Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL AND OPERATION HIGHLIGHTS

- For the year ended 31 December 2017, the revenue of the Group amounted to RMB8,024.5 million, representing a decrease of 1.6% as compared with last year.
- For the year ended 31 December 2017, the gross profit of the Group amounted to RMB1,599.7 million and the gross profit margin of the Group was 19.9%, representing a decrease of 4.4% and 0.6 percentage points as compared with last year, respectively.
- For the year ended 31 December 2017, the total comprehensive income attributable to owners of the parent amounted to RMB874.4 million, representing a decrease of 14.4% as compared with last year.
- For the year ended 31 December 2017, the Group continued to be the largest desulfurization and denitrification concession operator and the largest manufacturer of denitrification catalysts nationwide.
- For the year ended 31 December 2017, The Group successfully achieved a zero breakthrough in investment and operation business outside of the system of China Datang Group.
- The Board recommends to distribute the final dividend for the year ended 31 December 2017 of RMB0.13 per share (before tax).

The board (the "**Board**") of directors (the "**Directors**") of Datang Environment Industry Group Co., Ltd. (the "**Company**") hereby announces the audited consolidated financial results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**us**") for the year ended 31 December 2017, together with the comparable figures of 2016. The financial data of the Group for the year ended 31 December 2017 set out by the Company in this results announcement is based on the consolidated financial statements prepared according to the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements under the Hong Kong Companies Ordinance.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017** RMB'000	2016 RMB'000
Revenue	4	**8,024,494**	8,156,469
Cost of sales		**(6,424,764)**	(6,483,157)
Gross profit		**1,599,730**	1,673,312
Selling and distribution expenses		**(46,036)**	(47,018)
Administrative expenses		**(293,094)**	(282,051)
Other income and gains	4	**429**	113,745
Finance costs	5	**(182,831)**	(193,065)
Profit before tax		**1,078,198**	1,264,923
Income tax expense	6	**(163,286)**	(180,193)
PROFIT FOR THE YEAR		**914,912**	1,084,730

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(930)**	2,104
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(930)**	2,104
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(930)**	2,104
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**913,982**	1,086,834
Profit attributable to:			
Owners of the parent		**874,924**	1,020,564
Non-controlling interests		**39,988**	64,166
		914,912	1,084,730
Total comprehensive income attributable to:			
Owners of the parent		**874,403**	1,021,657
Non-controlling interests		**39,579**	65,177
		913,982	1,086,834
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	*8*	**0.29**	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,341,666**	6,643,229
Intangible assets		**162,234**	110,501
Prepaid land lease payments		**19,531**	19,996
Available-for-sale financial investment		**5,000**	5,000
Deferred tax assets		**36,239**	24,829
Other non-current assets		**287,560**	115,357
Total non-current assets		**7,852,230**	6,918,912
CURRENT ASSETS			
Inventories		**123,927**	130,286
Construction contracts		**363,490**	237,747
Trade and bills receivables	*9*	**7,191,795**	6,375,700
Prepayments, deposits and other receivables		**946,087**	1,235,130
Restricted cash		**17,843**	25,151
Cash and cash equivalents		**1,666,080**	3,012,614
Total current assets		**10,309,222**	11,016,628
CURRENT LIABILITIES			
Trade and bills payables	*10*	**5,787,356**	5,766,675
Other payables and accruals		**1,110,673**	1,047,059
Interest-bearing bank borrowings and other loans	*11*	**1,234,066**	1,166,318
Income tax payable		**49,318**	42,918
Total current liabilities		**8,181,413**	8,022,970

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NET CURRENT ASSETS		**2,127,809**	2,993,658
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,980,039**	9,912,570
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings and other loans	*11*	**3,016,766**	3,465,837
Other non-current liabilities		**36,912**	31,379
Total non-current liabilities		**3,053,678**	3,497,216
Net assets		**6,926,361**	6,415,354
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**2,967,542**	2,967,542
Reserves		**3,775,926**	3,272,466
		6,743,468	6,240,008
Non-controlling interests		**182,893**	175,346
Total equity		**6,926,361**	6,415,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent							
	Share capital *RMB'000* *(note 12)*	**Capital reserve*** *RMB'000*	**Exchange fluctuation reserve*** *RMB'000*	**Statutory surplus reserve*** *RMB'000*	**Retained profits*** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2016	2,400,000	64,865	(12)	73,529	961,809	3,500,191	126,880	3,627,071
Profit for the year	–	–	–	–	1,020,564	1,020,564	64,166	1,084,730
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	1,093	–	–	1,093	1,011	2,104
Total comprehensive income for the year	–	–	1,093	–	1,020,564	1,021,657	65,177	1,086,834
Capital contribution	567,542	1,250,375	–	–	–	1,817,917	–	1,817,917
Appropriation to statutory surplus reserve	–	–	–	90,009	(90,009)	–	–	–
Dividends declared to owners of the parent *(note 7)*	–	–	–	–	(100,000)	(100,000)	–	(100,000)
Dividends declared by a subsidiary to its non-controlling interests	–	–	–	–	–	–	(4,275)	(4,275)
Acquisition of non-controlling interests	–	243	–	–	–	243	(12,436)	(12,193)
At 31 December 2016	2,967,542	1,315,483	1,081	163,538	1,792,364	6,240,008	175,346	6,415,354
At 1 January 2017	**2,967,542**	**1,315,483**	**1,081**	**163,538**	**1,792,364**	**6,240,008**	**175,346**	**6,415,354**
Profit for the year	**–**	**–**	**–**	**–**	**874,924**	**874,924**	**39,988**	**914,912**
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	**–**	**–**	**(521)**	**–**	**–**	**(521)**	**(409)**	**(930)**
Total comprehensive income for the year	**–**	**–**	**(521)**	**–**	**874,924**	**874,403**	**39,579**	**913,982**
Appropriation to statutory surplus reserve	**–**	**–**	**–**	**114,512**	**(114,512)**	**–**	**–**	**–**
Dividends declared to owners of the parent *(note 7)*	**–**	**–**	**–**	**–**	**(370,943)**	**(370,943)**	**–**	**(370,943)**
Dividends declared by a subsidiary to its non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(32,032)**	**(32,032)**
At 31 December 2017	**2,967,542**	**1,315,483**	**560**	**278,050**	**2,181,833**	**6,743,468**	**182,893**	**6,926,361**

* These reserves accounts comprise the consolidated reserves of RMB3,775,926,000 (31 December 2016: RMB3,272,466,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,078,198**	1,264,923
Adjustments for:			
Finance costs		**182,831**	193,065
Interest income		**(7,166)**	(8,358)
Depreciation of property, plant and equipment		**504,403**	422,310
Amortization of intangible assets		**11,100**	9,447
Amortization of prepaid land lease payments		**465**	465
Loss on disposal of items of property, plant and equipment	*4*	**31**	215
Amortisation of government grants		**(3,915)**	–
Impairment of trade receivables	*9*	**14,963**	7,593
Impairment of other receivables		**11,178**	–
Decrease in inventories		**6,359**	24,179
(Increase)/decrease in construction contracts		**(125,743)**	12,281
Increase in trade and bills receivables		**(872,821)**	(1,405,755)
Decrease in prepayments, deposits and other receivables		**175,029**	69,092
Increase in trade and bills payables		**62,181**	664,816
(Decrease)/increase in other payables and accruals		**(4,351)**	234,805
Decrease in restricted cash		**7,308**	7,794
Cash generated from operations		**1,040,050**	1,496,872
Income tax paid		**(166,219)**	(193,278)
Net cash flows from operating activities		**873,831**	1,303,594

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**7,166**	8,358
Purchase of items of property, plant and equipment and intangible assets	**(1,165,824)**	(1,584,463)
Proceeds from disposal of items of property, plant and equipment	**241**	163
Others	**12,880**	87
Net cash flows used in investing activities	**(1,145,537)**	(1,575,855)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	**978,354**	1,526,230
Repayments of bank borrowings and other loans	**(1,359,677)**	(1,281,415)
Proceeds from issue of shares	**–**	1,918,867
Share issue expenses	**(32,221)**	(48,301)
Dividends paid to shareholders	**(370,943)**	(100,000)
Dividends paid to non-controlling interests	**–**	(8,431)
Interest paid	**(195,067)**	(194,388)
Net cash flows (used in)/from financing activities	**(979,554)**	1,812,562
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,251,260)**	1,540,301
Cash and cash equivalents at beginning of year	**3,012,614**	1,443,963
Effect of foreign exchange rate changes, net	**(95,274)**	28,350
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,666,080**	3,012,614

1. CORPORATE AND GROUP INFORMATION

Datang Environment Industry Group Co., Ltd. (大唐環境產業集團股份有限公司) (the "**Company**") was established on 25 July 2011 in the People's Republic of China (the "**PRC**") with limited liability. On 26 June 2015, the Company was converted into a joint stock company with limited liability from a limited liability company. The shares of the Company have been listed on the Main board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") since 15 November 2016. The address of its registered office is No.120 Zizhuyuan Road, Haidian District, Beijing, the PRC.

The Company and its subsidiaries (together the "**Group**") are involved in the following principal activities: development of environmental protection projects, investment on environmental facilities and operation management; research and development, design, production, examination, sale and technical services of denitrification catalysts; research and development, production and sale of self-controlled systems; development and testing of environmental protection technology; production and sale of environmental protection equipment; design, construction and contracting of environmental protection engineering; treatment of sewage and seawater; design and contracting of power engineering systems; energy saving techniques as well as development and usage of new energy technology; design and contracting of material transportation systems and corrosion protection engineering systems; building materials and chemical products (excluding hazardous chemicals); sale of machinery equipment, electronic products and hardware; contracting of overseas projects; import and export businesses; consultation services in relation to the above businesses. (For the projects which need approval in accordance with the laws and regulations, the relevant activities are carried out upon approval.)

In the opinion of the directors of the Company (the "**Directors**"), the immediate holding company and ultimate holding company of the Company is China Datang Corporation, a company established and domiciled in the PRC and wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council. The name of China Datang Corporation has been changed to China Datang Corporation Ltd. ("**China Datang**") since 29 November 2017.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs (which include International Financial Reporting Standards, International Accounting Standards, and Interpretations and amendments) for the first time for the current year's financial statements, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. Except the adoption of the following revised IFRSs, the accounting policies adopted by the Group are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

Amendments to IAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to IAS 12	*Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014–2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of each amendment are described below:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosures of the changes in liabilities arising from financing activities is provided to the financial statements.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements to IFRSs 2014–2016 Cycle

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have any disposal group held for sale at the end of the year.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15 and Clarifications to IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to IFRSs 2014–2016 Cycle	*Amendments to IFRS 1 and IAS 28*[1]
Annual Improvements to IFRSs 2015–2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[2]

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 9 *Financial Instruments* (Continued)

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The effect of adoption on the Group's financial statements is not expected to be material.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 15 and Clarifications to IFRS 15 *Revenue from Contracts with Customers*

IFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. During 2017, the Group has performed a preliminary detailed assessment on the impact of the adoption of IFRS 15.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 15 and Clarifications to IFRS 15 *Revenue from Contracts with Customers* (Continued)

The Group's principal activities include environmental protection and energy conservation solutions, renewable energy engineering, thermal power plants engineering general contracting and other businesses. The effect of adoption on the Group's financial statements is not expected to be material except for presentation and disclosure.

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 16 *Leases*

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. At 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB75,625,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC Interpretation 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group plans to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

IFRIC Interpretation 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Annual Improvements to IFRSs 2015–2017 Cycle

Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017, sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23, among which amendments to IAS 12 and IAS 23 are applicable to the Group. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments that are applicable to the Group are as follows:

Amendments to IAS 12 *Income Taxes*

Amendments to IAS 12 clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

Amendments to IAS 23 *Borrowing Costs*

Amendments to IAS 23 clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sales are complete.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to their nature. Each of the Group's operating segments represents a strategic business unit that provides services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

(a) Environmental protection and energy conservation solutions

The environmental protection and energy conservation solutions business mainly includes flue gas desulfurization and denitrification facilities concession operation for coal-fired power plants; the manufacture and sale of denitrification catalysts; engineering for coal-fired power plants, including the engineering of denitrification, desulfurization, dust removal, ash and slag handling and other environmental protection facilities and industrial site dust management related engineering; water treatment; and energy conservation including energy conservation facilities engineering and energy management contracting ("**EMC**").

(b) Renewable energy engineering

The renewable energy engineering business mainly includes the engineering general contracting for newly-built wind power plants, biomass power plants and photovoltaic power plants.

(c) Thermal power plants engineering general contracting

The thermal power plants engineering general contracting business mainly includes the engineering procurement construction ("**EPC**") services for thermal power plants.

(d) Other businesses

Other businesses currently mainly include various businesses such as fiberglass chimney anti-corrosion, air cooling system engineering general contracting and coal yard monitoring system upgrade.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated income and gains, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets exclude unallocated intangible assets, unallocated deferred tax assets, unallocated prepayments, deposits and other receivables, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings for daily operation purposes, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2017	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power plants engineering general contracting *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment revenue					
Sales to external customers	**5,786,528**	**1,824,955**	**–**	**413,011**	**8,024,494**
Intersegment sales	**14,722**	**–**	**–**	**22,598**	**37,320**
	5,801,250	**1,824,955**	**–**	**435,609**	**8,061,814**
Reconciliation:					
Elimination of intersegment sales					**(37,320)**
Revenue					**8,024,494**
Segment results	**1,345,505**	**38,444**	**–**	**42,402**	**1,426,351**
Reconciliation:					
Other income and gains					**429**
Corporate and other unallocated expenses					**(165,751)**
Finance costs					**(182,831)**
Profit before tax					**1,078,198**

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power plants engineering general contracting *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment assets	**16,563,443**	**1,093,429**	**64,401**	**689,273**	**18,410,546**
Reconciliation:					
Elimination of intersegment receivables					**(925,823)**
Corporate and other unallocated assets					**676,729**
Total assets					**18,161,452**
Segment liabilities	**7,392,795**	**1,298,409**	**72,693**	**508,193**	**9,272,090**
Reconciliation:					
Elimination of intersegment payables					**(925,823)**
Corporate and other unallocated liabilities					**2,888,824**
Total liabilities					**11,235,091**
Other segment information					
Impairment losses recognised in profit or loss	**7,171**	**–**	**–**	**18,970**	**26,141**
Depreciation and amortisation	**501,353**	**60**	**–**	**14,555**	**515,968**
Capital expenditure*	**1,254,941**	**–**	**–**	**25,036**	**1,279,977**

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power plants engineering general contracting *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment revenue					
Sales to external customers	6,008,992	1,919,564	–	227,913	8,156,469
Intersegment sales	44,216	–	–	14,028	58,244
	6,053,208	1,919,564	–	241,941	8,214,713
Reconciliation:					
Elimination of intersegment sales					(58,244)
Revenue					8,156,469
Segment results	1,433,191	99,580	–	57,091	1,589,862
Reconciliation:					
Other income and gains					113,745
Corporate and other unallocated expenses					(245,619)
Finance costs					(193,065)
Profit before tax					1,264,923

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power plants engineering general contracting *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment assets	14,163,731	1,740,823	92,779	624,281	16,621,614
Reconciliation:					
Elimination of intersegment receivables					(432,182)
Corporate and other unallocated assets					1,746,108
Total assets					17,935,540
Segment liabilities	5,087,071	1,545,296	79,444	513,898	7,225,709
Reconciliation:					
Elimination of intersegment payables					(432,182)
Corporate and other unallocated liabilities					4,726,659
Total liabilities					11,520,186
Other segment information					
Impairment losses/(reversal of impairment losses) recognised in profit or loss	(2,582)	–	–	10,175	7,593
Depreciation and amortisation	417,916	75	76	14,155	432,222
Capital expenditure*	1,017,840	–	–	144,159	1,161,999

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The majority of the non-current assets are located in the PRC, and the majority of revenues are generated from Mainland China. Therefore, no geographical information is presented.

Information about major customers

Revenue of approximately RMB6,064 million (2016: RMB6,204 million) was derived from sales of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) ("**China Datang Group**").

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts and the value of services rendered for desulfurization and denitrification and others during the year.

An analysis of revenue, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Revenue from sales of goods	**335,512**	434,255
Revenue from construction services	**4,443,021**	5,186,012
Revenue from desulfurization and denitrification services	**3,188,809**	2,478,340
Revenue from other services	**57,152**	57,862
	8,024,494	8,156,469

4. REVENUE, OTHER INCOME AND GAINS (Continued)

	2017	2016
	RMB'000	*RMB'000*
Other income		
Bank interest income	**7,166**	8,358
Government grants	**80,806**	65,832
	87,972	74,190
Gains		
Loss on disposal of items of property, plant and equipment	**(31)**	(215)
Exchange (losses)/gains *(Note a)*	**(87,512)**	39,770
	(87,543)	39,555
	429	113,745

Note a: Included an exchange loss of RMB78 million arising from the conversion of the HK dollars received from the issuance of the Company's H shares into RMB during the year ended 31 December 2017.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest expenses on bank borrowings and other loans	**194,284**	203,098
Less: interest capitalized	**(11,453)**	(10,033)
	182,831	193,065

The Group's capitalization rate for the year ended 31 December 2017 was 3.92% to 5.15% (for the year ended 31 December 2016: 4.41%).

6. INCOME TAX EXPENSE

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) and the PRC Enterprise Income Tax Law Implementation Regulations (中華人民共和國企業所得法實施條例), the Company and its certain subsidiaries have been recognised as high-technology enterprises and are subject to a preferential corporate income tax rate of 15%.

Certain branches of the Company are engaged in qualified environmental protection and resources or water conservation projects and income derived from such activities is tax exempted for the first 3 years followed by a 50% exemption from the fourth to the sixth years starting from the first year in which the project generates operating profit.

Under the above tax law and regulations, except for preferential treatments available to the Company, its certain branches and subsidiaries as mentioned above, other subsidiaries within the Group are subject to corporate income tax at the statutory rate of 25%.

6. INCOME TAX EXPENSE (Continued)

The subsidiary of the Company in India is subject to corporate income tax at a rate of 33.06% during the period from 1 January 2017 to 31 March 2017, and 27.55% for the remaining period in 2017 (for the year ended 31 December 2016: 30%).

The components of income tax expense for the year are as follows:

	2017	2016
	RMB'000	*RMB'000*
Current – PRC	**182,154**	176,940
Current – other country	**(7,458)**	12,360
Deferred	**(11,410)**	(9,107)
	163,286	180,193

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rate applicable in the PRC to the income tax expense at the Group's effective income tax rate for year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**1,078,198**	1,264,923
Income tax at the statutory income tax rate of 25% (2016: 25%)	**269,550**	316,231
Effect of a different tax rate applicable in another country	**(1,554)**	2,060
Effect of the preferential income tax rate	**(116,129)**	(133,778)
Expenses not deductible for tax	**4,680**	2,721
Additional deduction of research and development costs	**(811)**	(1,994)
Adjustments in respect of current tax of previous periods	**760**	(1,863)
Tax credit from domestic equipment purchase	**(442)**	(3,235)
Deductible temporary differences and tax losses with no deferred tax assets recognised	**7,232**	51
Income tax charge for the year	**163,286**	180,193
The Group's effective rate	**15.1%**	14.3%

7. DIVIDENDS

The dividends during the years ended 31 December 2017 and 2016 are set out below:

	2017	2016
	RMB'000	*RMB'000*
Dividends declared to owners of the parent	**370,943**	100,000

(i) During 2017, the final dividend of RMB370,943,000 at RMB0.125 per ordinary share (before tax) in respect of the period from 1 April 2016 to 31 December 2016, based on the issued share capital of the Company of 2,967,542,000 shares was declared to owners of the parent.

(ii) On 23 March 2018, the board of directors of the Company proposed to distribute the final dividend for the year ended 31 December 2017 of RMB0.13 per ordinary share (before tax), based on the issued share capital of the Company of 2,967,542,000 shares. The proposed final dividend is subject to the approval of the Company's shareholders at the 2017 annual general meeting.

(iii) Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividends to non-resident enterprise holders of H shares (including any H shares registered in the name of HKSCC Nominees Limited).

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules as well as the Tax Notice, the Company will implement arrangements in relation to the withholding and payments of individual income tax ranging from 10% to 20% on behalf of individual holders of H shares.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares for the years ended 31 December 2017 and 2016.

The Company did not have any potential dilutive shares in issue during the years ended 31 December 2017 and 2016. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

The calculations of basic and diluted earnings per share are based on:

Earnings	**2017**	2016
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations (*RMB*)	**874,923,605**	1,020,563,880

	Number of shares	
Shares	**2017**	2016
Weighted average number of ordinary shares in issue during the year, used in the basic/diluted earnings per share calculations	**2,967,542,000**	2,469,262,115

Earnings per share	**2017**	2016
Basic/diluted earnings per share *(RMB)*	**0.29**	0.41

9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally within one year. The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**6,777,178**	5,879,063
Less: provision for impairment	**(106,275)**	(91,312)
	6,670,903	5,787,751
Bills receivable	**520,892**	587,949
	7,191,795	6,375,700

(a) Aging analysis

An aging analysis of the trade and bills receivables, based on the invoice date or billing date, at the end of the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**3,988,580**	4,427,993
Between 1 and 2 years	**1,715,266**	1,165,106
Between 2 and 3 years	**871,093**	686,358
Over 3 years	**723,131**	187,555
	7,298,070	6,467,012
Less: provision for impairment	**(106,275)**	(91,312)
	7,191,795	6,375,700

9. TRADE AND BILLS RECEIVABLES (Continued)

(a) Aging analysis (Continued)

An aging analysis of trade and bills receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**3,988,580**	4,427,993
Past due but not impaired:		
Within 1 year	**1,533,954**	1,148,069
Between 1 and 2 years	**752,124**	610,217
Between 2 and 3 years	**466,264**	77,195
Over 3 years	**111,009**	97,295
	6,851,931	6,360,769

Receivables that were neither past due nor impaired relate to various related parties for whom there was no recent history of default.

Receivables that were past due but not impaired relate to companies that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

9. TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment of trade receivables

Movements in the provision for impairment of trade receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**91,312**	83,719
Impairment for the year	**38,665**	10,314
Reversal	**(23,702)**	(2,721)
At end of the year	**106,275**	91,312

As at 31 December 2017 and 2016, there were no trade and bill receivables of the Group pledged to secure bank borrowings and other loans granted to the Group.

10. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and are normally settled within one year.

	2017	2016
	RMB'000	*RMB'000*
Bills payable	**56,693**	36,478
Trade payables	**5,730,663**	5,730,197
	5,787,356	5,766,675

10. TRADE AND BILLS PAYABLES (Continued)

An aging analysis of the trade and bills payables, based on the invoice date, at the end of the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**3,420,623**	4,231,928
1 year to 2 years	**1,091,211**	850,803
2 years to 3 years	**658,152**	297,885
More than 3 years	**617,370**	386,059
	5,787,356	5,766,675

11. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate	Maturity	2017	2016
	(%)		*RMB'000*	*RMB'000*
Current				
Bank borrowings:				
– unsecured	3.83%–4.57%	2017–2018	**588,000**	468,450
Other loans:				
– unsecured	3.92%	2017	**–**	50,000
Current portion of long term bank borrowings and other loans				
Bank borrowings – unsecured	4.28%–5.15%	2017–2018	**629,913**	514,115
Bank borrowings – guaranteed	4.28%–4.41%	2017–2018	**13,253**	3,753
Other loans – unsecured	5.15%	2018	**2,900**	–
Other loans- secured	5.02%	2017	**–**	130,000
			646,066	647,868
			1,234,066	1,166,318

11. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (Continued)

	Effective interest rate (%)	Maturity	2017 RMB'000	2016 RMB'000
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	4.28%–5.15%	2018–2027	**2,708,003**	3,292,831
Bank borrowings – guaranteed	4.28%–4.41%	2018–2026	**98,583**	44,926
Other loans – unsecured	4.79%–5.15%	2018–2023	**210,180**	128,080
			3,016,766	3,465,837
			4,250,832	4,632,155
Interest-bearing bank borrowings and other loans denominated in				
– RMB			**4,250,832**	4,632,155

11. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (Continued)

The maturity profile of the interest-bearing bank borrowings and other loans as at the end of the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
Analysed into:		
Bank borrowings repayable:		
Within one year	**1,231,166**	986,318
In the second year	**566,074**	665,297
In the third to fifth years, inclusive	**1,532,890**	1,575,174
Beyond five years	**707,622**	1,097,286
	4,037,752	4,324,075
Other loans repayable:		
Within one year	**2,900**	180,000
In the second year	**5,800**	–
In the third to fifth years, inclusive	**195,480**	128,080
Beyond five years	**8,900**	–
	213,080	308,080
	4,250,832	4,632,155

The above secured bank borrowings and other loans are secured by certain assets with net carrying values as follows:

	2017	2016
	RMB'000	*RMB'000*
Property, plant and equipment	**–**	166,164
Intangible assets	**–**	16,973

12. SHARE CAPITAL

Shares

	2017	2016
	RMB'000	*RMB'000*
Issued and fully paid:		
2,967,542,000 (2016: 2,967,542,000 shares) ordinary shares	**2,967,542**	2,967,542

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue *(thousands)*	**Share capital** *RMB'000*
At 1 January 2016	2,400,000	2,400,000
Capital contribution *(Note (a))*	567,542	567,542
At 31 December 2016 and 1 January 2017	2,967,542	2,967,542
At 31 December 2017	**2,967,542**	**2,967,542**

Note:

(a) On 15 November 2016, the Company's shares were listed on the Hong Kong Stock Exchange in connection with the Company's global offering 540,000,000 ordinary shares of par value of RMB1.00 each issued at a price of HK$3.78 per share. On 15 December 2016, the Company exercised the over-allotment option with 27,542,000 ordinary shares of par value of RMB1.00 each issued at a price of HK$3.78 per share. The total cash consideration for the above issuance was, before expenses, approximately HK$2,145 million.

The net proceeds received from the issue of 567,542,000 H shares amounted to RMB1,817,917,000, net of share issue expenses. Part of the net proceeds amounting to RMB567,542,000 was credited as issued share capital, and the remaining balance of the proceeds of RMB1,250,375,000 was credited to capital reserve. The share capital of the Company increased from RMB2,400,000,000 to RMB2,967,542,000 accordingly upon completion of the issue of the new shares.

13. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolution of a general meeting of the shareholder of Beijing Fengjingshengbao Property Management Co., Ltd. ("**Fengjingshengbao Property**") (北京豐璟晟寶物業管理有限公司), Technologies & Engineering Company, the parent of Fengjingshengbao Property, has approved the liquidation of Fengjingshengbao Property, and the liquidation is planned to be completed before May 2018.

On 23 March 2018, the board of directors of the Company proposed to distribute the final dividend for the year ended 31 December 2017 of RMB0.13 per share (before tax) in cash to the shareholders of the Company. The proposal is subjected to the approval by the shareholders of the Company at the 2017 annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

As an environmental protection and energy conservation solution provider for coal-fired power generation enterprises, the principal business of the Group includes environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business. Customers of the Group spread over 30 provinces, autonomous regions and municipal cities in the PRC as well as five countries.

I. INDUSTRY OVERVIEW

In October 2017, the 19th Session of National Congress of the Communist Party of China was successfully held, at which the construction of ecological civilization and "beautiful China" was put forward as one of the key highlights. It was pointed out in the Report of the 19th Session of National Congress of the Communist Party of China that the PRC shall continue to promote green development, expand the energy conservation and environmental protection industry, carry out air pollution prevention and control on an on-going basis to fight for a better environment, accelerate the prevention and control of water pollution, strengthen the control of soil pollution and rehabilitation of polluted soil, and construct beautiful countryside. The Report of the 19th Session of National Congress of the Communist Party of China has indicated the direction and injected new impetus for the development of the energy conservation and environmental protection industry in the PRC, and it is expected that the energy conservation and environmental protection industry will maintain a rapid development trend.

In 2017, the Environmental Protection Tax Law of PRC was officially issued and put into effect since 1 January 2018. It is stipulated in the Environmental Protection Tax Law of PRC that within the territory of the PRC and other sea areas under the jurisdiction of the PRC, enterprises and public institutions and other production entities that cause direct impact on the environment by discharging taxable pollutants are the tax payers of the environmental protection tax and shall pay the relevant tax in accordance with the regulations. The taxation basis for taxable air pollutants and water pollutants is determined according to the volume of pollutant equivalent to the pollutant emissions, and the taxation basis for taxable solid wastes is determined according to the solid waste emissions. In particular, tax reduction applies to air pollutants and water pollutants with concentration rate that falls below a certain level, and tax exemption applies to solid wastes that adopts comprehensive utilization according to national standards. The introduction of the Environmental Protection Tax Law of PRC has, on one hand, further strengthened the government's binding on and control over pollutant discharge enterprises, while on the other hand effectively encouraged enterprises to improve technology to reduce pollutant emissions.

In 2017, the Chinese government further advanced supply-side reform and industrial de-capacity, which on one hand contributed to the turnaround of the overall operating and capital conditions of traditional industries such as iron and steel and cement, while on the other hand strictly restricted the expansion of production scale of such enterprises. While enterprises that engage in the iron and steel, cement and other traditional industries experience improvement in operating condition but are restricted to expand their production scale, increased investment was made in environmental protection, energy conservation and other relevant aspects, thereby creating opportunities for a new round of rapid growth for industries engaging in the prevention and control of industrial air pollution and water pollution and the comprehensive utilization of solid wastes.

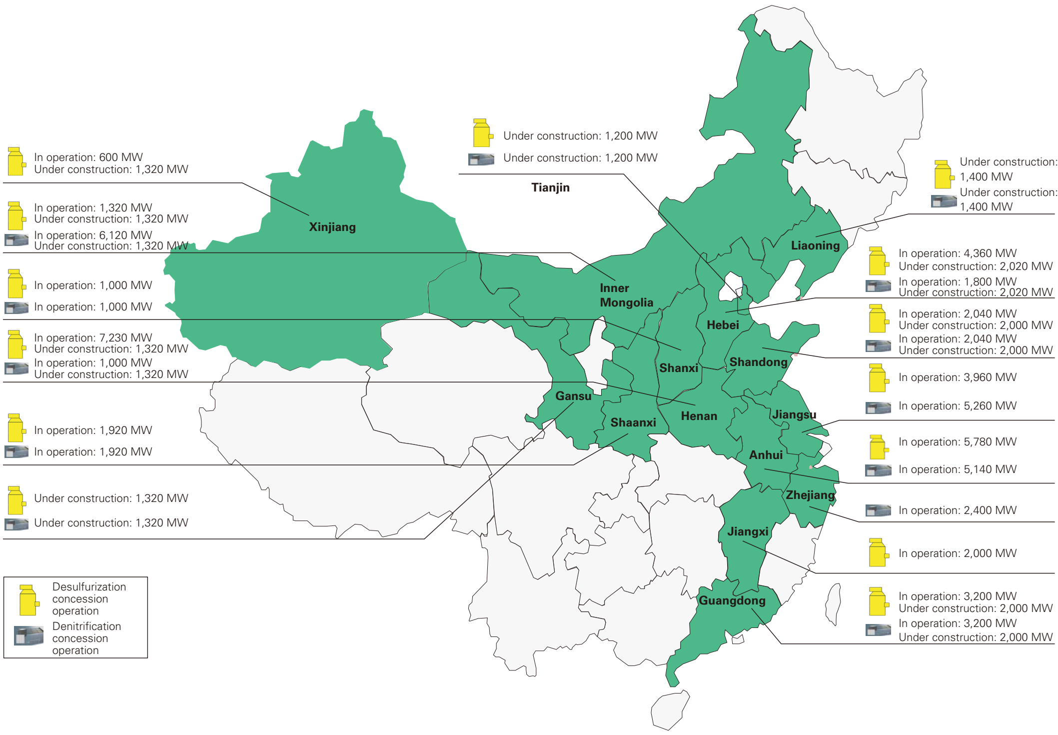
In 2017, the environmental protection facility concession operation business and the denitrification catalysts business of the Group continued to maintain a leading position in the industry. According to the statistics from China Electricity Council, in terms of the cumulative contracted capacity by the end of 2017, the Group continued to be the largest flue gas desulfurization and denitrification concession operator nationwide. In terms of the total production volume of catalysts in 2017, the Group continued to be the largest manufacturer of denitrification catalysts in the PRC.

II. BUSINESS OVERVIEW

1. Environmental Protection and Energy Conservation Solution Business

1.1. Environmental protection facility concession operation business

The Group's environmental protection facility concession operation business covers desulfurization and denitrification concession operations and its major assets are located at the areas with relatively robust economic development and strong demands for electricity. According to the statistics from China Electricity Council, in terms of the cumulative contracted capacity by the end of 2017, the Group continued to be the largest flue gas desulfurization and denitrification concession operator nationwide. The following map shows the geographical layout and cumulative capacity of the Group's concession operation as at 31 December 2017:



By 31 December 2017, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 35,910 MW and the cumulative installed capacity for desulfurization concession operation projects under construction reached 12,700 MW. The cumulative installed capacity in operation for denitrification concession operations reached 29,780 MW and the cumulative installed capacity for denitrification concession operation projects under construction reached 11,380 MW. The Group had one desulfurization entrusted operation project with an installed capacity of 1,960 MW.

The table below sets forth the status of the Group's desulfurization and denitrification concession operation projects in operation as at 31 December 2017:

Project location	**Project name**	**Category of concession operation**	**Installed capacity** *(MW)*
Guangdong	Chaozhou	Desulfurization and denitrification	3,200
Jiangsu	Lvsigang	Desulfurization and denitrification	2,640
	Nanjing	Desulfurization and denitrification	1,320
	Xutang	Desulfurization	1,300

Project location	Project name	Category of concession operation	Installed capacity *(MW)*
Shandong	Huangdao	Desulfurization and denitrification	1,340
	Binzhou	Desulfurization and denitrification	700
Zhejiang	Wushashan	Denitrification	2,400
Henan	Xuchang	Denitrification	2,020
	Sanmenxia	Desulfurization and denitrification	2,900/1,000
	Anyang	Desulfurization	1,270
	Shouyangshan	Desulfurization	1,040
Hebei	Wangtan	Desulfurization and denitrification	1,200
	Zhangjiakou Thermal Power	Desulfurization and denitrification	600
	Zhangjiakou	Desulfurization	2,560
Tianjin	Jixian	Desulfurization and denitrification	1,200
Anhui	Luohe	Desulfurization and denitrification	2,500
	Ma'anshan	Desulfurization and denitrification	1,320
	Hushan	Desulfurization and denitrification	1,320
	Tianjia'an	Desulfurization	640
Shaanxi	Binchang	Desulfurization and denitrification	1,260
	Baoji	Desulfurization and denitrification	660
Inner Mongolia	Tuoketuo	Desulfurization and denitrification	1,320/6,120
Jiangxi	Fuzhou	Desulfurization	2,000
Shanxi	Shentou	Desulfurization and denitrification	1,000
Xinjiang	Hutubi	Desulfurization	600

The table below sets forth the status of the Group's desulfurization and denitrification concession operation projects under construction as at 31 December 2017:

Project location	Project name	Category of concession operation	Installed capacity *(MW)*
Guangdong	Leizhou	Desulfurization and denitrification	2,000
Henan	Gongyi	Desulfurization and denitrification	1,320
Hebei	Yu County	Desulfurization and denitrification	1,320
	Tangshan Beijiao	Desulfurization and denitrification	700
Liaoning	Shendong	Desulfurization and denitrification	700
	Huludao	Desulfurization and denitrification	700
Inner Mongolia	Xilinhot	Desulfurization and denitrification	1,320
Xinjiang	Wucaiwan	Desulfurization	1,320
Ningxia	Pingluo	Desulfurization and denitrification	1,320
Shandong	Dongying	Desulfurization and denitrification	2,000

1.2. Denitrification catalysts business

In 2017, both the production volume and the sales volume of the Group's denitrification catalysts business remained stable. According to the statistics from China Electricity Council, the Group continues to rank the first in the PRC in terms of the total production volume in 2017.

The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business in 2017:

(Unit: m^3)

Production volume	Sales volume	Delivery volume	Delivery volume to customers other than China Datang Group
33,674.01	32,242.44	42,753.16	12,486.50

In 2017, the production line of regenerated catalyst of the Group was completed and officially put into operation, which increased an annual capacity of 10,000 m^3 with a production volume of 1,292 m^3 for regenerated catalyst. In addition, in 2017 the Group commenced business of transporting spent catalyst and the development of the whole production chain of catalyst was gradually improved.

In 2017, the Group made significant progress in the market of denitrification catalysts of non-electric industry. The Group entered into 38 contracts in total with sales volume of 790.8 m^3.

1.3. Environmental protection facilities engineering business

In 2017, the Group continued to carry out its environmental protection facilities engineering business, including desulfurization, denitrification, dust removal, ultra-low emission, and industrial site dust management.

The following table sets forth the breakdown of the environmental protection facilities engineering business of the Group as at 31 December 2017:

Projects	Projects under construction in 2017		Projects put into operation in 2017		Total projects in operation	
	Number	*Capacity (MW)*	*Number*	*Capacity (MW)*	*Number*	*Capacity (MW)*
Desulfurization	6	4,780	13	11,810	8	7,810
Denitrification	5	4,000	9	11,840	3	3,920
Dust removal	9	6,862	18	17,960	10	9,880
Ultra-low emission	12	8,200	17	15,310	11	9,630
Industrial site dust management	9	8,860	2	1,050	10	12,000

1.4. Water treatment business

In 2017, the water treatment engineering business of the Group maintained a steady development. The Group entered into contracts for eight water treatment engineering projects in total throughout the year with an aggregate amount of RMB167.39 million. Among which, there was one water treatment island engineering project for coal-fired power plant with an amount of RMB87.15 million. In 2017, two water treatment island engineering projects for coal-fired power plant of the Group were completed and put into operation. The water treatment island model was further promoted among coal-fired power plants.

In 2017, the water treatment operation business of the Group saw a remarkable progress and the first water treatment island project for Yan'an Thermal Power Plant was successfully completed and put into operation. The Group entered into two new water treatment island operation projects and acquired its first water treatment operation project – retrofitting project for waste water zero discharge in whole plant of Shenhua Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd. from other parties other than China Datang Group, making a zero breakthrough in the Group's operational business outside the system of China Datang Group.

1.5. Energy conservation business

In respect of energy conservation facilities engineering business, the Group entered into six contracts for new energy conservation facilities engineering projects with a total contract amount of RMB419.69 million and completed three energy conservation facilities engineering projects in 2017. In respect of the EMC business, the Group entered into two contracts for EMC projects in 2017 with total investment of approximately RMB62.43 million.

In 2017, the Group successfully mastered the joint flexible peak adjustment technology of thermal power generation units, and has undertaken two pilot projects of the National Energy Administration, having a first-mover advantage in this field.

2. Renewable Energy Business

The Group newly entered into one wind power plant site engineering project in 2017, with a cumulative contracted capacity of 1,045 MW and a cumulative installed capacity in operation capacity of 698 MW. The Group newly entered into five photovoltaic engineering projects in 2017, with a cumulative contracted capacity of 800 MW and a cumulative installed capacity in operation capacity of 530 MW.

3. Thermal Power Plants Engineering General Contracting Business

The Group did not have any thermal power plants engineering general contracting business revenue in 2017.

4. Other Businesses

The Group continued to carry out fiberglass chimney anti-corrosion projects and air-cooling system engineering general contracting projects in 2017.

5. Overseas Business

As at 31 December 2017, the Group had four overseas projects under enforcement. Among which, the desulfurization project for No. 1 unit of Cuddalore in India ran steadily after officially put into operation and was properly functioned; and No. 2 unit successfully passed the smoke test on 17 April 2017. In 2017, the Group had one new overseas project, the 50 MW Biomass Power Generation EPC Project in Thailand with a total contract amount of approximately RMB516 million.

In order to further expand its overseas business, the Group established offices in four regions including South Asia, Southeast Asia, the Middle East, and South America in 2017 to obtain more and latest market information.

6. Research and Development

In 2017, the Group continued to increase its investments in research and development and technological innovation and focused on the cultivation of the research and development and technological innovation team. The Group built up its core competitive strength and achieved outstanding results through continuous technological innovation and received a total of 26 industrial level technological awards, including three first prizes of China Power Innovation Award, one first prize of Power Enterprise Science and Technology Innovation Achievement Award and 12 industrial level second prizes.

In 2017, the Group continued to focus on its proprietary development and innovation, commit substantial resources to research and development and persist in promoting the commercialization of technological achievements. The proprietary technological achievement of the Group, namely the Establishment and Application of the Life-long Management Platform of Denitrification Catalysts Based on Big Data, was assessed to be of international leading level by China Electricity Council. The proprietary "Energy-saving Turbulence Pipe Gate High-efficient Desulfurization Technology" of the Group has been applied to 30 ultra-low emission coal-fired generating units in 16 power plants with a total installed capacity of 18,180 MW. As at 31 December 2017, the Group had 764 patents in aggregate, including 55 invention patents, and obtained 44 software copyrights in aggregate.

As at 31 December 2017, the Group had a total of 23 technical standards under preparation, including one international standard and six national and industry standards led by the Group. Among which, one ISO international standard led by the Group, namely the Guidelines for Energy Efficiency Evaluation of Thermal Power Plant, has been considered and passed by the Technical Committee in October 2017.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND OPERATING RESULTS

There are inter-segment sales among the Group's segments and sub-segments, and accordingly the Group records intra-segment elimination and inter-segment elimination among these segments/sub-segments for the relevant revenue and cost of sales. In this annual results announcement, unless otherwise specified herein, (i) all discussion about total revenue, total gross profit and overall gross profit margin are based on the amounts after all intra-and inter-segment elimination among the segments/sub-segments (being the figures reflected in our consolidated statement of profit or loss and other comprehensive income), and (ii) all discussion about the revenue, gross profit and gross profit margin of business segments and sub-segments are based on the amounts before any intra-or inter-segment elimination of such segment or sub-segment.

1. Overview

The Group's revenue decreased by 1.6% to RMB8,024.5 million in 2017 as compared with RMB8,156.5 million in 2016. The Group's profit for 2017 amounted to RMB914.9 million, representing a decrease of RMB169.8 million as compared with RMB1,084.7 million in 2016. Profit attributable to the owners of the parent amounted to RMB874.9 million. As at 31 December 2017, the Group's cash and cash equivalents decreased by 44.7% to RMB1,666.1 million as compared with RMB3,012.6 million as at 31 December 2016. The Group's total assets increased by 1.3% to RMB18,161.5 million as at 31 December 2017 as compared with RMB17,935.5 million as at 31 December 2016. The Group's total liabilities decreased by 2.5% to RMB11,235.1 million as at 31 December 2017 as compared with RMB11,520.2 million as at 31 December 2016. The Group's return on total assets for 2017 was 5.1%, as compared with 6.8% in 2016.

2. Results of Operations

2.1. Revenue

The Group's revenue decreased by 1.6% to RMB8,024.5 million in 2017 as compared with RMB8,156.5 million in 2016, primarily due to the suspension and postponement in the construction of a large number of thermal power projects as affected by national policies, which led to a decrease in the number of EPC projects of the Company, and thus a drop in revenue.

2.2. Cost of sales

The Group's cost of sales decreased by 0.9% to RMB6,424.8 million in 2017 as compared with RMB6,483.2 million in 2016. The decrease of the Group's cost of sales was generally in line with the decrease in its total revenue.

2.3. Selling and distribution expenses

The Group's selling and distribution expenses remained stable with a slight decrease of 2.1% to RMB46.0 million in 2017 as compared with RMB47.0 million in 2016.

2.4. Administrative expenses

The Group's administrative expenses remained stable with a slight increase of 3.9% to RMB293.1 million in 2017 as compared with RMB282.1 million in 2016.

2.5. Other income and gains

The Group's other income and gains decreased by 99.6% to RMB0.4 million in 2017 as compared with RMB113.7 million in 2016, mainly due to a net decrease of RMB127.3 million in exchange gains as compared with that of last year, as affected by the exchange rate of RMB against HK$.

2.6. Finance costs

The Group's finance costs decreased by 5.3% to RMB182.8 million in 2017 as compared with RMB193.1 million in 2016, primarily due to a decrease in total long-term borrowings as compared with last year.

2.7. *Profit before tax*

As a result of the foregoing factors, the Group's profit before tax decreased by 14.8% to RMB1,078.2 million in 2017 as compared with RMB1,264.9 million in 2016.

2.8. *Income tax expense*

The Group's income tax expense was RMB163.3 million in 2017, representing a decrease of 9.4% from RMB180.2 million in 2016. This was mainly due to the decrease in profit before tax.

2.9. *Profit for the year*

The Group's profit for the year decreased by RMB169.8 million from RMB1,084.7 million in 2016 to RMB914.9 million in 2017. For the year ended 31 December 2017, the Group's profit for the year as a percentage of its total revenue decreased to 11.4% as compared with 13.3% in 2016.

2.10. *Profit attributable to the owners of the parent*

The profit attributable to the owners of the parent decreased by RMB145.7 million to RMB874.9 million in 2017 as compared with RMB1,020.6 million in 2016.

2.11. *Profit attributable to non-controlling interests*

The profit attributable to non-controlling interests of the Group decreased by 37.7% to RMB40.0 million in 2017 as compared with RMB64.2 million in 2016.

3. Results on Business Segments

The following table sets forth a breakdown of the Group's revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the years ended 31 December 2017 and 2016, as well as the percentage of change:

	Year ended 31 December				
	2017		2016		
	Revenue *RMB'000*	**Percentage of total revenue before elimination**[(1)] %	Revenue *RMB'000*	Percentage of total revenue before elimination[(1)] %	Change %
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**3,189,231**	**38.5**	2,478,340	29.9	28.7
Denitrification catalysts	**518,430**	**6.3**	505,096	6.1	2.6
Environmental protection facilities engineering	**1,838,593**	**22.2**	2,802,300	33.8	(34.4)
Water treatment business	**337,520**	**4.1**	275,064	3.3	22.7
Energy conservation business	**136,338**	**1.6**	63,249	0.8	115.6
Total revenue of environmental protection and energy conservation solutions before elimination	**6,020,112**	**72.7**	6,124,049	73.9	(1.7)
Intra-segment elimination[(2)]	**(218,862)**		(70,841)		

	Year ended 31 December				
	2017		2016		
	Revenue	**Percentage of total revenue before elimination**[1]	Revenue	Percentage of total revenue before elimination[1]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	**5,801,250**		6,053,208		(4.2)
Inter-segment elimination[3]	**(14,722)**		(44,216)		
External revenue of environmental protection and energy conservation solutions	**5,786,528**		6,008,992		(3.7)
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	**1,824,955**	**22.0**	1,919,564	23.2	(4.9)
Inter-segment elimination	**–**		–		
External revenue of renewable energy engineering business	**1,824,955**		1,919,564		(4.9)
Thermal power plants engineering general contracting:					
Total revenue of thermal power plants engineering general contracting	–		–		
Inter-segment elimination	–		–		

	Year ended 31 December				
	2017		2016		
	Revenue	**Percentage of total revenue before elimination**[(1)]	Revenue	Percentage of total revenue before elimination[(1)]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
External revenue of thermal power plants engineering general contracting	**–**		–		
Other businesses:					
Total revenue of other businesses	**435,609**	**5.3**	241,941	2.9	80.0
Inter-segment elimination[(4)]	**(22,598)**		(14,028)		
External revenue of other businesses	**413,011**		227,913		81.2
Total revenue before elimination[(5)]	**8,280,676**	**100.0**	8,285,554	100.0	(0.1)
Total intra-and inter-segment elimination[(6)]	**(256,182)**		(129,085)		98.5
Total revenue	**8,024,494**		8,156,469		(1.6)

Notes:

(1) Represents the revenue of each business segment or sub-segment (before any intra- or inter-segment elimination) as a percentage of the total revenue before any intra-or inter-segment elimination.

(2) Intra-segment elimination of revenue from sub-segments under environmental protection and energy conservation solutions segment mainly arises from the intra-segment sales between denitrification catalysts sub-segment to denitrification facilities engineering sub-segment and environmental protection facilities concession operation, respectively.

(3) Inter-segment elimination of revenue from environmental protection and energy conservation solutions segment mainly arises from the inter-segment sales to other business segments made by the sub-segments within environmental protection and energy conservation solutions segment, including the inter-segment sales from denitrification facilities engineering sub-segment to thermal power plants engineering general contracting segment, the inter-segment sales from dust removal facilities engineering sub-segment to thermal power plants engineering general contracting segment, the inter-segment sales from water treatment business sub-segment to thermal power plants engineering general contracting segment and the inter-segment sales from energy conservation business sub-segment to other business segment.

(4) Inter-segment elimination of revenue from other businesses segment mainly arises from the inter-segment sales between other businesses segment and environmental protection and energy conservation solutions, respectively.

(5) Represent the aggregate amount of the revenue of all segments/sub-segments before any intra-or inter-segment elimination.

(6) Represent the aggregate amount of all intra-and inter-segment elimination.

The following table sets forth a breakdown of the Group's gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the years ended 31 December 2017 and 2016, as well as the percentage of change in gross profit:

	Year ended 31 December				
	2017		2016		
	Gross profit [1]	**Gross profit margin** [2]	Gross profit [1]	Gross profit margin [2]	Change of gross profit
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**1,197,843**	**37.6**	878,663	35.5	36.3
Denitrification catalysts	**177,667**	**34.3**	231,144	45.8	(23.1)

	Year ended 31 December				
	2017		2016		
	Gross profit [1]	**Gross profit margin** [2]	Gross profit [1]	Gross profit margin [2]	Change of gross profit
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental protection facilities engineering	**153,838**	**8.4**	446,502	15.9	(65.5)
Water treatment business	**16,794**	**5.0**	29,300	10.7	(42.7)
Energy conservation business	**16,211**	**11.9**	8,786	13.9	84.5
Total gross profit of environmental protection and energy conservation solutions	**1,562,353**	**26.0**	1,594,395	26.0	(2.0)
Total gross profit of renewable energy engineering business	**40,995**	**2.2**	101,337	5.3	(59.5)
Total gross profit of thermal power plants engineering general contracting	**–**	**–**	–	–	–
Total gross profit of other businesses	**62,260**	**14.3**	20,262	8.4	207.3
Total gross profit and overall gross profit margin [3]	**1,599,730**	**19.9**	1,673,312	20.5	(4.4)

Notes:

(1) Calculated based on the revenue of each segment or sub-segment (before any intra-or inter-segment elimination) minus the cost of sales of such segment or sub-segment (before any intra-or inter-segment elimination).

(2) Calculated based on the gross profit of each segment or sub-segment calculated according to note (1) divided by the revenue of such segment or sub-segment (before any intra-or inter-segment elimination).

(3) Total gross profit equals total revenue (being the revenue reflected on our consolidated statement of profit or loss and other comprehensive income) minus total cost of sales (being the cost of sales reflected on our consolidated statement of profit or loss and other comprehensive income). Overall gross profit margin equals total gross profit divided by total revenue.

4. Cash Flows

As at 31 December 2017,the Group's cash and cash equivalents decreased by 44.7% to RMB1,666.1 million as compared with RMB3,012.6 million as at 31 December 2016. Such decrease was mainly attributable to a significant decrease in net cash flows from financing activities. On one hand, the funds raised from the listing of shares in November 2016 led to an upsurge in the size of cash and cash equivalents at the end of the previous year. On the other hand, under the overall financial environment nationwide, the scale of interest-bearing borrowings in this year generally decreased as compared to the previous year.

5. Working Capital

As at 31 December 2017, the Group's net current assets decreased by 28.9% to RMB2,127.8 million as compared with RMB2,993.7 million as at 31 December 2016, primarily due to (i) a decrease of 44.7% in the Group's cash and cash equivalents to RMB1,666.1 million as at 31 December 2017 as compared with RMB3,012.6 million as at 31 December 2016; (ii) a decrease of 23.4% in the Group's prepayments, deposits and other receivables to RMB946.1 million as at 31 December 2017 as compared with RMB1,235.1 million as at 31 December 2016; (iii) an increase of 6.1% in the Group's other payables and accruals to RMB1,110.7 million as at 31 December 2017 as compared with RMB1,047.1 million as at 31 December 2016; and (iv) an increase of 5.8% in the Group's current interest-bearing bank borrowings and other loans to RMB1,234.1 million as at 31 December 2017 as compared with RMB1,166.3 million as at 31 December 2016, which was partially offset by an increase of 12.8% in the Group's trade and bills receivables to RMB7,191.8 million as at 31 December 2017 as compared with RMB6,375.7 million as at 31 December 2016; an increase of 52.9% in the Group's construction contracts to RMB363.5 million as at 31 December 2017 as compared with RMB237.7 million as at 31 December 2016.

6. **Indebtedness**

As at 31 December 2017, the Group's borrowings decreased by 8.2% to RMB4,250.8 million as compared with RMB4,632.2 million as at 31 December 2016.

7. **Capital Expenditure**

The Group's capital expenditure increased by 10.2% to RMB1,280.0 million in 2017 as compared with RMB1,162.0 million in 2016. Capital expenditure mainly comprises non-current assets costs including acquisition or construction of property, plant and equipment, prepaid land lease payments and intangible assets.

8. **Financial Ratios**

The following tables set forth certain of our financial ratios as at the dates and for the periods indicated:

	As at 31 December	
	2017	2016
Current ratio	**126.0%**	137.3%
Quick ratio	**124.5%**	135.7%
Liabilities to assets ratio	**61.9%**	64.2%
Leverage ratio	**37.3%**	25.2%

	Year ended 31 December	
	2017	2016
Return on total assets	**5.1%**	6.8%
Return on equity	**13.7%**	21.6%

9. **Significant Investment**

For the year ended 31 December 2017, the Group made no significant investment.

10. **Material Acquisition and Disposal**

For the year ended 31 December 2017, the Group had no material acquisition or disposal.

11. **Contingent Liabilities**

As at 31 December 2017, the Group had no material contingent liabilities.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and energy conservation policies

The Group provides substantially all of its products and services in the PRC, and the development of its business is greatly dependent on the environmental protection policies of the PRC. Environmental protection industry is one of the major industries that benefit from the constant support of the PRC government. The market demand for the Group's environmental protection and energy conservation products and services and the revenue generated therefrom are directly affected by the environmental protection policies of the PRC. However, there is no assurance that such policies will continue to be available to the Group or there will be no adverse change. If there is any adverse change, it may result in a material and adverse effect on the business prospects, results of operations and financial condition of the Group. The management of the Group is of the view that, given the severity of pollution in the PRC, it is unlikely for the PRC government to revise such environmental protection policies to an adverse effect or to withdraw any resources invested in the environmental protection industry. Moreover, the Group, as a trendsetter and leader of the environmental protection and energy conservation for China's electric power industry, has participated in the formulation of various industrial policies and standards, which allows it to catch the latest industry trends and respond in a timely fashion.

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group, and will continue to enter into more transactions in the future. For the year ended 31 December 2017, the total value of products and services provided by the Group to China Datang Group (other than concession operations) was approximately RMB2,874.8 million, representing approximately 35.8% of the total revenue of the Group. For the year ended 31 December 2017, the total value of the services provided by the Group to China Datang Group under the concession operations (desulfurization and denitrification) was approximately RMB3,189.2 million, representing approximately 39.7% of the total revenue of the Group. The Group has been actively expanding its client base, for example, during 2017, the Group entered into contracts in the amount of RMB3.86 billion with clients other than China Datang Group with an increase of 24.4% as compared with that of 2016 and the Group also made remarkable progress in expanding its overseas business.

Liquidity risks

Although the Group had positive operating cash flows for the year ended 31 December 2017, it cannot assure that its operating cash flows for any future period will be positive. The Group's ability to generate adequate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to implement diversified measures to collect receivables in order to improve operating cash flow. In addition, the Group has been proactively seeking finance to support the development and expansion of its business. As at 31 December 2017, the Group had available bank facilities of RMB8 billion.

Industry risks

The Group's business primarily focuses on the environmental protection and energy conservation for coal-fired power plants, the market demand for its business relies heavily on the growth rate of the coal-fired power generation output in the PRC. In particular, the revenue generated from concession operations will be directly affected by the power generation output of coal-fired power plants. As pollution has become an increasingly severe environmental issue in the PRC, the PRC government has shown considerable concern for the adjustment to the national energy structure and development. Therefore, there can be no assurance that coal-fired power generation output in the PRC will continue to grow at the current pace. If the increase of coal-fired power generation output in the PRC slows down, it may result in a decrease of utilization hours of coal-fired power generation units, or a lower demand for the Group's products and services, which in turn will materially and adversely affect our business prospects, results of operations and financial position. The management of the Group is of the view that, in terms of the power generation portfolio in the PRC, coal-fired power generation still dominates the market. In addition, the vast majority of the Group's concession operations locate in coastal areas or economically developed areas, where the utilization hours of coal-fired power generation are higher than the average level nationwide. The Group plans to actively explore clients in the iron and steel, cement and petro-chemical industries.

Risks on overseas business

The Group is aggressively developing its overseas business, especially in the Belt and Road Initiative countries. The Group's global business expansion may be hindered by risks such as: lack of availability of overseas financing, possible difficulties in the management of overseas personnel and business operations, lack of understanding of the local business environment, financial and management system or legal system, volatility in currency exchange rates, cultural differences, changes in political, regulatory or economic environments in the foreign countries or other regions, as well as the risk of barriers. If the Group fails to manage the above risks effectively, its overseas expansion may be hindered, which may in turn result in a material and adverse effect on its business prospects, results of operations and financial condition. The management of the Group is of the view that, the PRC government has been actively establishing friendly diplomatic relations with the Belt and Road Initiative countries and improving the overseas investment atmosphere. The Group has extensive experience in project management in certain countries, for instance India and Thailand, which can serve as examples for its future overseas development. Moreover, the Group has established rather mature risk management and internal control systems to mitigate risks on overseas business to the greatest extent possible.

V. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

Looking forward to 2018, the Group will be faced with both opportunities and challenges.

In terms of favorable factors, firstly, the Report of the 19th Session of National Congress of the Communist Party of China has further indicated the direction for the development of the environmental protection and energy conservation industry in the PRC, which will allow the industry to operate under favorable external environment with promising prospect; secondly, the continuous promotion of the Belt and Road Initiative will speed up cooperation in international capacity and "going out" of Chinese equipment, which brings about a promising prospect for the environmental protection and energy conservation business of the Group in overseas markets; thirdly, the Chinese government will continue to vigorously develop emerging businesses with huge market space, such as renewable energy, regional energy supply, distributed energy and biomass power generation, which will be beneficial to the Group to generate new growth drivers for revenue and profit.

In terms of unfavorable factors, firstly, as the implementation of de-capacity in the coal industry has led to the continuous increase in coal price, the operation of coal-fired power generation enterprises, being the major customers of the Group, will be likely to further deteriorate, which will have an indirect and adverse impact on the business of the Group; secondly, in May 2017, the standing committee meeting of the State Council put forward the proposal of "moderately reducing the tariff for desulfurized and denitrified electricity", which may have certain impact on the profitability of the environmental protection facility concession operation business of the Group; thirdly, the ultra-low emission refurbishment project in the domestic power industry is coming to a close, therefore, the Group will need to urgently explore new growth points for its environmental protection facilities engineering business.

Main Tasks in 2018

1. Further promoting the management standard of the environmental protection facility concession operation business

The Group will further promote the professional management standard of the environmental protection facility concession operation business and strengthen its profitability and its capability of sustainable development. Firstly, the Group will further improve the establishment of the "three standards" and "five platforms" of the environmental protection facility concession operation business, and enhance the intensive operation and professional management of concession operation; secondly, by leveraging the Performance Standards for the Production Indicators of Third-party Treatment of Desulfurization and Denitrification for Coal-fired Plant by China Electricity Council, the Group will adopt indicator benchmarking in economic operation, environmental emissions, etc., and strive for the "leading" position of various indicators in the industry; thirdly, the Group will establish experimental centers for environmental protection facility concession operation to improve and optimize the reliability and economy of the operation of desulfurization and denitrification facilities through standardized testing and other means.

2. ***Further exploring new fields and new markets of the denitrification catalysts business***

By fully leveraging its advantages in technology and qualification, the Group will keep on improving and optimizing the recycling technology and production process of wasted denitrification catalysts while maintaining the leading position of the plate-type denitrification catalysts business in the industry so as to expand the catalyst recycling market and achieve a win-win situation in both economic efficiency and social benefits. Through independent research and development, technology introduction, re-innovation and other means, the Group will speed up its pace in grasping cutting-edge technology and promote the research and development and application of technical products such as medium-and-low-temperature denitrification catalysts, synergistic dehydration and denitrification catalysts and gas denitrification catalysts so as to enrich product variety of the Group and enter the denitrification catalysts market in an all-round manner.

3. ***Firmly exploring the environmental protection and energy conservation market under the Belt and Road Initiative***

By continuously capturing the market opportunities emerging from the "Paris Agreement" and the Belt and Road Initiative, and relying on its management experience, reserve of technologies and comprehensive capability in the environmental protection and energy conservation industry as well as its first-mover advantage in India, Thailand and other countries, the Group will continue to vigorously explore the environmental protection and energy conservation markets in countries under the Belt and Road Initiative with focus on South Asia, Southeast Asia, Middle East and South America where the Group has established overseas offices to ensure the sound foundation of overseas businesses. The Group will pay special attention to exploring the overseas environmental protection facility concession operation, water treatment operation and other business markets and strive to achieve breakthroughs in overseas investment and operation business as soon as possible.

4. ***Maintaining rapid and sustainable development of the Group by way of capital operation***

While continuously expanding businesses and exploring markets by utilizing traditional means, the Group plans to vigorously carry out capital operation to maintain rapid and sustainable development of the Group by way of capital operation. Firstly, the Group will expand the scale of the environmental protection facility concession operation business and water treatment operation business through merger and acquisition to secure projects and seize market share rapidly; secondly, it will proactively conduct research on the merger and acquisition of or equity cooperation with leading enterprises in the emerging business fields to be entered by the Group in order to achieve leapfrog development of the emerging business segment; thirdly, it will keep abreast of the cutting-edge technology in the environmental protection and energy conservation industry in order to rapidly grasp industry-leading core technologies through merger and acquisition, equity cooperation and other means when opportunities come.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

PROPOSED 2017 FINAL DIVIDEND

According to the resolutions of the Board passed at the 23rd meeting of the first session of the Board on 23 March 2018, the Board proposed to distribute the final dividend for the year ended 31 December 2017 of RMB0.13 per share of the Company (the "**Shares**") (before tax) (the "**Proposed 2017 Final Dividend**") in cash to the shareholders of the Company (the "**Shareholders**"). If the proposal is approved by the Shareholders at the 2017 annual general meeting of the Company (the "**2017 AGM**") to be held on Friday, 29 June 2018, the Proposed 2017 Final Dividend is expected to be distributed on or about 17 August 2018 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 11 July 2018. The Proposed 2017 Final Dividend to be distributed will be denominated and announced in RMB, of which dividends on domestic Shares will be paid in RMB whereas dividends on H Shares will be paid in Hong Kong dollars (the exchange rate of RMB to Hong Kong dollars will be exchanged at the average exchange rate as announced by the People's Bank of China for a week prior to the date of the 2017 AGM).

CLOSURE OF REGISTER OF MEMBERS

2017 AGM

The 2017 AGM will be convened on Friday, 29 June 2018 at No. 120, Zizhuyuan Road, Haidian District, Beijing, the PRC. The notice convening the 2017 AGM will be despatched in due course.

In order to ascertain the entitlements of the Shareholders to attend the 2017 AGM, the register of members of the Company will be closed from Wednesday, 30 May 2018 to Friday, 29 June 2018 (both days inclusive), during which period no transfer of the Shares will be effected. To be eligible to attend and vote at the 2017 AGM, all transfer documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's board office in the PRC at No. 120, Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097 (for holders of domestic Shares), no later than 4:30 p.m. on Tuesday, 29 May 2018.

Proposed 2017 Final Dividend

In order to ascertain the entitlements of the Shareholders to receive the Proposed 2017 Final Dividend, the register of members of the Company will be closed from Friday, 6 July 2018 to Wednesday, 11 July 2018 (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to receive the Proposed 2017 Final Dividend, all transfer documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's board office in the PRC at No. 120, Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097 (for holders of domestic Shares), no later than 4:30 p.m. on Thursday, 5 July 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Company has always been committed to improving corporate governance since its establishment. According to provisions of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), it has established a modern corporate governance structure comprising a number of independently operated bodies including the general meetings, the Board, the supervisory committee and the senior management of the Company in order to provide an effective check and balance. The Company has also adopted the Code as its own corporate governance practices.

For the year ended 31 December 2017, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company has purchased liability insurance for the Directors.

For the year ended 31 December 2017, the Company has complied with the principles and code provisions contained in the Code. Details of the corporate governance of the Company are set out in the 2017 annual report of the Company (the "**2017 Annual Report**") which will be published in due course.

COMPLIANCE WITH THE MODEL CODE FOR DEALING IN SECURITIES OF THE COMPANY BY ITS DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in the securities of the Company by its Directors, supervisors and relevant employees of the Company (as defined in the Model Code). According to the specific enquiries of all Directors and supervisors of the Company, the Directors and supervisors of the Company confirmed that they had strictly complied with the standard set out in the Model Code for the year ended 31 December 2017. The Board will examine the corporate governance practices and operation of the Group from time to time to ensure that the Group is in compliance with relevant requirements under the Listing Rules and that the Shareholders' interests are safeguarded.

SCOPE OF WORK ON THE RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2017 as set out in this results announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this results announcement.

AUDIT COMMITTEE

The Group's 2017 annual results and the consolidated financial statements for the year ended 31 December 2017 prepared in accordance with the IFRSs have been reviewed by the audit committee of the Company.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 November 2016. The net proceeds from the initial public offering and partial exercise of the over-allotment option, after deducting the underwriting fees and relevant expenses, amounted to approximately HK$2,032.3 million, which have been used in the ways stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 3 November 2016.

As at the end of the reporting period, the uses of the Company's aforementioned proceeds are set as below:

- approximately HK$576.3 million were used to finance the capital expenditures for expanding the desulfurization and denitrification concession operations;

- approximately HK$170.8 million were used to develop new sources of growth in the revenue and profit, including but not limited to EMC business for coal-fired power plants, water treatment business, and providing customers with overall solution plans of ultra-low emissions;

- approximately HK$203.2 million were used to repay some of the existing bank loans in order to lower the Company's financial costs and improve its leverage ratio; and

- approximately HK$183.7 million were used for our working capital and other general corporate purposes.

Apart from the aforesaid used proceeds, the remaining part of the proceeds has been deposited in the special account maintained by the Company with the bank.

SIGNIFICANT SUBSEQUENT EVENT

The significant subsequent event occurred after 31 December 2017 is set out in note 13 to the financial statements on page 39 of this results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be available on the websites of the Stock Exchange (**http://www.hkexnews.hk**) and the Company (**http://www.dteg.com.cn**).

The Company will dispatch in due course to Shareholders the 2017 Annual Report containing all the information as required by the Listing Rules, and publish it on the websites of the Company and the Stock Exchange.

By order of the Board
Datang Environment Industry Group Co., Ltd.*
JIN Yaohua
Chairman

Beijing, PRC, 23 March 2018

As of the date of this announcement, the non-executive Directors are Mr. Jin Yaohua, Mr. Liu Chuandong, Mr. Liang Yongpan and Mr. Liu Guangming, the executive Directors are Mr. Deng Xiandong and Mr. Lu Shengli, and the independent non-executive Directors are Mr. Ye Xiang, Mr. Mao Zhuanjian and Mr. Gao Jiaxiang.

* *For identification purposes only*