financing



Investment and financing training courses, P6 software application training, professional training of overseas business skills, management and innovation of "the Belt and Road" overseas investment and financing, PPP investment and financing mode operation practices and practice case analysis, international engineering project manager courses, business skills knowledge contest, etc.

##### Business Development personnel Professional and Technical personnel

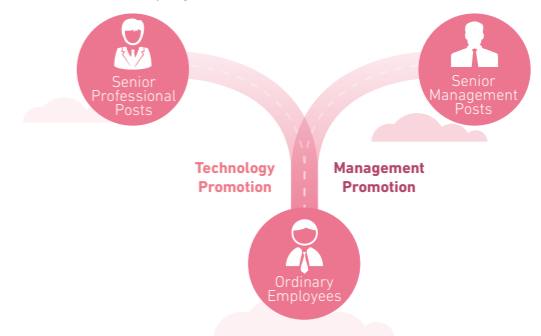


Training courses for certification of international registered sales director & registered marketing director, IPMP certification test and renewal training courses, tier one constructor training courses, etc.

### Smooth Channels for Career Development

CMEC is committed to building the core competitive advantage of industry elites and industry leaders, creating a transparent and open development environment and opening up a career development channel system of "smooth vertically and interconnected horizontally" for employees, with an aim to help employees to establish a reasonable career development plan, build a broad career development platform for the employees, and promote the sustainable development of their employees.

The Y pattern channel of career development for CMEC employees



## CREATE HAPPY LIFE

CMEC cares for the staff's work and life, and is committed to providing employees with a healthy, safe and humane working and living environment. We make efforts to actively play the role of cultural and sports associations and organize various forms of cultural and recreational activities, to help employees balance the work and life. We carry out staff care activities to care for female employees, overseas employees and retired employees, and help employees in difficulty. The CMEC Staff Health Insurance System has been adopted and Medical Mutual Support Fund for Major Diseases of CMEC Staff has been implemented. Besides, we carry out the work of condolence visits and overseas condolences, organize physical examinations and reimbursement of medical expenses to effectively enhance the sense of belonging of the staff, striving to build a warm, harmonious and happy CMEC family. In 2016, we visited 105 members and provided subsidies totaling RMB 448,000.



4



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2



1

01 / CMEC holds the first "CMEC Cup" football tournament.

02 / CMEC holds the 2016 staff tug of war.

03 / CMEC attends the fourth "SINOMACH" staff table tennis and badminton competitions.

04 / CMEC holds the "May Cup" badminton match.

05 / CMEC carries out the "Meet in Youth" thematic activities.

06 / CMEC candidates attend the second international marathon in Changsha.

07 / CMEC Chairman Sun Bai visits the frontline staff during the Spring Festival.

08 / CMEC holds the 2016 New Year tea party for the retired.



7



6



8

### CASE

#### • CMEC transmits love by helping a local employee to receive a heart bridge operation

Kevin, a local senior employee of CMEC in Sri Lanka, was diagnosed with cardiovascular thrombosis, and has to receive surgical treatment as soon as possible, but his family was unable to bear the high operation fee. During his checkup, a CMEC employee launched a fundraising campaign in the Company's WeChat Group for Kevin's treatment. After getting the information, all project departments in Sri Lanka, the project department in the Maldives, and the subcontractor of the Puttalam Coal-fired Power Plant Project organized donations. Many employees who had never contacted Kevin donated money. Thus, 80% of the operation fee was raised.

On hearing the news that a huge amount of operation fee had been raised within a day, the doctor thumbed and said with emotions, "I am very pleased that my compatriots are working in such a good Chinese enterprise. I will do my best to perform the operation."

Since the heart surgery needed blood transfusion, Chinese employees in Colombo and local employees expressed their willingness to donate blood in accordance with the requirements of the hospital. During Kevin's rest at the hospital, many CMEC employees took the initiative to visit him and brought him necessities of life. A week later, Kevin was fully recovered. He checked out and returned to work.



Kevin's CMEC colleagues pay a visit.



# SAFETY AND ENVIRONMENT PROTECTION

## ENSURE SUSTAINABLE OPERATION

In the global operation, CMEC always pays attention to the safety and environmental protection issues in the construction process. We integrate the safety, health and environment protection in all links of the production and operation, to constantly improve the work safety and occupational health management systems and strengthen the construction of environmental management systems, aiming to minimize the negative impact of the operation and management on the related parties.

62 / Work Safety Implementation

65 / Occupational Health Protection

66 / Green Operation Practice

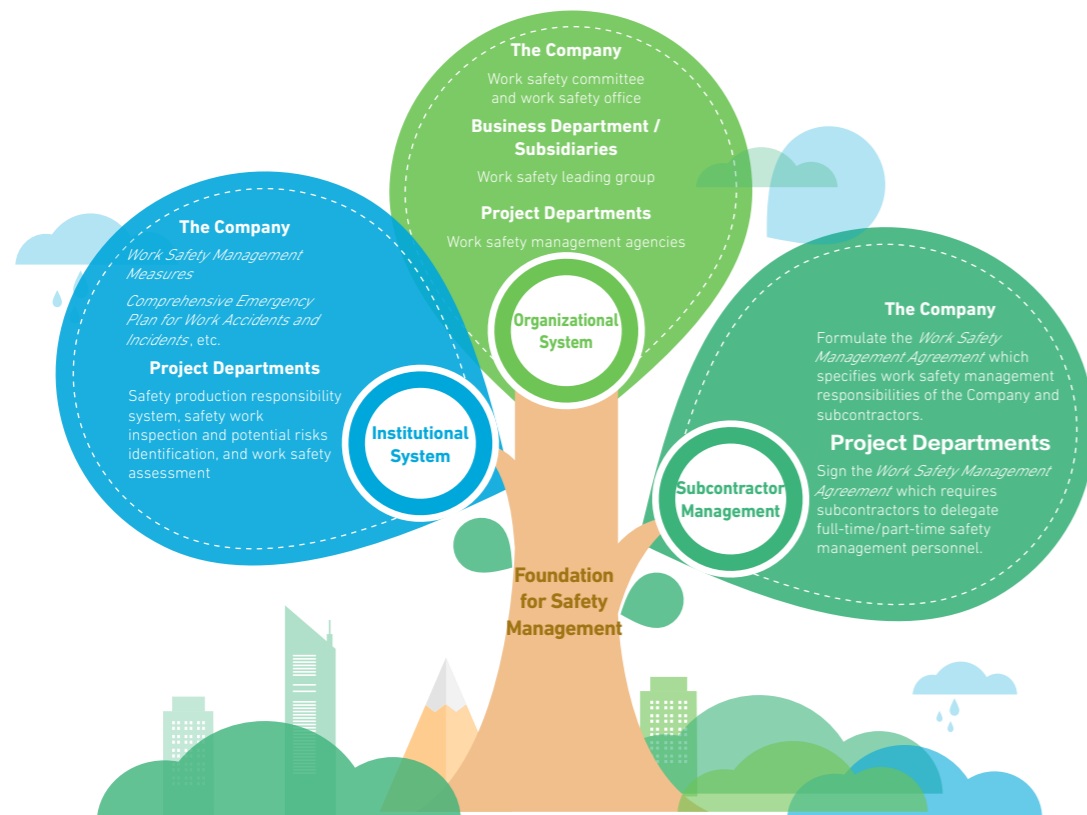
## WORK SAFETY IMPLEMENTATION

Adhering to the principle of “putting safety first, focusing on precaution and adopting comprehensive treatment”, CMEC constantly strengthens the grassroots and foundation work, improves the employees’ capacity of work safety and the safety systems, and enhances the safety supervision, to ensure the systematical advancing of all safety work.

### Consolidate Safety Foundation

CMEC constantly improves the safety management systems and organizational systems by enriching and improving the safety management platforms, enhancing the safety supervision of the projects at home and abroad, and standardizing and details the responsibilities for work safety objectives. We strive to establish a full-process work safety management system consistent with the Company’s main business characteristics to ensure that the work safety is under control. In

2016, CMEC successfully passed the supervision and examination of quality management system, environmental management system and occupational health and safety management system (the “Three Systems”), without work safety accidents at a general level and above in the whole year, and won the title of “Outstanding Enterprise for Work Safety” for five consecutive years.

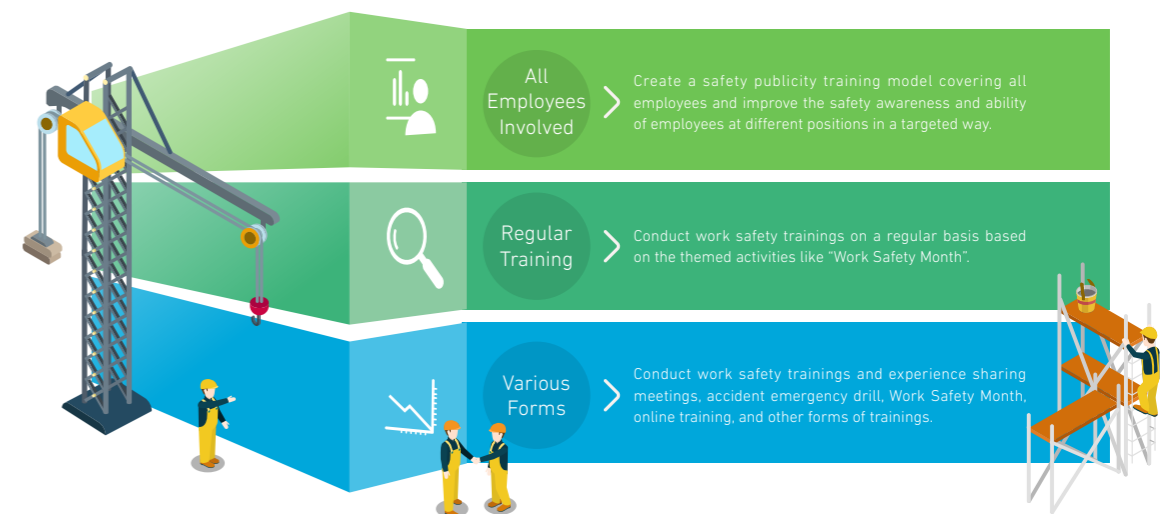


### Improve Safety Quality

CMEC pays attention to cultivating employees’ work safety capacity, and continuously improves the employees’ safety precaution and incident handling capabilities through a variety of trainings, and conveys the safety concept to the employees and the stakeholders. In 2016, CMEC organized the work safety management knowledge training for project managers online, with the contents involving the

*Anti-Terrorism Act, Measures for Management of Highly Risky Works by Sub-engineering, Interim Rules for Party-Government Management of and Everyone Involvement in Work Safety*, etc. A total of 186 employees from the business departments, subsidiaries and commissioned enterprises participated in the training.

CMEC’s Work Safety Quality Training Model



#### CASE

#### “Safety Guard” of the projects

As a safety management staff in Puttalam Coal-fired Power Plant, Bai Qiangsheng has worked on safety management for nearly ten years. He constantly improves the safety management systems and strengthens safety education and training to raise the safety awareness of the management staffs and workers. In regard to the projects with frequent safety problems and violations, he always repeatedly give lessons on work safety to the workers in morning assembly. He adopts strict safety management rules and even punishes himself when the project department fails to observe the rules and disciplines. The members of his team cooperate with each other well and help all members of the project department to serve

as a safety guard to assist in monitoring safety management work, and create an atmosphere in which everyone stresses and guarantees the work safety.



Bai Qiangsheng, an on-site safety management staff of Puttalam Coal-fired Power Plant, is inspecting the safety work.

## Implement Safety Actions

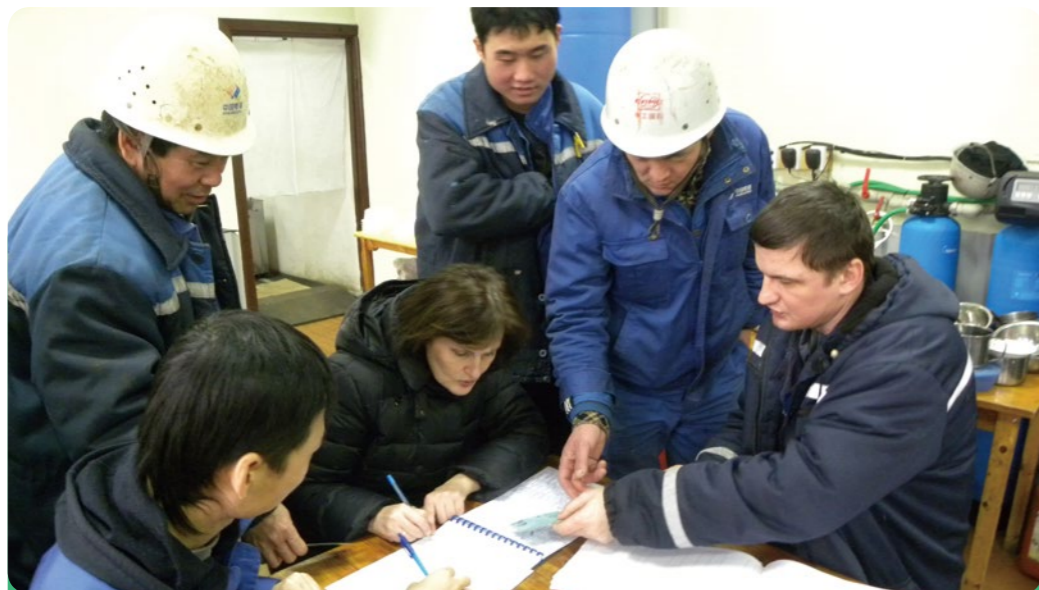
CMEC actively takes the safety actions and strengthens the supervision of all departments and the safety production work to safeguard occupational health of employees, enhance the emergency management, and continuously improve the Company's safety guarantee ability.



## Emphasize Overseas Safety

While "Going Global", CMEC has always been paying great attention to the operation safety of overseas projects and the safety of overseas employees and their properties. We adopt the same long-term mechanism of work safety for overseas projects, and establish targeted emergency precaution mechanism according to local situations to guarantee the safety of project operation and team members. In 2016, our

special team for work safety inspection conducted comprehensive inspections on the safety management of the project sites in Ethiopia, Turkey, Serbia, Pakistan, Laos and other countries and regions, circulated notices of the potential safety hazards, clearly put forward the rectification requirements, and kept tracking the rectification results.



The project department of the Gornje No. 1 Thermal Power Plant Reconstruction Project in Belarus organizes the work safety learning activities.

# OCCUPATIONAL HEALTH PROTECTION

In the global operation, CMEC has been committed to creating a suitable working environment for domestic and international employees by establishing and continuously improving the occupational health management system, and optimizing the occupational health and safety services. We offer employees with regular physical examination and disease prevention training, and dispatch medical teams to overseas projects in order to truly guarantee the health and safety of overseas employees.

## Improve Occupational Health and Safety Management

CMEC puts the protection of every employee's occupational health on an important position, actively improves the operating environment and constantly strengthens the efforts in occupational

health management. We establish and improve the occupational health and safety management system to constantly upgrade the level of occupational health and safety management.

## Optimize Occupational Health and Safety Services

CMEC offers physical examinations for all employees each year and offers special disease inspection for employees returning from the overseas project sites to enhance the health management and disease prevention. CMEC also builds overseas medical

support system, organizes special medical trainings, and dispatches medical teams to overseas projects to provide medical services and knowledge, and to guarantee the occupational health of overseas employees.

CMEC's Occupational Health and Safety Service System

### Pre-planning for Source Management

- Formulate *Measures for the Health Management of Overseas Employees* and update it year by year.
- Offer a life-cycle health management package including "epidemic prevention before going abroad, overseas prevention and treatment, medical examination after returning".
- Organize regular physical examination and medical training themed prevention of infectious diseases and other related content.

### Go Abroad to Carry Out Health Inspection

- Send medical teams to overseas project sites to offer health lectures on prevention and treatment of highly infectious diseases such as malaria, Ebola.
- Offer physical examination to overseas staff to know about their health condition, and then work out a treatment plan according to the medical report.
- Offer health consultation and encourage staff to take physical exercise after work and keep work-life balance, thus improving their overall physical and mental health.

## GREEN OPERATION PRACTICE

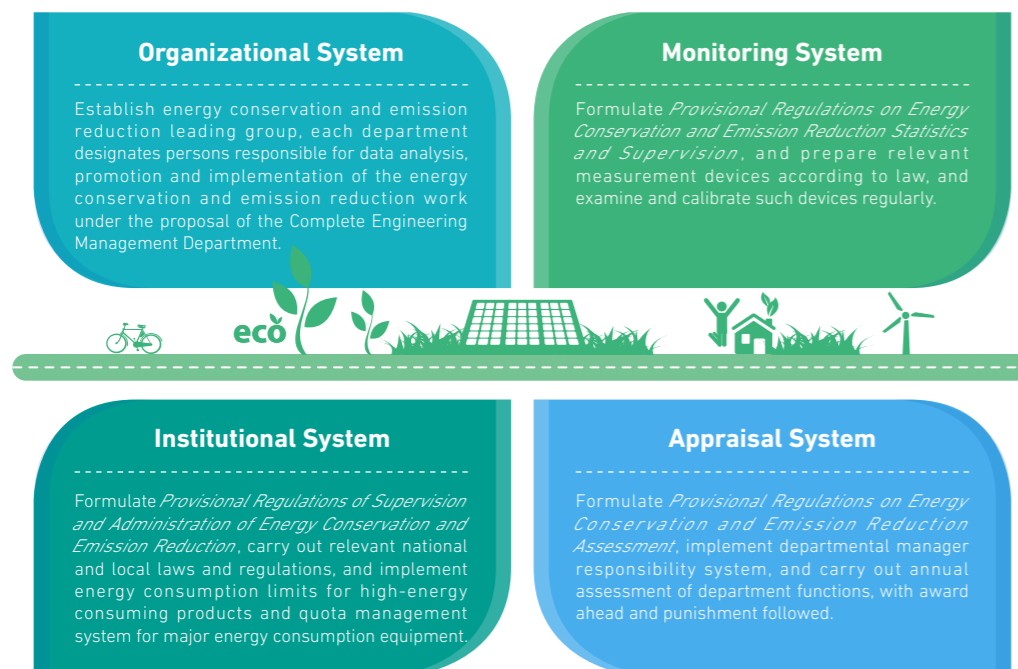
As a global player, CMEC has always been giving special attention to the environmental protection of the business areas. We integrate the concept of environmental protection into the whole process of business operation, do everything possible to reduce the environmental impact on the business areas, and actively promote energy conservation and emission reduction management. By developing and using new technologies, new energy and new materials, we strive to contribute to the ecological environment protection.

### Green Control

CMEC constantly promotes energy conservation and emission reduction work, and regularly holds meetings on work safety, energy conservation and emission reduction to integrate energy conservation and emission reduction into the systematic and informationized management. We also deepen the functions of the energy conservation and emission reduction team, and implement the management measures such

as the *Provisional Regulations of Supervision and Administration of Energy Conservation and Emission Reduction*, the *Provisional Regulations on Energy Conservation and Emission Reduction Statistics and Supervision*, and the *Provisional Regulations on Energy Conservation and Emission Reduction Assessment*, to comprehensively strengthen the energy conservation and emission reduction work.

CMEC's Energy Conservation and Emission Reduction Promotion System

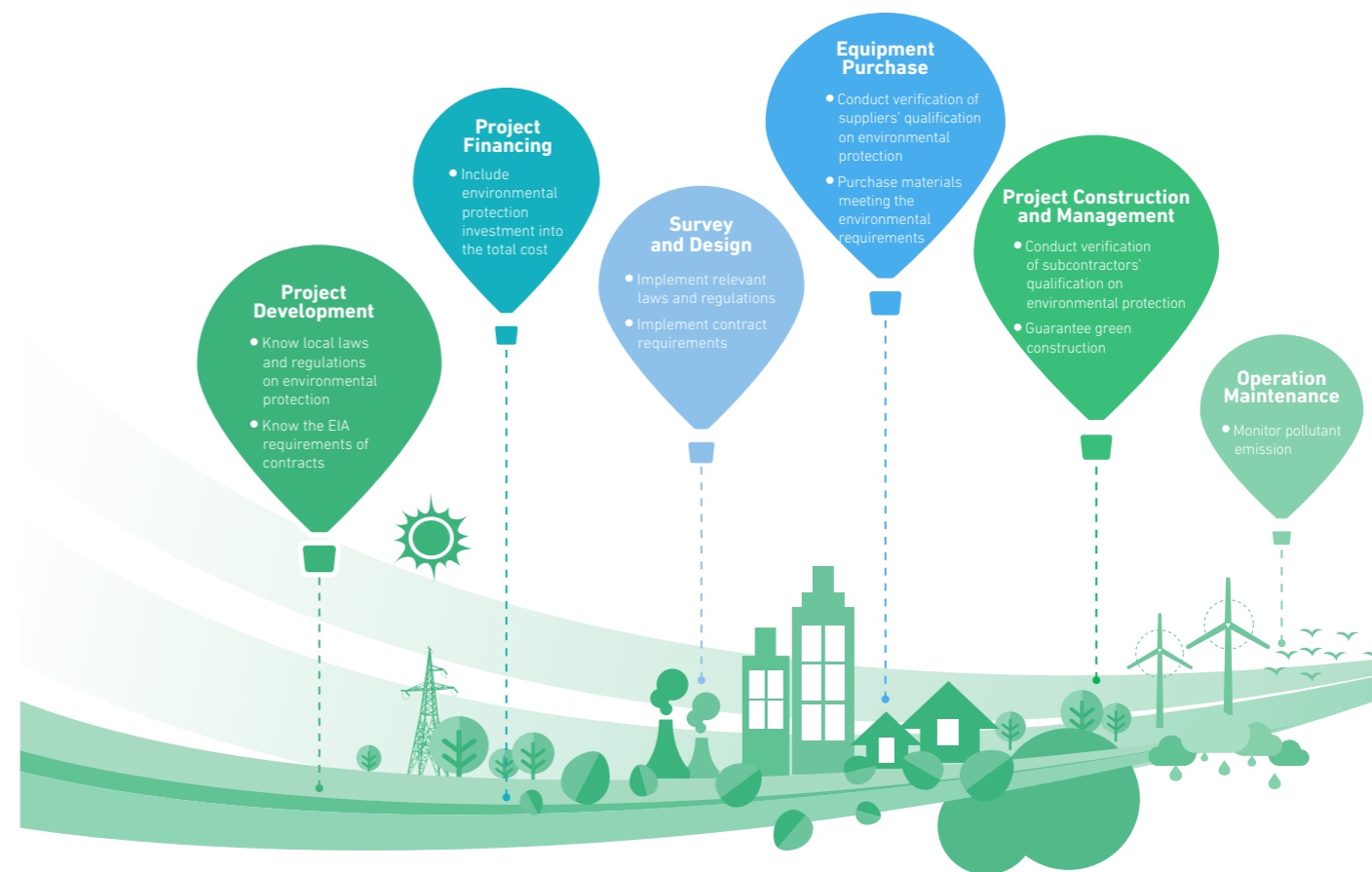


### Green Projects

CMEC continuously strengthens the construction of environmental protection systems, and has revised and updated the environmental management manuals, guides and procedures, and improved the full-cycle environmental management system covering stages of project development, project financing, survey and design, equipment procurement, project construction and management, and operation and maintenance.

In 2016, CMEC's three green building projects and one green energy project were approved for application and promotion in SINOMACH's activity of "Soliciting Outstanding Results in Energy Conservation and Emission Reduction".

CMEC's Full-Cycle Environmental Management System



## Clean Energy

Adhering to the concept of green development, CMEC has long been focusing on and devoted to the development and application of dean energy. We are active to undertake green projects, such

as solar power plant, in order to contribute to the construction of a beautiful China and deal with global climate change.

### CASE

#### China National Guo Lian Development New Energy (Wuxi) Co., Ltd. (CMEC Guolian) lights up thousands of households.

Since 2014, CMEC Guolian has embarked on the development of new energy business. With its operation through Jiangsu, Zhejiang, Anhui and Shandong, the Company has greatly boosted its PV power plant projects that are being built or to be built on both sides of the Changjiang River and has achieved great achievements after overcoming

many difficulties in technical design, geographical environment and natural condition. Only in the first half year of 2016, CMEC Guolian completed the construction and grid connection of seven PV power plant projects, creating a total installed capacity of 39.68MW.

CMEC Guolian's performance in construction of PV power plant in 2016

Project name	Scale	Status	Value
Shandong Shanxian Huangbaihe 10MW Ground PV Power Plant	The light harvesting area is nearly 60,000 square meters and the floor area is about 400 mu (1/15 hectare)	Officially combined to the grid on June 30, 2016	Help saving 4,571.14 tons of standard coal and reducing 11,976.40 tons of carbon dioxide emissions, 38.85 tons of sulfur dioxide emissions, and 33.83 tons of nitrogen dioxide emissions per year on average.
Anhui Changfeng 20MW Ground Power Plant	The total investment is RMB 160 million and the floor area is about 600 mu.	Officially combined to the grid on March 31, 2016	The PV power-farming complementation pattern was adopted for the first time to achieve efficient and intensive land use, optimizing the local agricultural production structure and promoting the local comprehensive development of rural recycling economy and tourism agriculture.
Hangzhou Bay Baolu 1.5MW Rooftop Distributed PV Power Generation Project	The total construction area is 24,400 square meters and the construction period is nearly three months.	Officially combined to the grid on March 24, 2016	Help saving 600,000 tons of standard coal and reducing 162,710.4 tons of carbon dioxide emissions, 4,881.312 tons of sulfur dioxide emissions, and 73.22 tons of nitrogen oxide emissions per year on average.
Hangzhou Bay Fotile Kitchen 5.03MW Rooftop Distributed PV Project	It is CMEC Guolian's largest rooftop project by the end of 2016, with an area of 65,600 square meters.	Officially combined to the grid in March 2016	Provide 4,576,695.17 kWh green power per year on average, and help saving 1,848.98 tons of standard coal and reducing 4,844.34 tons of carbon dioxide emissions, 15.72 tons of sulfur dioxide emissions, and 13.68 tons of nitrogen dioxide emissions per year on average.
CMEC Changchun New Energy 60kW Distributed PV Project	It's the first PV Project in northeast China and SINOMACH'S first successful distributed PV project developed through interior cooperation.	Officially combined to the grid on February 29, 2016	Provide 63,200kWh power per year.
Shuangyuan 1.9MW Rooftop Distributed PV Project	A total of 7,700 modules were laid out to cover 49 large-angle saw-tooth roofs and 2 horizontal roofs. The saw-tooth roof is made of prefabricated slabs and provided with a waterproof layer.	Officially combined to the grid on December 25, 2015	Provide 1,742,725.58kWh green power per year on average, and help saving 1,468.75 tons of standard coal and reduce 3,843 tons of carbon dioxide emissions, 12.47 tons of sulfur dioxide emissions, and 10.85 tons of nitrogen dioxide emissions per year on average.
Wuxi Taichang Electronic 65.5kW Rooftop Distributed PV Project	It's a small-scale demonstration project which CMEC Guolian used its own resources to design, construct and combine into the grid, with a construction area of 1,700 square meters.	Officially combined to the grid on June 30, 2016; the construction period is only one month.	Provide 60,000kWh green power per year on average, contributing to a reduction by 10% of annual electricity consumption, and help saving 23.58 tons of standard coal and reducing 61.78 tons of carbon dioxide emissions, 0.2 tons of sulfur dioxide emissions, and 0.17 tons of nitrogen oxide emission per year on average.

## Green Public Welfare

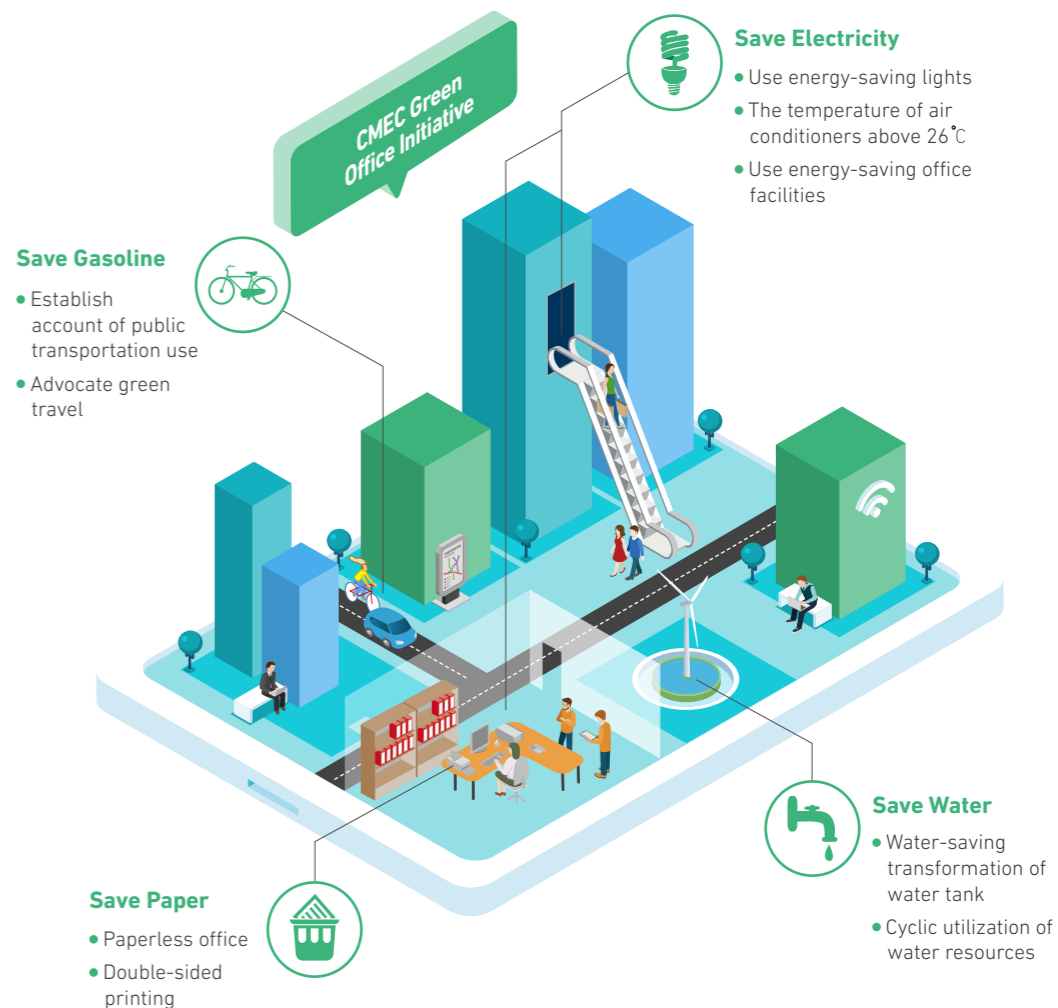
While improving its own environmental protection awareness and enhancing the environmental practices, CMEC focuses on promoting the green and environmental work methods and life styles among the public and often conducts public welfare activities to enhance the environmental protection awareness and ecological environment protection. In 2016, CMEC

conducted series of activities themed with "2016 National Energy Conservation Publicity Week and National Low Carbon Day" and made good use of the network, WeChat, Weibo and other emerging media to spread the low-carbon environmental concept in order to create a good social atmosphere in which all people join hands to protect the environment.

## Green Office

CMEC pays attention to enhancing the environmental awareness and practice capability of employees and often organizes lectures, training, discussion and public welfare activities on environmental protection to integrate the environmental concept into the work

of employees. Adhering to the principle of "starting with small things and incorporating the green concept into every detail of daily operation", the Company has greatly improved the staff's awareness of energy conservation and environmental protection.





# HARMONIOUS COMMUNITY

## BENEFIT LOCAL PEOPLE'S LIVELIHOOD

In its development and operation, CMEC pays attention to carrying out responsible practices in communities. By learning about the concerns and needs of local residents, CMEC actively supports the community infrastructure construction with its advantages in engineering contracting, promotes the development of community culture, education, health and other relevant causes, deeply advances the localized operation, and normalizes public welfare activities, to contribute to the healthy development of the society. In 2016, CMEC donated RMB 300,000 in "Love Knows No Borders" event; and CMEC employees totally donated RMB 439,500 in "Charitable Donation" activity.



72 / Implement Localized  
Operation

74 / Improve Community  
Livelihood

77 / Engage in Public  
Welfare

## IMPLEMENT LOCALIZED OPERATION

The localization is an inevitable choice for CMEC to develop its core market in depth to drive the rolling development of peripheral market, cultivate regional competitive strength, and maintain sustainable development. By establishing local agencies, hiring local people and purchasing local goods, CMEC constantly promotes localized operation. We strive to provide employment opportunities for local residents, improve the professional skills of local residents, and drive the development of the companies up and down the industrial chain so as to contribute to local social progress and economic prosperity. In 2016, we employed 251 foreign workers; a total of 4,957 foreign workers and 4,600 Chinese workers from the subcontractors worked on the project sites.



### CASE



#### Continue to carry out electric power project trainings and build "light projects" in Equatorial Guinea

Since entering the electric power market of the Republic of Equatorial Guinea in 2006, CMEC has undertaken and carried out nearly 20 power projects in the capital of Malabo and the mainland in the past decade. These projects are hailed as "bright projects" by the government and local people. In addition, CMEC's hard work there was not limited to hardware

construction of specific works. It also provided professional power training there, allowing the proprietors to understand its design ideas as well as principles, manipulation, operation and maintenance of various equipment. By the end of 2016, there are still 150 local people receiving systematic and professional power training on the project sites.



Group photo of the electric power project training in Equatorial Guinea

### CASE



#### CMEC adopts localized management of the staffs at representative office in Belarus

The representative office of CMEC in Belarus, setting the headquarters as the decision-making core, the Chinese team as the management, and local employees as the chief accountant, CFO, budget officer, project chief engineer and clerks, quickly broke the cultural shock and service style difference between the two countries, and quickly solved the

financial, tax and legal problems encountered during the implementation of project, meeting the localized requirements of the headquarters. In addition, the representative office is responsible for recruiting staff and signing labor contracts with local staff and students studying abroad and has sent a large number of outstanding talents for the project in Belarus.



Group photo of the representative office staff in Belarus

## IMPROVE COMMUNITY LIVELIHOOD

CMEC respects local customs and religious culture, actively communicates with the community, and listens to public demands, aiming to establish good relations with the community. By exerting our own advantages, we support and participate in community construction, improve local science, education, culture, health, transportation and infrastructure, and have constantly promoted community progress and development.

### Infrastructure Construction

Infrastructure is an important foundation for business operations and community affairs. CMEC has been pursuing common development with the community and actively helps to improve community facilities, "nurtures" local communities in return in

the aspects of roads, bridges, power projects, schools and hospitals and enhances the welfare of local residents to promote the sustainable development of the community.

#### CASE

#### Let clear and sweet drinking water flow into thousands of households in Sri Lanka

Due to the facts that there is no clean drinking water plant in the northwest province of Kurunegala, Sri Lanka, the waste water there is not well treated, and drinking water sources are polluted, adversely affecting the health of local villagers. Many people suffer from chronic kidney diseases, and their families bear a heavy burden. The construction of the water supply and sewerage treatment project undertaken by CMEC has started. After the completion of the project, a local safe drinking water supply and sewage treatment system can be established. After the completion of the water supply project, the daily production capacity will reach 54,000 tons, which will effectively meet the water demand of 600,000 local people; after the completion of the sewage treatment project, local residents will be able to use healthful, clean water, and environmental pollution caused by sewage will be reduced.



Local residents of the water supply and sewerage treatment project in Kurunegala, Sri Lanka send tea to the workers at the construction site.

#### CASE

#### Postwar support and participation in the construction of water supply projects in Sri Lanka

In order to help local residents in Jaffna, a former war district in northern Sri Lanka, to get stable, sustainable and reliable drinking water and improve the backward local infrastructure, the construction of the first water supply project in the former war district of northern Sri Lanka officially was started in August 2016. CMEC's 2nd Complete

Plants Division and Sri Lanka Business Promotion Partner Company constituted a consortium to lay out a water supply pipeline as long as about 140 kilometers and built three reservoirs in Jaffna. The duration of the project is two years. After the completion, 300,000 local residents will benefit from it.

### Improve Education and Medical Conditions

Education links to the future of a nation and medical treatment closely connects to the health of community residents, so supporting the development of local health care and education is considered as a strategic social welfare project

of CMEC. The Company constantly supports the construction of local hospitals and schools in the forms of funding and donation so as to bring benefit to local residents.



On June 7, 2016, President Zhang Chun and Vice Minister of Health of Zimbabwe met and visited the Harare Center Hospital together.

#### CASE

#### Support education with PV power and show love in Ningxia

CMEC Guolian helps to alleviate poverty in the form of supporting education with PV power. It has built a 5kW roof distributed photovoltaic power plant for Manchun Primary School and Qinghua Primary School in Tongxin County as well as Maqu Primary School in Wuzhong City, Ningxia, respectively. Despite enormous difficulties, CMEC Guolian officially completed all the 15kW poverty

alleviation projects in Ningxia on January 23, 2016, after several months of arduous construction. The teachers and students of the three hope primary schools shook off the shackle of no power. The 15kW roof PV projects can provide the power of about 20 kilowatt hours per day for each primary school. Since then, the schools have realized self-supply of electric power.



CMEC New Energy's support of education with PV power

## CASE

### • CMEC donates office and living facilities to local schools in Belarus

After the five-year project construction and quality assurance work were successfully completed, the project team of the Berezovskaya Power Plan in Belarus donated all the facilities at the site offices to a local middle school, and donated the facilities in the apartment buildings in the living area to a local kindergarten and a sports school. The mayor gave thanks for CMEC's support and contribution to local education in person. The principal of the middle school expressed sincere gratitude to CMEC for its charity and sent a thank-you letter to the Company. Local journalists reported the story. The donation sets a good image of CMEC in Belarus and helps the development of local education.



The principal of the middle school sends a thank-you letter.

## Focus on Communication with Community

CMEC pays attention to and responds to local residents' expectations and aspirations in the project process. Through face-to-face talks, project communications and other channels, it establishes

a normal mechanism for communications with community residents and strengthens cooperation with local media, striving to achieve cooperation and win-win goals.



China's nature, geography and humanities are introduced to the students of Tyszkiewicz Middle School in Ivanov, Belarus.



Primary school students of Congo (Brazzaville) are singing and dancing to welcome CMEC's shooting crew.



Local children visit the Puttalam Coal-fired Power Plant undertaken by CMEC in Sri Lanka.

## ENGAGE IN PUBLIC WELFARE

During its growth and project construction, CMEC adheres to sharing its development results with the public. It is enthusiastic in social welfare, helps those in distress and aids those in peril, and continuously provides volunteer services to support the building of a local harmonious society and undertake social care and responsibility voluntarily.

### Disaster Relief

Confronted with major natural disasters, CMEC throws itself into the breach and actively participates in disaster relief, material donation and the reconstruction in disaster areas, undertaking its responsibility as a corporate citizen worldwide. In April 2016, CMEC Enmei Co., Ltd.

generously donated for the earthquake-stricken areas of Kumamoto, Japan on time to support local rescue and reconstruction, showing a good corporate image, which was acclaimed by multiple governments and all sectors of the community.

### Carry Out Volunteer Activities

In addition to integrating resources of all parties, CMEC encourages employees to actively participate in voluntary activities, carry out various activities like voluntary donation, unpaid blood donation and

community services, to help the disadvantaged groups as much as possible, and fulfill responsibility as a corporate citizen with practical actions.



The staff of the Belarus office accompany the children of an orphanage at Christmas.

## Help the Poor and Needy

In active response to the call of the government, CMEC cares about socially vulnerable groups, constantly gives support to poor areas in terms of intelligence, capital and other aspects and helps

those in difficulty with care and support to enhance local development capacity. In 2016, the Company's charitable donation reached RMB 300,000.

### CASE

#### Support the "Love Knows No Borders" International Charity Sale for four consecutive years

Since 2013, CMEC International Exhibition Co., Ltd. has supported the "Love Knows No Borders" International Charity Sale for four consecutive years. By actively participating in charity sale events with

human spirit and actively extending warm hands and giving love, CMEC hopes to create a better world and make people all over the world happier.

Oct. 2016



▲ Chinese Foreign Minister Wang Yi visits CMEC's booth at the International Charity Sale.

On October 22, 2016, CMEC participated in the 8th "Love Knows No Borders" International Charity Sale as a major sponsor. The theme of the Sale was "Building Public-oriented Bridges Together". A total of RMB 300,000 was raised through the China Foundation for Poverty Alleviation to build bridges for local residents in poverty-stricken areas of Lingyun County and Tianlin County, Guangxi Zhuang Autonomous Region.

## GREAT LOVE WITHOUT BORDERS



Nov. 2013

#### ◀ CMEC participates in the 2013 "Love Knows No Borders" International Charity Sale.

In November 2013, the Ministry of Foreign Affairs organized the "Love Knows No Borders" International Charity Sale with the theme of "Water, Source of Life—Donation for Building of Water Cellars in Poor Mountainous Areas of Yunnan". CMEC participated in the event as an enterprise representative. In addition to donating RMB 500,000, CMEC set up bazaars for charity sale, which was highly praised and fully affirmed by the community.

Chairman Sun Bai introduces the charity sale of CMEC's new energy products to the Chinese Foreign Minister Wang Yi.

In October 2014, CMEC participated in the 6th "Love Knows No Borders" International Charity Sale with the theme of "Sending 'Lovely' Hope to the Children in Poor Mountainous Areas". CMEC donated RMB 300,000 to finance the children's congenital heart disease project in Guizhou Province and bring them the spring of life.

Oct. 2014



Oct. 2015

#### ◀ CMEC participates in the 2015 "Love Knows No Borders" International Charity Sale.

In October 2015, CMEC participated in the 7th "Love Knows No Borders" International Charity Sale with the theme of "Paying Tribute to the Rural Teachers in Yunnan". In active response to the charity sale event, CMEC provided solar emergency devices as products for charity sale and used all proceeds from the sale for the education in rural areas of Yunnan Province, China.

KEY  
PERFORMANCE

Environmental Indicators	2014	2015	2016
Total Carbon Dioxide Emission (Tons)	6137.0	5196.0	4093.8
Greenhouse Gas Emissions per RMB 10,000 of Operating Income (Tons)	-	0.00156	0.00155
Electricity Consumption (10,000 kWh)	-	-	541
Fuel Consumption (Tons)	-	-	468
Comprehensive Energy Consumption (10,000 Tons of Standard Coal)	-	0.2115	0.1585
Comprehensive Energy Consumption per RMB 10,000 of Operating Income (Tons of Standard Coal)	0.00110	0.00064	0.00060
Comprehensive Water Consumption (10,000 Tons)	1.9658	2.3415	2.9269

Note: The environmental indicators involve CMEC headquarters only

Social Indicators	2014	2015	2016
Total of Strategic Cooperation Partners (Numbers)	11	13	15
Complaints from Major Partners (Cases)	0	0	0
Total of Registered Trademarks (Numbers)	86	89	96
Total of Inventive Patents (Numbers)	3	4	16
Total Headcounts (Persons)	2892	3485	3627
Labor Contract Signing Rate (%)	100	100	100
Employee Training (Person-time)	1036	3485	4394
Physical Examination Rate of Employees (%)	100	100	100
Membership of Labor Union (%)	100	100	100
Employee Satisfaction (%)	97.50	99.90	99.90
Employee Turnover Rate (%)	4.30	5.60	6.31
Safety Training Coverage (%)	100	100	100
Duty-Related Deaths (Persons)	0	0	0
Support for Employees in Need (RMB 10,000)	31.5	42.4	44.8

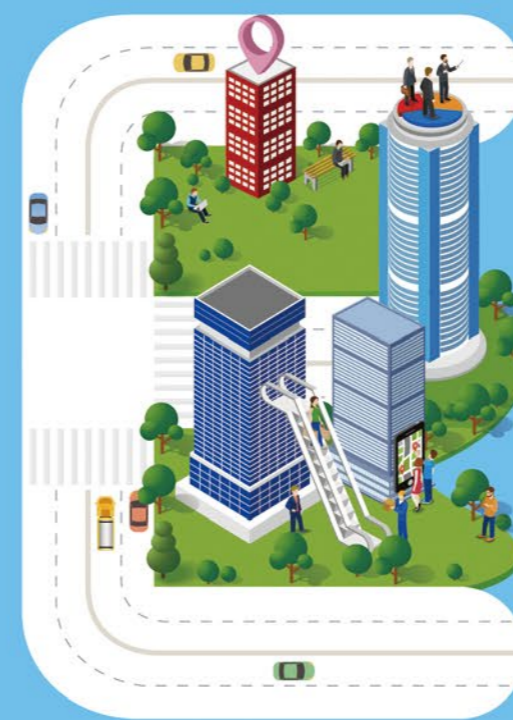
Economic Indicators	2014	2015	2016
Total Assets (RMB 100 Million)	380.90	439.53	474.52
Total Profits (RMB 100 Million)	27.65	29.97	27.84
Total Revenue (RMB 100 Million)	237.46	240.56	210.17
Tax (RMB 100 Million)	8.11	8.23	9.43
International Engineering contracting Business Revenue (RMB 100 Million)	161.02	139.74	123.85
Trade Business Revenue (RMB 100 Million)	64.43	86.08	73.09
Services Business Revenue (RMB 100 Million)	12.01	14.75	13.23
Domestic and Overseas Subsidiaries (Numbers)	38	40	47
Concluded Corruption Cases Filed Against Issuers or Employees (Numbers)	0	0	0

# OUTLOOK 2017

2017 is the last year of the period covered by CMEC's five-year strategic plan.

There will be more challenges due to more complex international situation, more intense competition and more prominent uncertainty resulted from the exchange rate fluctuations in this year.

CMEC will stick to the strategic guidance and seek improvement in stability. We will make overall arrangements, optimize management, improve quality and efficiency, and strive to complete the five-year strategic planning objectives, laying a solid foundation for sustainable development.



## Transformation and Upgrading Promote Sustainable Development

We will continue to support the sustainable development of the core business and meanwhile provide adequate resources and development room for the emerging business. For the engineering contracting business, we will make efforts for a steady development and improve our overall competitive strength; for the trading and services business, we will continue to optimize business structure, immobilize business models and improve the profitability; for the investment and financing business, we will continue to explore innovations in business model to meet diversified business needs; for the design and consulting business, we will strengthen technological advantages and build core competitiveness.



## Go Forward Hand-in-hand Pursue Win-win with Our Partners

We will continue to provide high value-added and high-quality services, actively promote the strategic partnership with strategic partners and leading enterprises at home and abroad. We will cooperate with local governments to build trade value-added service platforms through localized operation to deeply develop the local markets, and constantly expand the cooperation areas based on full integration of their respective advantages. We will broaden our cooperation models so as to achieve further breakthroughs in new or high-end markets.



## Happy Homeland Share the Fruits of Development

We will further strengthen the talent team construction, establish reserve cadre and talent echelons, and further improve the supporting management systems related to the remuneration and performance of the executives, business departments and functional departments. We will strengthen the corporate cultural construction, organize various sports activities, properly deal with the united front and retirement work, and actively offer help to employees in need to build a warm CMEC family.



## Safety and Environment Protection Ensure Sustainable Operation

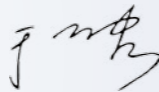
We will continue to enhance the safety awareness, strengthen the supervision and inspection of safety work, and fully enable the work safety information platform to earnestly implement the work safety responsibility at all levels and ensure the sustained stability of the Company's work safety condition. We will actively promote the green environmental protection projects to preserve the ecological environment.



## Harmonious Community Benefit Local People's Livelihood

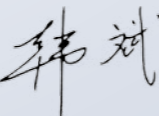
Adhering to the social responsibility view of "contribution to the world with responsibility", we will deeply implement the localized and regionalized operation, and actively fulfill the social responsibility to provide sustained power for the world development and create high quality life for the world people by leveraging our engineering contracting advantage. We will increasingly improve the Company's influence and brand value in domestic and international markets.

*China Machinery Engineering Corporation Social Responsibility Report 2016* is the fourth social responsibility report released by CMEC. After reading it, I am deeply impressed by CMEC's innovations or breakthroughs in the mode, scope and depth of its CSR practice. First, the report enhances the materiality. Starting from the Company's actual management operations as well as the stakeholders' concerns, the report selects the primary topics disclosed and gives a positive response. Besides, the innovation of CMEC's business management is highlighted in the form of CSR feature to reveal more material topics. Second, the report shows an improvement in completeness. The new performance data on environment, as well as the disclosure of benchmarking results based on the Environmental, *Social and Governance Reporting Guide* (referred to as "ESG") by the Hong Kong Stock Exchange, make the CSR fulfillment and disclosure ways more integral. Third, the report is more readable. On the basis of illustrations and pictures, continuous performance and highlights are sorted out in the form of significant big data and timeline, and the Company's "deeds" conducted for the community are fully quantified, so it is impressive to the readers.



Yu Zhihong, President of China WTO Tribune

*China Machinery Engineering Corporation Social Responsibility Report 2016* presents the corporate image of a responsible international engineering contractor and service provider through profound analysis of the Company's understanding of social responsibility concept and social responsibility fulfillment performance. First, upholding the corporate philosophy of "Make Wish come true", and with engineering contracting as the foothold in its business, CMEC explores deeply into its business segments, proactively develops new business models, and keeps innovating international partnership in order to promote corporate transformation and better development. Second, CMEC constantly improves the quality of projects. Attaching great importance to project operation and maintenance, CMEC carries out whole-life-cycle customer service properly during project construction, and provides proprietors with a package of solutions to guarantee stable operation of projects after delivery. Third, CMEC cares about local livelihood. While profoundly developing key markets, CMEC drives the development of peripheral areas and cultivates regional competitiveness in order to realize stable and healthy development of the Company along with the local area. Fourth, CMEC assists the United Nations to realize Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development. CMEC has made constant contribution to the realization of those SDGs, including no poverty, affordable and clean energy, industry, innovation and infrastructure, and sustainable cities and communities. By doing this, CMEC endeavors to repay the society and promote international communication, thus promoting the development of engineering contracting and service with practice. The Report demonstrates the whole process of how CMEC integrated social responsibility and sustainability concept into corporate operation, management and project construction, and is an out-standing social responsibility report with great devotion and abundant communication with stakeholders.



Han Bin, Executive Secretary of Global Compact Network China

	"Comply or Explain"	Information suggested to be disclosed	Disclosure condition	Page	Note (Explanations for "Partially Disclosed" or "Undisclosed")
A.Environment					
Level A1: Emissions	General disclosure		√	66-67	
	A1.1		√	68	
	A1.2		√	68 and 80	The greenhouse gases (such as methane, perfluorocarbon, etc.), excluding nitric oxide, are not applicable to the Company.
	A1.3		-	-	The "hazardous wastes" stipulated in the laws and regulations of China are not applicable to the Company.
	A1.4				
	A1.5		√	66-67	
	A1.6				
Level A2: Resource utilization	General disclosure		√	69	
	A2.1		√	80	
	A2.2				
	A2.3		√	68	
	A2.4		√	69	
Level A3: Environment and natural resources	A2.5		-	-	N/A
	General disclosure		√	66	
	A3.1		√	66	
B.Society					
Employment and Labor Standards					
Level B1: Employment	General disclosure		√	52-57	
		B1.1	√	52	
		B1.2			
Level B2: Health and safety	General disclosure		√	62-65	
		B2.1	√	81	
		B2.2			
		B2.3	√	58 and 65	
Level B3: Development and training	General disclosure		√	56-57	
		B3.1			
		B3.2			
Level B4: Labor standards	General disclosure		√	52	
		B4.1	√	52	
		B4.2		No violation has occurred.	
Operating practices					
Level B5: Suppliers management	General disclosure		√	44-45	
		B5.1	√	44	
		B5.2	√	44	
Level B6: Product liability	General disclosure		√	42-43	
		B6.1	-	-	N/A
		B6.2		No violation has occurred.	
		B6.3			
		B6.4			
		B6.5			
Level B7: Anti-corruption	General disclosure		√	32	
		B7.1	√	80	
		B7.2	√	31-32	
Community					
Level B8: Investment in community	General disclosure		√	74-78	
		B8.1	√	72-79	
		B8.2	√	78	

# FEEDBACK FORM

Dear readers:

Thanks for reading this Report. We are looking forward to your comments and opinions on it, which can help us constantly perfect the report presentation form and improve our social responsibility performance. Welcome to fill in the following questionnaire. You can send it back to us via the contact information below this page.

Thanks for your support!

China Machinery Engineering Corporation

July 2017

1. Which of the following stakeholders best correspond with your identity?

☐ Shareholder

☐ Employee

☐ Customer

☐ Supplier / contractor

☐ Government

☐ Peer

☐ Community / the public

☐ Industry association / non-governmental organization

☐ Media

☐ Other (please specify) \_\_\_\_\_

2. What's your overall assessment of this Report?

☐ Very good

☐ Good

☐ Fair

☐ Poor

☐ Very poor

3. What do you think of the following aspects of this Report?

Information disclosure:

☐ Very good

☐ Good

☐ Fair

☐ Poor

☐ Very poor

Layout design:

☐ Very good

☐ Good

☐ Fair

☐ Poor

☐ Very poor

Readability:

☐ Very good

☐ Good

☐ Fair

☐ Poor

☐ Very poor

4. Which parts do you think best fit your needs? (Multiple choice)

☐ Q&A with Leaders

☐ Feature on Responsibility

☐ About CMEC

☐ Transformation and Upgrading, Promote Sustainable Development

☐ Go Forward Hand-in-hand, Pursue Win-win with Our Partners

☐ Happy Homeland, Share the Fruits of Development

☐ Safety and Environment Protection, Ensure Sustainable Operation

☐ Harmonious Community, Benefit Local People's Livelihood

☐ Outlook 2017

☐ Other (please specify) \_\_\_\_\_

5. What topics best attract your attention? (Multiple choice)

☐ Strategic control☐ Law-based corporate governance

☐ Risk management☐ Financial management

☐ Informatization construction☐ Construction of a clean government

☐ Value creation☐ Quality projects

☐ Sincere service☐ Responsible procurement

☐ Supply chain management☐ Industrial chain development

☐ Partners☐ Employment management

☐ Salary and welfare☐ Democratic management

☐ Cultural construction☐ Employee training

☐ Career development☐ Work safety

☐ Occupational health☐ Green operation

☐ Localized operation☐ Community livelihood

☐ Social welfare

6. Do you have any opinion or suggestion on China Machinery Engineering Corporation Social Responsibility Report 2016? If yes, you are more than welcome to share with us:

Contact Information

China Machinery Engineering Corporation

ADD: CMEC Building, No.178, Guang'anmenwai Street, Xicheng District, Beijing, China

Postcode: 100055

Contact person: Wang Sudan, Social Responsibility Office

TEL: + 86-10-63312002

FAX: + 86-10-63268156



**Contribution to the World with Responsibility**



**中国机械设备工程股份有限公司**  
China Machinery Engineering Corporation

ADD: CMEC Building, No. 178, Guang'anmenwai Street, Xicheng District, Beijing, China

Postcode: 100055

TEL: +86-10-63312002

FAX: +86-10-63268156

E-mail: [csr@mail.cmec.com](mailto:csr@mail.cmec.com)

Website: [www.cmec.com](http://www.cmec.com)