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 2018

FINANCIAL AND OPERATION HIGHLIGHTS

- For the year ended 31 December 2018, the revenue of the Group amounted to RMB8,588.07 million, representing an increase of 7.02% as compared with last year.

- For the year ended 31 December 2018, the gross profit of the Group amounted to RMB1,349.96 million and the gross profit margin of the Group was 15.72%, representing a decrease of 15.61% and 4.22 percentage points as compared with last year, respectively.

- For the year ended 31 December 2018, the total comprehensive income attributable to owners of the parent amounted to RMB768.18 million, representing a decrease of 12.15% as compared with last year.

- For the year ended 31 December 2018, the Group continued to be the largest desulfurization and denitrification concession operator and the largest manufacturer of denitrification catalysts nationwide.

- In 2018, the Group was listed in the "Double Hundred Actions" of the reform of state-owned enterprises.

The board (the "**Board**") of directors (the "**Directors**") of Datang Environment Industry Group Co., Ltd. (the "**Company**") hereby announces the financial results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**us**") for the year ended 31 December 2018, together with the comparable figures of 2017. The financial data of the Group for the year ended 31 December 2018 set out by the Company in this results announcement is based on the consolidated financial statements prepared in accordance with 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 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	4	**8,588,070**	8,024,494
Cost of sales		**(7,238,113)**	(6,424,764)
Gross profit		**1,349,957**	1,599,730
Selling and distribution expenses		**(42,237)**	(46,036)
Administrative expenses		**(279,419)**	(293,094)
Other income and gains	4	**169,414**	429
Finance costs	5	**(200,518)**	(182,831)
Impairment losses on financial and contract assets		**(59,775)**	–
Profit before tax		**937,422**	1,078,198
Income tax expense	6	**(154,199)**	(163,286)
PROFIT FOR THE YEAR		**783,223**	914,912
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,566)**	(930)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(1,566)**	(930)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**2,734**	–
Income tax effect		**(410)**	–
		2,324	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**2,324**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**758**	(930)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**783,981**	913,982
Profit attributable to:			
Owners of the parent		**766,736**	874,924
Non-controlling interests		**16,487**	39,988
		783,223	914,912
Total comprehensive income attributable to:			
Owners of the parent		**768,183**	874,403
Non-controlling interests		**15,798**	39,579
		783,981	913,982
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	8	**0.26**	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,675,153**	7,341,666
Intangible assets		**208,615**	162,234
Prepaid land lease payments		**19,066**	19,531
Available-for-sale investment		**–**	5,000
Equity investments designated at fair value through other comprehensive income		**7,171**	–
Deferred tax assets		**45,395**	36,239
Other non-current assets		**331,608**	287,560
Total non-current assets		**8,287,008**	7,852,230
CURRENT ASSETS			
Inventories		**153,520**	123,927
Construction contracts		**–**	363,490
Contract assets		**982,436**	–
Trade and bills receivables	9	**8,398,505**	7,191,795
Prepayments, other receivables and other assets		**888,860**	946,087
Restricted cash		**36,928**	17,843
Time deposit		**35,000**	–
Cash and cash equivalents		**1,677,724**	1,666,080
Total current assets		**12,172,973**	10,309,222

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	10	**6,481,262**	5,787,356
Other payables and accruals		**1,663,401**	1,110,673
Interest-bearing bank borrowings and other loans	11	**2,023,848**	1,234,066
Income tax payable		**27,110**	49,318
Total current liabilities		**10,195,621**	8,181,413
NET CURRENT ASSETS		**1,977,352**	2,127,809
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,264,360**	9,980,039
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings and other loans	11	**2,906,048**	3,016,766
Other non-current liabilities		**38,990**	36,912
Total non-current liabilities		**2,945,038**	3,053,678
Net assets		**7,319,322**	6,926,361
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	**2,967,542**	2,967,542
Reserves		**4,153,865**	3,775,926
		7,121,407	6,743,468
Non-controlling interests		**197,915**	182,893
Total equity		**7,319,322**	6,926,361

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent								
	Share capital	**Capital reserve***	**Statutory surplus reserve***	**Fair value reserve***	**Exchange fluctuation reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017	**2,967,542**	**1,315,483**	**278,050**	**–**	**560**	**2,181,833**	**6,743,468**	**182,893**	**6,926,361**
Effect of adoption of IFRS 9	–	–	–	(478)	–	(3,986)	(4,464)	1,425	(3,039)
At 1 January 2018 (restated)	**2,967,542**	**1,315,483**	**278,050**	**(478)**	**560**	**2,177,847**	**6,739,004**	**184,318**	**6,923,322**
Profit for the year	–	–	–	–	–	766,736	766,736	16,487	783,223
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	2,324	–	–	2,324	–	2,324
Exchange difference on translation of foreign operations	–	–	–	–	(877)	–	(877)	(689)	(1,566)
Total comprehensive income for the year	–	–	–	2,324	(877)	766,736	768,183	15,798	783,981
Appropriation to statutory surplus reserve	–	–	72,054	–	–	(72,054)	–	–	–
Final 2017 dividend declared *(Note 7)*	–	–	–	–	–	(385,780)	(385,780)	–	(385,780)
Dividends paid by a subsidiary to its non-controlling shareholders	–	–	–	–	–	–	–	(2,201)	(2,201)
At 31 December 2018	**2,967,542**	**1,315,483**	**350,104**	**1,846**	**(317)**	**2,486,749**	**7,121,407**	**197,915**	**7,319,322**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2018

	Attributable to owners of the parent								
	Share capital	**Capital reserve***	**Statutory surplus reserve***	**Fair value reserve***	**Exchange fluctuation reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	2,967,542	1,315,483	163,538	–	1,081	1,792,364	6,240,008	175,346	6,415,354
Profit for the period	–	–	–	–	–	874,924	874,924	39,988	914,912
Other comprehensive income for the year:									
Exchange difference 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 shareholders	–	–	–	–	–	–	–	(32,032)	(32,032)
At 31 December 2017	2,967,542	1,315,483	278,050	–	560	2,181,833	6,743,468	182,893	6,926,361

* These reserves accounts comprise the consolidated reserves of RMB4,153,865,000 (31 December 2017: RMB3,775,926,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**937,422**	1,078,198
Adjustments for:			
Finance costs		**200,518**	182,831
Interest income		**(9,739)**	(7,166)
Depreciation of property, plant and equipment		**485,703**	504,403
Amortization of intangible assets		**12,455**	11,100
Amortization of prepaid land lease payments		**465**	465
Loss on disposal of items of property, plant and equipment	4	**–**	31
Amortisation of government grants		**(5,461)**	(3,915)
Impairment loss on trade receivables	9	**57,910**	14,963
Impairment loss on other receivables		**(133)**	11,178
Impairment loss on contract assets		**1,998**	–
(Increase)/decrease in inventories		**(29,593)**	6,359
Increase in construction contracts		**–**	(125,743)
Increase in contract assets		**(623,317)**	–
Increase in trade and bills receivables		**(1,244,610)**	(872,821)
Decrease in prepayments and other assets		**150,330**	175,029
Increase in trade and bills payables		**885,774**	62,181
Decrease in other payables and accruals		**(130,123)**	(4,351)
(Increase)/decrease in restricted cash		**(19,085)**	7,308
Cash generated from operations		**670,514**	1,040,050
Income tax paid		**(182,732)**	(166,219)
Net cash flows from operating activities		**487,782**	873,831

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**9,739**	7,166
Purchase of items of property, plant and equipment and intangible assets	**(827,814)**	(1,165,824)
Proceeds from disposal of items of property, plant and equipment	**–**	241
Increase in time deposit	**(35,000)**	–
Receipt of government grants for property, plant and equipment	**13,486**	12,880
Net cash flows used in investing activities	**(839,589)**	(1,145,537)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	**3,984,550**	978,354
Repayments of bank borrowings and other loans	**(3,306,536)**	(1,359,677)
Share issue expenses	**(11,088)**	(32,221)
Dividends paid to shareholders	**(83,650)**	(370,943)
Dividends paid to non-controlling interests	**(2,201)**	–
Interest paid	**(210,780)**	(195,067)
Net cash flows from/(used in) financing activities	**370,295**	(979,554)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**18,488**	(1,251,260)
Cash and cash equivalents at beginning of year	**1,666,080**	3,012,614
Effect of foreign exchange rate changes, net	**(6,844)**	(95,274)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,677,724**	1,666,080

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; and 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 ("**Directors**"), the immediate holding company and ultimate holding company of the Company is China Datang Corporation Ltd. ("**China Datang**"), a company established and domiciled in the PRC and wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council.

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, except for equity investments which have been measured at fair value. 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 2018. 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.

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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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 new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Amendments to IAS 40	*Transfers of Investment Property*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	*Amendments to IFRS 1 and IAS 28*

Except for the amendments to IFRS 2, amendments to IFRS 4, amendments to IAS 40 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments of adopting IFRS 9 against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement					IFRS 9 measurement	
		Category	**Amount**	**Re-classification**	**ECL**	**Other**	**Amount**	**Category**
	Notes		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets								
Equity investments designated at fair value through other comprehensive income		N/A	–	5,000	–	(562)	4,438	FVOCI[1] (equity)
From: available-for-sale investments	(i)		–	5,000	–	–	–	
Available-for-sale investments		AFS[2]	5,000	(5,000)	–	–	–	
To: equity investments designated at fair value through other comprehensive income	(i)		–	(5,000)	–	–	–	
Trade and bills receivables	(ii)	L&R[3]	7,191,795	–	(700)	–	7,191,095	AC[4]

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Classification and measurement (Continued)

		IAS 39 measurement					IFRS 9 measurement	
		Category	Amount	Re-classification	ECL	Other	Amount	Category
	Note		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets included in prepayments, other receivables and other assets		L&R	266,619	–	–	–	266,619	AC
Restricted cash		L&R	17,843	–	–	–	17,843	AC
Cash and cash equivalents		L&R	1,666,080	–	–	–	1,666,080	AC
			9,147,337		(700)	(562)	9,146,075	
Other assets								
Contract assets	(ii)		363,490	–	(2,373)	–	361,117	
Deferred tax assets			36,239	–	512	84	36,835	
			399,729	–	(1,861)	84	397,952	
Total assets			9,547,066	–	(2,561)	(478)	9,544,027	

[1] FVOCI: Financial assets at fair value through other comprehensive income

[2] AFS: Available-for-sale investments

[3] L&R: Loans and receivables

[4] AC: Financial assets or financial liabilities at amortised cost

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Classification and measurement (Continued)

Notes:

(i) The Group has elected the option to irrevocably designate its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(b) to the financial statements.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

	Impairment allowances under IAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under IFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	106,275	700	106,975
Contract assets	–	2,373	2,373
	106,275	3,073	109,348

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits *RMB'000*
Fair value reserve under IFRS 9 (available-for-sale investment revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	–
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	(562)
Deferred tax in relation to the above	84
Balance as at 1 January 2018 under IFRS 9	(478)
Retained profits	
Balance as at 31 December 2017 under IAS 39	2,181,833
Recognition of expected credit losses for contract assets under IFRS 9	(1,474)
Recognition of expected credit losses for trade receivables under IFRS 9	(3,275)
Deferred tax in relation to the above	763
Balance as at 1 January 2018 under IFRS 9	2,177,847

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 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 disclosures are included in notes 4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease)** *RMB'000*
Assets		
Construction contracts	(i)	(363,490)
Contract assets	(i)	363,490
Total assets		–
Liabilities		
Other payables and accruals – advances from customers	(ii)	(537,134)
Other payables and accruals – contract liability	(ii)	537,134
Total liabilities		–

The adoption of IFRS 15 has had no impact on consolidated statement of profit or loss and other comprehensive income, or on the Group's operating, investing and financing cash flows.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	**IFRS 15** *RMB'000*	**Previous IFRS** *RMB'000*	**Increase/ (decrease)** *RMB'000*
Construction contracts	(i)	–	982,436	(982,436)
Contract assets	(i)	982,436	–	982,436
Total assets		982,436	982,436	–
Net assets		982,436	982,436	–
Other payables and accruals – advances from customers	(ii)	–	312,064	(312,064)
Other payables and accruals – contract liabilities	(ii)	312,064	–	312.064
Total liabilities		312,064	312,064	–

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

(i) Construction services

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as construction contracts in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB363,490,000 from construction contracts to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in construction contracts of RMB982,436,000 and an increase in contract assets of RMB982,436,000.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB537,134,000 from advance from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB312,064,000 was reclassified from advance from customers in other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of goods and the provision of construction services.

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 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

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

4 No mandatory effective date yet determined but available for adoption

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

Further information about those IFRSs that are expected to be applicable to the Group is described below:

IFRS 16, 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 will adopt IFRS 16 from 1 January 2019.

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

The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a preliminary assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB400,452,000 and lease liabilities of RMB400,452,000 will be recognised at 1 January 2019.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are 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)

IFRIC Interpretation 23, 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.

Annual Improvements to IFRSs 2015–2017 Cycle sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. 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 expected to be applicable to the Group are as follows:

IFRS 3 Business Combinations clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.

IAS 12 Income Taxes 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.

IAS 23 Borrowing Costs 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**").

3. OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Renewable energy engineering business

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 engineering business

The thermal power engineering 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.

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, other receivables and other assets, 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.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment revenue					
Sales to external customers	6,479,870	1,284,967	494,237	328,996	8,588,070
Intersegment sales	14,895	–	–	63,994	78,889
	6,494,765	1,284,967	494,237	392,990	8,666,959
Reconciliation:					
Elimination of intersegment sales					(78,889)
Revenue					8,588,070
Segment results	1,175,956	17,756	27,590	(109,358)	1,111,944
Reconciliation:					
Other income and gains					169,414
Corporate and other unallocated expenses					(143,418)
Finance costs					(200,518)
Profit before tax					937,422

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment assets	**16,655,926**	**1,905,751**	**154,122**	**652,381**	**19,368,180**
Reconciliation:					
Elimination of intersegment receivables					**(882,220)**
Corporate and other unallocated assets					**1,974,021**
Total assets					**20,459,981**
Segment liabilities	**8,118,872**	**1,931,100**	**206,970**	**579,394**	**10,836,336**
Reconciliation:					
Elimination of intersegment payables					**(882,220)**
Corporate and other unallocated liabilities					**3,186,543**
Total liabilities					**13,140,659**
Other segment information					
Impairment losses recognised in profit or loss	**55,492**	**8,123**	**–**	**1,379**	**64,994**
Impairment losses reversed in profit or loss	(4,847)	–	–	(372)	(5,219)
Depreciation and amortisation	**554,585**	**69**	**57**	**18,184**	**572,895**
Capital expenditure*	**821,465**	**–**	**–**	**116,342**	**937,807**

* 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 2017	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *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 engineering *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.

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.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue of approximately RMB6,709 million (2017: RMB6,064 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

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers	**8,585,395**	–
Sales of goods	**354,755**	335,512
Construction services	**5,022,992**	4,443,021
Desulfurization and denitrification services	**3,207,648**	3,188,809
Other services	**–**	55,788
Revenue from other sources		
Gross rental income	**2,675**	1,364
	8,588,070	8,024,494

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Type of goods or service					
Sales of goods	333,899	–	–	20,856	354,755
Construction services	2,938,323	1,284,967	494,237	305,465	5,022,992
Desulfurization and denitrification services	3,207,648	–	–	–	3,207,648
Total revenue from contracts with customers	6,479,870	1,284,967	494,237	326,321	8,585,395
Timing of revenue recognition					
Goods transferred at a point in time	333,899	–	–	20,856	354,755
Services transferred over time	6,145,971	1,284,967	494,237	305,465	8,230,640
Total revenue from contracts with customers	6,479,870	1,284,967	494,237	326,321	8,585,395

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Revenue from contracts with customers					
External customers	6,479,870	1,284,967	494,237	326,321	8,585,395
Intersegment sales	14,895	–	–	63,994	78,889
	6,494,765	1,284,967	494,237	390,315	8,664,284
Intersegment adjustments and eliminations	(14,895)	–	–	(63,994)	(78,889)
Total revenue from contracts with customers	6,479,870	1,284,967	494,237	326,321	8,585,395

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**3,267**
Construction services	**367,081**
	370,348
Revenue recognised from performance obligations satisfied in previous periods:	
Sale of goods not previously recognised due to constraints on variable consideration	**–**

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	3,547,379
More than one year	913,967
	4,461,346

The remaining performance obligations expected to be recognised in more than one year related to construction services that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year.

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2018	2017
	RMB'000	*RMB'000*
Other income		
Bank interest income	**9,739**	7,166
Government grants	**144,244**	80,806
	153,983	87,972
Gains		
Loss on disposal of items of property, plant and equipment	**–**	(31)
Exchange gains/(losses) *(Note a)*	**15,431**	(87,512)
	15,431	(87,543)
	169,414	429

Note a: Included an exchange gain of RMB9 million arising from the conversion of the Hong Kong dollars into RMB during the year ended 31 December 2018.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on bank borrowings and other loans	**214,785**	194,284
Less: interest capitalised	**(14,267)**	(11,453)
	200,518	182,831

The Group's capitalisation rate for the year ended 31 December 2018 was 4.41% to 7.50% (for the year ended 31 December 2017: 3.92% to 5.15%).

6. INCOME TAX EXPENSE

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) 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 certain branches and subsidiaries of the Company as mentioned above, other subsidiaries within the Group are subject to corporate income tax at the statutory rate of 25%.

The subsidiary of the Company in India is subject to corporate income tax at a rate of 27.55% during the period from 1 January 2018 to 31 March 2018, and 27.82% for the remaining period in 2018 (for the year ended 31 December 2017: 33.06% during the period from 1 January 2017 to 31 March 2017, and 27.55% during the remaining period in 2017).

6. INCOME TAX EXPENSE (CONTINUED)

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

	2018	2017
	RMB'000	*RMB'000*
Current – PRC	**161,597**	182,154
Current – other country	**1,572**	(7,458)
Deferred	**(8,970)**	(11,410)
	154,199	163,286

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 the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**937,422**	1,078,198
Income tax at the statutory income tax rate of 25% (2017: 25%)	**234,356**	269,550
Effect of a different tax rate applicable in another country	**(285)**	(1,554)
Effect of the preferential income tax rate	**(91,880)**	(116,129)
Expenses not deductible for tax	**2,432**	4,680
Additional deduction of research and development costs	**(837)**	(811)
Adjustments in respect of current tax of previous periods	**7,827**	760
Tax credit from purchase of domestic equipment	**–**	(442)
Effect of utilisation of unrecognised tax losses in prior years	**(228)**	–
Deductible temporary differences and tax losses not recognised	**2,814**	7,232
Income tax charge for the year	**154,199**	163,286
The Group's effective rate	**16.4%**	15.1%

7. DIVIDENDS

The dividends during the years ended 31 December 2018 and 2017 are set out below:

	2018	2017
	RMB'000	*RMB'000*
Dividends declared to owners of the parent	**385,780**	370,943

(i) During 2018, the final dividend of RMB385,780,000 at RMB0.13 per ordinary share (before tax) in respect of the year of 2017, based on the issued shares of the Company of 2,967,542,000 shares, was declared to owners of the parent.

The Board is currently considering and discussing whether to declare the final dividend for the year ended 31 December 2018 and (if declared) the amount of such dividend.

(ii) 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 withhold and pay 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 amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The Company did not have any potential dilutive shares in issue during the years ended 31 December 2018 and 2017. 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	**2018**	2017
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations *(RMB)*	**766,736,934**	874,923,605

	Number of shares	
Shares	**2018**	2017
Weighted average number of ordinary shares in issue during the year, used in the basic/diluted earnings per share calculations	**2,967,542,000**	2,967,542,000

	2018	2017
Basic/diluted earnings per share *(RMB)*	**0.26**	0.29

9. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**8,070,157**	6,777,178
Less: provision for impairment	**(164,885)**	(106,275)
	7,905,272	6,670,903
Bills receivable	**493,233**	520,892
Total	**8,398,505**	7,191,795

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within one year. Each customer has a maximum credit limit. 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.

(a) Ageing analysis

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**5,148,887**	3,988,580
Between 1 and 2 years	**940,826**	1,715,266
Between 2 and 3 years	**1,225,560**	871,093
Over 3 years	**1,248,117**	723,131
	8,563,390	7,298,070
Less: provision for impairment	**(164,885)**	(106,275)
	8,398,505	7,191,795

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**106,275**	91,312
Effect on adoption of IFRS 9	**700**	–
At beginning of the year (restated)	**106,975**	91,312
Impairment losses, net	**57,910**	14,963
At end of the year	**164,885**	106,275

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables from third parties.

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

Impairment under IFRS 9 for the year ended 31 December 2018 (Continued)

As at 31 December 2018, the Group has assessed that the expected loss rate for trade receivables from related parties was nil since the majority of related parties have a strong capacity to meet their contractual cash flow obligations in the near term. Thus, no loss allowance provision for trade receivables from related parties was recognized at 31 December 2018.

To measure the expected credit losses of trade receivables from third parties, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss model also incorporates forward looking information. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due				
	Current	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Expected credit loss rate	**0.95%**	**1.32%**	**11.91%**	**22.38%**	**40.52%**	**7.65%**
Gross carrying amount *(RMB'000)*	**1,266,572**	**264,335**	**276,241**	**133,555**	**213,759**	**2,154,462**
Expected credit losses *(RMB'000)*	**12,002**	**3,484**	**32,889**	**29,886**	**86,624**	**164,885**

As at 31 December 2018, there were trade and bill receivables accounting to RMB123,630,000 pledged to secure bank borrowings and other loans granted to the Group (31 December 2017: Nil).

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB106,275,000 with a carrying amount before provision of RMB6,777,178,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of trade and bills receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39, is as follows:

	2017 *RMB'000*
Neither past due nor impaired	3,988,580
Past due but not impaired:	
Within 1 year	1,533,954
Between 1 and 2 years	752,124
Between 2 and 3 years	466,264
Over 3 years	111,009
	6,851,931

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

Impairment under IAS 39 for the year ended 31 December 2017 (Continued)

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

Receivables that were past due but not impaired related to companies that had a good track record with the Group. Based on past experience, the Directors were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

10. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Bills payable	**227,910**	56,693
Trade payables	**6,253,352**	5,730,663
	6,481,262	5,787,356

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**4,273,450**	3,420,623
1 year to 2 years	**705,233**	1,091,211
2 years to 3 years	**698,311**	658,152
More than 3 years	**804,268**	617,370
	6,481,262	5,787,356

11. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate *(%)*	**Maturity**	**2018** ***RMB'000***	2017 *RMB'000*
Current				
Bank borrowings:				
– unsecured	3.92%–5.66%	2018–2019	**1,061,087**	588,000
Other loans:				
– unsecured	4.35%–7.50%	2019	**259,136**	–
– secured *(note a)*	7.50%	2019	**100,000**	–
			359,136	–
Current portion of long term bank borrowings and other loans				
Bank borrowings – unsecured	4.28%–5.15%	2018–2019	**579,962**	629,913
Bank borrowings – guaranteed	4.28%–4.41%	2018–2019	**14,963**	13,253
Other loans – unsecured	5.15%	2018–2019	**8,700**	2,900
			603,625	646,066
			2,023,848	1,234,066

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

	Effective interest rate (%)	Maturity	2018 RMB'000	2017 RMB'000
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	4.28%–6.62%	2019–2028	**2,364,598**	2,708,003
Bank borrowings – guaranteed	4.28%–4.41%	2019–2026	**83,620**	98,583
Other loans – unsecured	4.79%–5.70%	2020–2023	**457,830**	210,180
			2,906,048	3,016,766
			4,929,896	4,250,832
Interest-bearing bank borrowings and other loans denominated in:				
– RMB			**4,929,896**	4,250,832

Note a:

The above secured other loans are secured by trade and bills receivables with a net carrying value of RMB123,630,000 (note 9).

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:

	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
Bank borrowings repayable:		
Within one year	**1,656,012**	1,231,166
In the second year	**673,463**	566,074
In the third to fifth years, inclusive	**1,306,766**	1,532,890
Beyond five years	**467,989**	707,622
	4,104,230	4,037,752
Other loans repayable:		
Within one year	**367,836**	2,900
In the second year	**309,250**	5,800
In the third to fifth years, inclusive	**145,480**	195,480
Beyond five years	**3,100**	8,900
	825,666	213,080
	4,929,896	4,250,832

12. SHARE CAPITAL

Shares

	2018	2017
	RMB'000	*RMB'000*
Issued and fully paid:		
2,967,542,000 (2017: 2,967,542,000) 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	**Share capital**
	(thousands)	*RMB'000*
At 1 January 2017	2,967,542	2,967,542
Capital contribution	–	–
At 31 December 2017 and 1 January 2018	2,967,542	2,967,542
At 31 December 2018	**2,967,542**	**2,967,542**

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 eleven countries.

I. INDUSTRY OVERVIEW

In March 2019, Premier Li Keqiang recognized the results obtained by the PRC in the scope of environmental protection in 2018 in the 2019 Government Work Report, and meanwhile, he expressed the prospect of key tasks of environmental protection in 2019, and proposed stricter requests on pollution prevention and treatment of the atmosphere, water, soil, solid waste in cities and other aspects.

Looking back 2018, the Chinese government, driven by the initiative of building "Beautiful China" and faced with risks in the backdrop that the economic development enters "new normal" stage, rolled out in succession a series of new regulations and policies tailored for current development objectives of the environmental industry and air pollution control industry, bringing the environmental industry and air pollution control industry onto the fast track of targeted and scientific control. The air pollution control industry has evolved from coal-fired power air pollutant control to deeper and wider development of non-electric air pollutant control segments. Generally, the value of the PRC's environmental and energy conservation industry increased from RMB3.4 trillion in 2013 to RMB6.5 trillion in 2018, maintaining a CAGR of approximately 14% and remaining one of the sectors with rapid development.

To review the overall performance of air pollution control industry in 2018, the following highlights and industry trends are worth mentioning:

1) ***The coal-fired power segment steadily promoted the ultra-low emission, and the utilization hours of thermal power stabilized and rallied, which was favorable to flue gas desulfurization and denitrification concession operations of coal-fired power plants.*** As of the end of 2018, the government had approximately 810,000MW of coal-fired capacity that met ultra-low emission standards, which accounted for 80% of the total coal-fired installed capacity; cumulative energy conservation upgrade was 650,000MW, and the overall objective for coal-fired ultra-low emission and energy conservation upgrade regarding the "13th Five-Year Plan" was realized two years ahead of schedule. Therefore, the PRC has built the world's largest clean coal-fired power generation system. In 2018, the PRC had 4.9 trillion kWh of thermal power capacity, representing a year-on-year growth of 7.3% or 2.1 percentage points and the fastest growth since 2012.

The average utilization hours of thermal power generation units reached 4,361 hours, representing a year-on-year improvement of 143 hours and the best level since 2015; the utilization hours of thermal power generation units recorded improvement for two consecutive years. The strict control on new coal-fired power capacity and the improvement of utilization hours of existing equipment created a favorable environment for desulfurization and denitrification concession operations of coal-fired power plants.

2) ***Making China's Skies Blue Again became the policy guideline for the PRC's air pollution control industry over the next three years.*** At the end of June 2018, the State Council formally announced the Three-Year Plan for Making China's Skies Blue Again (the "**Three-Year Plan**"), which launched air pollution control initiatives in three key regions, namely Beijing-Tianjin-Hebei region and its surrounding area, Yangtze River Delta and Fen-Wei Plain. 2019 Government Work Report announced that we shall consolidate the results of keeping our skies blue. The emission of sulphur dioxide and nitrogen oxide shall decrease by 3%. PM2.5 concentrations continued to fall in key regions. It embarked on a new round of three-year deployment and arrangement for deepening air pollution control and aimed to further expand the width, depth and intensity of air pollution control.

3) ***Steel ultra-low emission marked the beginning of non-electric flue gas control, indicating the air pollutant control industry realized deeper and wider development.*** On 26 April 2018, Hebei Province, one of large steel producers in the PRC, issued "Ultra-low Emission Standards on Air Pollutants of Steel Industry (Consultation Paper)"(《鋼鐵工業大氣污染物超低排放標準(徵求意見稿)》). Flue gas emission standards on sintering and pelletizing included 10mg/m^3 for particulate matter, 35mg/m^3 for sulfur dioxide and 50mg/m^3 for nitrogen oxide. Existing enterprises shall apply such standards as from 1 January 2020, and new enterprises shall adopt such standards as from the effective date. The Ministry of Ecology and Environment issued "Work Plan for Ultra-low Emission Upgrade of Steel Enterprises (Consultation Paper)" (《鋼鐵企業超低排放改造工作方案(徵求意見稿)》) (the "**Work Plan**") and solicited opinions from relevant departments in this regard. Initial targets of the Work Plan included: all of new steel projects (including relocation projects) should meet the ultra-low emission standards. Steel enterprises in the three key air pollution control regions of Beijing-Tianjin-Hebei region and its surrounding areas, Yangtze River Delta and Fen-Wei Plain which are qualified for upgrade should basically accomplish ultra-low emission upgrade by the end of October 2020. Pearl River Delta, Chengdu-Chongqing region, central Liaoning, Wuhan and its surrounding areas, Changsha-Zhuzhou-Xiangtan region and Urumchi-Changji should accomplish the upgrade by the end of 2022. Steel enterprises across the country which are qualified for upgrade should accomplish ultra-low emission upgrade by the end of 2025. Based on the

targets and the timetable, the ultra-low emission upgrade of steel industry will lead to greater market potential, and demands for air pollution control equipment and engineering services are expected to last for seven to eight years. The ultra-low emission upgrade of steel industry will create a market value of over RMB80 billion.

4) ***Detailed rules about standards on air pollutant control industry were issued, bringing the industry onto the fast track of targeted and scientific control.*** Standardization Administration of the PRC issued "Flue Gas DeNox Catalyst Regeneration Technical Criterion" (GB/T 35209-2017) (《煙氣脱硝催化劑再生技術規範》) in 2018, with effect from 1 May 2018. The Catalogue of Key Industries under Intellectual Property Support (2018) (《知識產權重點支持產業目錄(2018年本)》) (the "**Catalogue**") issued by National Intellectual Property Administration listed ten key industries including the environmental industry, and segments of air pollution control, such as desulfurization, denitrification, efficient dust removal, control of volatile organic compounds and air pollution monitoring, were all listed in the Catalogue. In the Notice on Recommending Advanced Air Pollution Control Technologies (《關於推薦先進大氣污染防治技術的通知》), the Ministry of Ecology and Environment stated that the recommendation soliciting activity in respect of air pollution control technologies for seven major fields was aimed to better apply advanced technologies in air pollution control. Recommended fields included industrial flue gas purification and coordinated pollutant control technologies for the non-electric industry; pollution control technologies for key industries subject to volatile organic compounds (VOCs) control; coordinated pollutant control technologies to treat flue gas produced by coal-fired power generation units and industrial boilers, pollution control technologies for oil-fired and gas-fired industrial boilers; diesel vehicle and ship exhaust treatment technologies; and purification technologies to treat flue gas produced from domestic garbage and hazardous waste incineration. In November 2018, the Ministry of Ecology and Environment announced the dust fall monitoring results of "2+26" cities for October 2018, which was the first publication of dust fall monitoring information. With effect from 2019, the three key air pollution control regions of Beijing-Tianjin-Hebei region and its surrounding areas, Yangtze River Delta and Fen-Wei Plain will publish dust fall monitoring results every month. In the future, dust fall may probably be included into air pollution control assessment indicators, which is subject to relevant standard improvement.

Based on the overview of the PRC's air pollution control industry in 2018 as stated above, it is expected that ultra-low emission of coal-fired power plants will enter the "new normal" stage as coal-fired power plants' existing and future demands for air pollution control projects continue to decrease. In the next few years, the air pollution control industry will usher in another round of steady development by following the timetable of Three-Year Plan. In addition to promotion of ultra-low emission upgrade of coal-fired power generation units, air pollution control in non-electric industries including steel, coking, cement and chemical will witness further development, and air pollution control standards for each segments are expected to be further promoted in the next few years.

II. BUSINESS OVERVIEW

In 2018, the Group recorded steady development in each business segment and maintained the leading position in business segments of environmental protection facilities concession operation and denitrification catalysts. According to Frost & Sullivan report, based on the cumulative installed capacity in operation as of the end of 2018, the Group remained as the PRC's largest flue gas desulfurization and denitrification concession operator.

Meanwhile, based on the total output of denitrification catalysts in 2018, the Group remained as the PRC's largest producer of denitrification catalysts in the segment of denitrification catalysts.

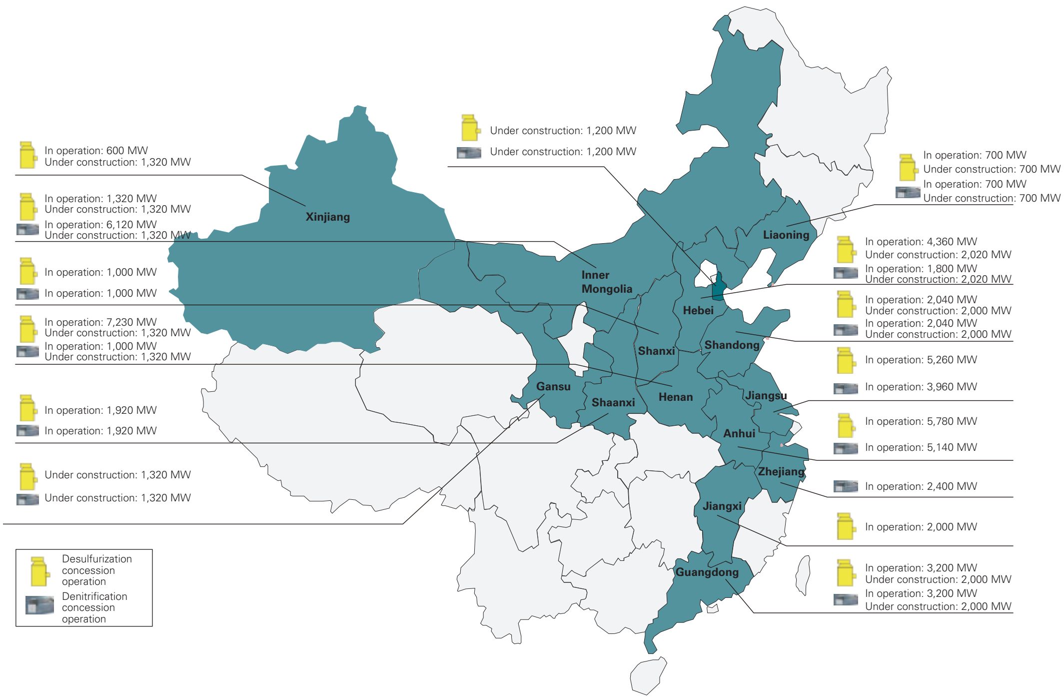
In addition, the Group achieved remarkable development in non-electric environmental protection facilities engineering and thermal power engineering EPC project, signing contracts for four non-electric environmental protection facilities engineering projects and one thermal power engineering EPC project in 2018.

While consolidating its leading position in the environmental protection field of thermal power segment in 2018, the Group actively developed environmental protection businesses in steel, cement, metallurgy and other non-electric fields to expand its business scope and influence.

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 ("**CEC**"), in terms of the cumulative contracted capacity by the end of 2018, 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 2018:



By 31 December 2018, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 36,610 MW and the cumulative installed capacity for desulfurization concession operation projects under construction reached 12,000 MW. The cumulative installed capacity in operation for denitrification concession operations reached 30,480 MW and the cumulative installed capacity for denitrification concession operation projects under construction reached 10,680 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 2018:

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
Shandong	Huangdao	Desulfurization and denitrification	1,340
	Binzhou	Desulfurization and denitrification	700
Zhejiang	Wushashan	Denitrification	2,400
Henan	Xuchang	Desulfurization	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
Liaoning	Shendong	Desulfurization and denitrification	700

The table below sets forth the status of the Group's desulfurization and denitrification concession operation projects under construction as at 31 December 2018:

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	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

In 2018, the Group achieved a material breakthrough in operating market of environmental protection facilities outside the system of China Datang Group. the Group signed contracts for daily maintenance projects for environmental protection facilities of two coal-fired power plants of State Power Investment Corporation Limited, and won the bids for the maintenance project for desulfurization facilities of one coal-fired power plant of China Huaneng Group Co. Ltd.

1.2 Denitrification catalysts business

In 2018, both the production volume and the sales volume of the Group's denitrification catalysts business remained stable. According to the statistics from CEC, the Group continues to rank the first in the PRC in terms of the total production volume in 2018.

The following table sets forth the breakdown of the key information of the Group's denitrification catalysts business in 2018:

(Unit: m^3)

Production volume	Sales volume	Delivery volume	Delivery volume to customers other than China Datang Group
37,418.0	37,355.9	39,136.8	16,706.7

In 2018, the Group sold 13,980.3m^3 of catalyst to customers other than China Datang Group and entered into 73 contracts, among which, 13 contracts were entered with overseas customers and 4,885.8m^3 of catalyst was sold to them, while 34 contracts were entered with customers from non-electric industry such as glass and alumina sectors and 906.9 m^3 of catalyst was sold to them. Meanwhile, the Group has mead steady progress in the disposal of waste catalysts with a total amount of 4,295.1m^3 of waste catalysts being disposed.

1.3 Environmental protection facilities engineering business

In 2018, 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, actively develop the environmental market of non-electric industry such as petroleum, coking, steel, and cement, and has achieved preliminary results.

In 2018, the Group entered into four contracts for environmental protection construction projects in non-electric industry with an aggregate amount of RMB116.5 million, among which, there was a contract for the dust management project in the industrial site of Huaxin Cement Co., Ltd., with an aggregate contract amount of RMB31.7 million.

The following table sets forth the breakdown of the environmental protection facilities engineering business of the Group as at 31 December 2018:

Projects	**Bid winning project in 2018**		**Projects put into operation in 2018**		**Projects under construction**	
	Number	**Capacity** *(MW)*	**Number**	**Capacity** *(MW)*	**Number**	**Capacity** *(MW)*
Desulfurization	11	9,610	11	8,210	9	9,960
Denitrification	8	8,740	4	3,300	12	15,380
Dust removal	4	2,640	5	2,660	15	17,260
Ultra-low emission	7	5,860	10	8,300	5	6,440
Industrial site dust management	9	11,590	8	6,100	33	60,599

1.4 Water treatment business

In 2018, the water treatment engineering business of the Group maintained a steady development. The Group entered into contracts for 24 water treatment engineering projects in total throughout the year with an aggregate amount of RMB564.3 million, among which, there was wastewater discharge standard transformation project in whole plant of Tianjin Datang International Panshan Power Generation Company Limited. It became another breakthrough after retrofitting project for waste water zero discharge in whole plant of Shenhua Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.

In 2018, the Group entered into 17 contracts outside the system of China Datang Group with an aggregate amount of RMB245.3 million, among which, six contracts were entered with customers in non-electric industry with a total amount of RMB87.3 million. The Group successfully entered into the contract for the 10,000m^3/d wastewater comprehensive recycling project of Shandong Tiexiong Xinsha Energy Co. Ltd.(山東鐵雄新沙能源有限公司), which is the first wastewater recycling project of the Group in coking industry. Meanwhile, the Group developed steadily in soil restoration and successfully entered two contracts for soil restoration projects with a cumulative contract amount of RMB21.7 million.

1.5 Energy conservation business

In 2018, the Group entered into 3 contracts for new energy conservation facilities engineering projects with a total contract amount of RMB58.7 million. The two flexible peak adjustment pilot projects of the National Energy Administration undertaken by the Group were successfully put into operation. In respect of energy management contract business, as of 31 December 2018, the Group successfully completed implementation of 6 investment projects, of which 5 projects have obtained stable income.

2. Renewable Energy Engineering Business

The Group newly entered 18 contracts for renewable energy engineering projects, among which, 3 wind power plant site engineering projects with installed capacity of 380MW and 15 photovoltaic engineering projects with installed capacity of 614MW.

As at the end of December 2018, the cumulative installed capacity in operation for wind power plant site of the Group reached 1,048MW and cumulative installed capacity in construction reached 630MW, while the cumulative installed capacity in operation for photovoltaic engineering projects of the Group reached 951MW and cumulative installed capacity in construction reached 140MW.

3. Thermal Power Engineering Business

In 2018, the Group entered into contract for one new thermal power engineering project with an installed capacity of 700MW and a contract value of RMB219.4 million. Such project, as a livelihood construction, is able to effectively improve the local heat supply condition, and significantly boost the local environment quality.

4. Other Businesses

The Group continued to carry out fiberglass chimney anti-corrosion projects and air-cooling system engineering general contracting projects in 2018.

5. Overseas Business

In 2018, the Group has cumulatively entered into 3 overseas projects, involving a contract amount of RMB61.3 million, of which the Group successfully entered into the Dust Removal Project for Cement Production Line in Sibay, Russia, involving an amount of RMB51.9 million.

As at 31 December 2018, the Group had two overseas projects under enforcement. Among which, the desulfurization project for No. 2 unit of Cuddalore in India ran steadily after officially put into operation and was properly functioned; the preliminary design and equipment procurement of the 24MW biomass project have been completed.

According to the market research at the early stage, the Group preliminary determined the development strategies focusing on the Southeast Asia market, actively tapped into the environmental protection markets in India, Thailand, Vietnam, Indonesia and other countries, and strengthened reserves in projects and resources to lay a solid foundation for the expansion of subsequent market.

6. Research and Development

In 2018, the Group continued to enhance its cultivation of outstanding science and technology innovation achievement. The Group built up its core competitive strength and achieved outstanding results through continuous technological innovation and received a total of 13 industrial level technological awards, including one first prizes of China Power Innovation Award (Standard Category), the Ninth China Technology Market Golden Bridge Award. The Group was also awarded the Advanced Collective of China Technology Market Golden Bridge Award.

In 2018, 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 three proprietary technological achievement of the Group, namely "Development and Application of Key Technology for High-Efficiency Utilization in Full Operation of Exhaust Gas Residual Heat from Integrated Air Heaters (聯合暖風器的煙氣餘熱全工況高效利用關鍵技術開發與應用)", "Intelligent Control Technology and Application of SCR System for Coal-fired Power Plants (燃煤電站SCR系統智能化控制技術及應用)" and "Zero-emission technology for low-cost desulfurization wastewater based on SAP/NF/MD (基於SAP/NF/MD的低成本脱硫廢水零排放技術)", has passed the technical assessment of CEC, and the overall technological standard reached the international advanced level, among which, the "Intelligent Control Technology and Application of SCR System for Coal-fired Power Plants" has been applied to three power plants and 18 coal-fired generating units, which have achieved significant economic benefits.

As at 31 December 2018, the Group had 1,053 patents in aggregate, including 100 invention patents, and obtained 46 software copyrights in aggregate.

As at 31 December 2018, the Group had a total of 35 technical standards under preparation, including one international standard and six national and industry standards led by the Group. The Group formulated and issued 20 technical standards, including one international standard and three national standards.

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 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 increased by 7.0% from RMB8,024.5 million in 2017 to RMB8,588.1 million in 2018. The Group's profit for 2018 amounted to RMB783.2 million, representing a decrease of RMB131.7 million as compared with RMB914.9 million in 2017. Profit attributable to owners of the parent amounted to RMB766.7 million. As at 31 December 2018, the Group's cash and cash equivalents increased by 0.7% to RMB1,677.7 million as compared with RMB1,666.1 million as at 31 December 2017. The Group's total assets increased by 12.7% to RMB20,460.0 million as at 31 December 2018 as compared with RMB18,161.5 million as at 31 December 2017. The Group's total liabilities increased by 17.0% to RMB13,140.7 million as at 31 December 2018 as compared with RMB11,235.1 million as at 31 December 2017. The Group's return on total assets for 2018 was 4.1%, as compared with 5.1% in 2017.

2. Results of Operations

2.1. Revenue

The Group's revenue increased by 7.0% to RMB8,588.1 million in 2018 as compared with RMB8,024.5 million in 2017, primarily due to the Group undertook the thermal power engineering business in 2018, whilst actively pursuing market expansion in the non-electrical field, resulting in an increase in revenue.

2.2. Cost of sales

The Group's cost of sales increased by 12.7% to RMB7,238.1 million in 2018 as compared with RMB6,424.8 million in 2017. The level of increase in the Group's cost of sales was slightly higher than the increase in total revenue, which was mainly affected by the increase in prices of raw materials.

2.3. Selling and distribution expenses

The Group's selling and distribution remained stable with a slight decrease of 8.3% to RMB42.2 million in 2018 as compared with RMB46.0 million in 2017.

2.4. Administrative expenses

The Group's administrative expenses remained stable with a slight decrease of 4.7% to RMB279.4 million in 2018 as compared with RMB293.1 million in 2017.

2.5. Other income and gains

The Group's other income and gains increased significantly to RMB169.4 million in 2018 as compared with RMB0.4 million in 2017. This was mainly due to the RMB102.9 million net increase of exchange gains for the year as compared with that last year, which was driven by the exchange rate of RMB against Hong Kong dollar.

2.6. Finance costs

The Group's finance costs increased by 9.7% to RMB200.5 million in 2018 as compared with RMB182.8 million in 2017, primarily due to an increase in total short-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 13.1% to RMB937.4 million in 2018 as compared with RMB1,078.2 million in 2017.

2.8. Income tax expense

The Group's income tax expense was RMB154.2 million in 2018, representing a decrease of 5.6% from RMB163.3 million in 2017. The reason that range of decrease in income tax expense of the Group was slightly lower than the range of decrease in profit before tax was mainly due to the change of tax preferential policy the subsidiaries enjoys as compared to that of last year.

2.9. Profit for the year

The Group's profit for the year decreased by RMB131.7 million from RMB914.9 million in 2017 to RMB783.2 million in 2018. For the year ended 31 December 2018, the Group's profit for the year as a percentage of its total revenue decreased to 9.1% as compared with 11.4% in 2017.

2.10. Profit attributable to owners of the parent

The profit attributable to owners of the parent decreased by RMB108.2 million to RMB766.7 million in 2018 as compared with RMB874.9 million in 2017.

2.11. Profit attributable to non-controlling interests

The profit attributable to non-controlling interests of the Group decreased by 58.8% to RMB16.5 million in 2018 as compared with RMB40.0 million in 2017.

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 2018 and 2017, as well as the percentage of change:

	For the year ended 31 December				
	2018		2017		
	Revenue	**Percentage of total revenue before elimination[1]**	Revenue	Percentage of total revenue before elimination[1]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**3,207,649**	**36.4**	3,189,231	38.5	0.6
Denitrification catalysts	**475,814**	**5.4**	518,430	6.3	(8.2)
Environmental protection facilities engineering	**2,339,520**	**26.5**	1,838,593	22.2	27.2
Water treatment business	**329,263**	**3.7**	337,520	4.1	(2.4)
Energy conservation business	**290,907**	**3.3**	136,338	1.6	113.4
Total revenue of environmental protection and energy conservation solutions before elimination	**6,643,153**	**75.3**	6,020,112	72.7	10.3
Intra-segment elimination[2]	**(148,388)**		(218,862)		
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	**6,494,765**		5,801,250		12.0
Inter-segment elimination[3]	**(14,895)**		(14,722)		
External revenue of environmental protection and energy conservation solutions	**6,479,870**		5,786,528		12.0

	For the year ended 31 December				
	2018		2017		
	Revenue	**Percentage of total revenue before elimination[(1)]**	Revenue	Percentage of total revenue before elimination[(1)]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	**1,284,967**	**14.6**	1,824,955	22.0	(29.6)
Inter-segment elimination	**–**		–		
External revenue of renewable energy engineering business	**1,284,967**		1,824,955		(29.6)
Thermal power engineering:					
Total revenue of thermal power engineering	**494,237**	**5.6**	–		
Inter-segment elimination	**–**		–		
External revenue of thermal power engineering	**494,237**		–		
Other businesses:					
Total revenue of other businesses	**392,990**	**4.5**	435,609	5.3	(9.8)
Inter-segment elimination[(4)]	**(63,994)**		(22,598)		
External revenue of other businesses	**328,996**		413,011		(20.3)
Total revenue before elimination[(5)]	**8,815,347**	**100**	8,280,676	100.0	6.5
Total intra- and inter-segment elimination[(6)]	**(227,227)**		(256,182)		
Total revenue	**8,588,070**		8,024,494		7.0

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 engineering segment, the inter-segment sales from dust removal facilities engineering sub-segment to thermal power engineering segment, the inter-segment sales from water treatment business sub-segment to thermal power engineering 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 2018 and 2017, as well as the percentage of change in gross profit:

	For the year ended 31 December				
	2018		2017		
	Gross profit	**Gross profit margin**(2)	Gross profit	Gross profit margin(2)	Change of gross profit
	RMB'000	*%*	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**978,797**	**30.5**	1,197,843	37.6	(18.3)
Denitrification catalysts	**115,992**	**24.4**	177,667	34.3	(34.7)
Environmental protection facilities engineering	**150,966**	**6.5**	153,838	8.4	(1.9)
Water treatment business	**30,774**	**9.3**	16,794	5.0	83.2
Energy conservation business	**47,147**	**16.2**	16,211	11.9	190.8
Total gross profit of environmental protection and energy conservation solutions	**1,323,676**	**19.9**	1,562,353	26.0	(15.3)
Total gross profit of renewable energy engineering business	**28,431**	**2.2**	40,995	2.2	(30.6)
Total gross profit of thermal power engineering	**27,354**	**0.4**	–	–	–
Total gross profit of other businesses	**(14,498)**	**(3.7)**	62,260	14.3	(123.3)
Total gross profit and overall gross profit margin(3)	**1,349,957**	**15.7**	1,599,730	19.9	(15.6)

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 2018, the Group's cash and cash equivalents increased by 0.7% to RMB1,677.7 million as compared with RMB1,666.1 million as at 31 December 2017.

5. Working Capital

As at 31 December 2018, the Group's net current assets decreased by 7.1% to RMB1,977.4 million as compared with RMB2,127.8 million as at 31 December 2017, primarily due to (i) a decrease of 6.0% in the Group's prepayments, deposits and other receivables to RMB888.9 million as at 31 December 2018 as compared with RMB946.1 million as at 31 December 2017; (ii) an increase of 12.0% in the Group's trade and bills payables to RMB6,481.3 million as at 31 December 2018 as compared with RMB5,787.4 million as at 31 December 2017; (iii) an increase of 49.8% in the Group's other payables and accruals to RMB1,663.4 million as at 31 December 2018 as compared with RMB1,110.7 million as at 31 December 2017; and (iv) an increase of 64.0% in the Group's short-term interest-bearing bank borrowings and other loans to RMB2,023.8 million as at 31 December 2018 as compared with RMB1,234.1 million as at 31 December 2017, which was partially offset by an increase of 16.8% in the Group's trade and bills receivables to RMB8,398.5 million as at 31 December 2018 as compared with RMB7,191.8 million as at 31 December 2017.

6. Indebtedness

As at 31 December 2018, the Group's borrowings increased by 16.0% to RMB4,929.9 million as compared with RMB4,250.8 million as at 31 December 2017.

7. Capital Expenditure

The Group's capital expenditure decreased by 26.7% to RMB937.8 million in 2018 as compared with RMB1,280.0 million in 2017. Capital expenditure mainly comprises 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	
	2018	2017
Current ratio	**119.4%**	126.0%
Quick ratio	**117.9%**	124.5%
Liabilities to assets ratio	**64.2%**	61.9%
Leverage ratio	**44.4%**	37.3%

	For the year ended 31 December	
	2018	2017
Return on total assets	**4.1%**	5.1%
Return on equity	**11.0%**	13.7%

9. Significant Investment

For the year ended 31 December 2018, the Group made no significant investment.

10. Material Acquisition and Disposal

For the year ended 31 December 2018, the Group had no material acquisition or disposal.

11. Contingent Liabilities

As at 31 December 2018, 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 the PRC'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 such transactions in the future. For the year ended 31 December 2018, the total value of products and services provided by the Group to China Datang Group (other than concession operations) was approximately RMB3,501.7 million, representing approximately 40.8% of the total revenue of the Group. For the year ended 31 December 2018, the total value of the services provided by the Group to China Datang Group under the concession operations (desulfurization and denitrification) was approximately RMB3,207.6 million, representing approximately 37.3% of the total revenue of the Group. The Group has been actively expanding its client base, for example, during 2018, the Group entered into contracts in the amount of RMB3.4 billion with clients other than China Datang Group, representing 40.5% of the total contract amount of the Group.

Liquidity risks

Although the Group had positive operating cash flows for the year ended 31 December 2018, it cannot assure that its operating cash flow 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 2018, the Group had available bank facilities of RMB20 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, deeply explores Southeast Asia, South Asia and other core market, and focuses on the deployment of India, Thailand, Vietnam and other 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 2019 the Group will be faced with both opportunities and challenges.

In terms of favorable factors, firstly, the focus of air pollution control of the PRC extends from the single thermal power enterprises to more industrial sectors such as petroleum & chemical, steel, and cement. There is a huge market in non-electric industry; Secondly, the further promotion of the Belt and Road Initiative by the PRC will speed up the development of regional economy and 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 Group is being included in the list of "Double Hundred Actions of the Reform of State-owned Enterprises" launched by the State-owned Assets Supervision and Administration Commission of the State Council", and will be faced with unprecedented reform opportunities. The implementation of "Double Hundred Actions of the Reform of State-owned Enterprises" will help break institutional constraints to provide new energy for development.

In terms of unfavorable factors, firstly, power development in the PRC has entered the key period of transferring mode, adjusting structure and shifting motivation. The power overcapacity, the long-term high price of coal, and the scaling up of power marketization have certain impact on the profitability of the environmental protection facility concession operation business of the Group; secondly, the environmental protection and air pollution control market in the power industry is becoming saturated. The traditional environmental protection engineering business is decreasing year by year, and the competition among environmental protection enterprises is intensified, and these enterprises are in urgent need to expand their businesses to non-power areas.

Main Tasks in 2019

1. ***Continuously reinforcing the establishment of professional platforms and improving profitability***

   The Group will keep improving franchise business, and realize "first-rate management, technologies, indicators and costs". The Group will improve the construction of existing environmental protection facility operation platform featuring the integration of information technology and industrialization, in conjunction with big data analysis, to leverage on the support function of informatization on operation and management of enterprises. The Group will optimize and re-innovate existing technologies in respect of intelligent control and refined operation, to improve the operating efficiency of desulfurization and denitrification system. The Group will, based on optimized operation and reaching design values, keep improving the level of production indicators through 2019-2020 Special Action Plan on Energy Conservation and Consumption Reduction.

2. ***Accelerating technological innovation and continuously enhancing the transformation and upgrading of enterprises***

   The Group will make full use of the technology conversion platform to further strengthen cooperation with research institutes and increase the transformation speed of technology conversion. Firstly, the Group will accelerate the efficiency upgrade of specialized operation and improve the operation efficiency of desulfurization and denitrification system through a series of technology optimization and re-innovation; secondly, the Group will speed up the reserve of core technology through various approaches such as technology introduction and cooperative development, and properly reserve certain advanced technology; thirdly, the Group will further improve the industrial chain of denitrification catalysts and obtain the production capacity of honeycomb catalysts through various approaches, which will be used as an opportunity to expand the production capacity of medium and low temperature catalysts and gas catalysts, to further enrich the variety of denitrification catalysts products of the Group, and to enlarge services business including catalyst detecting, system commissioning, technology consulting and professional training.

3. *Thoroughly expanding overseas market and continuously strengthening the development of international business*

With the continuous implementation of the Belt and Road Initiative, the Group will constantly improve the capacity of developing international business, and earnestly tapped into the regional market along the Belt and Road Initiative countries, focusing deployment of India, Thailand, Vietnam and other Southeast Asia countries to realize development of differentiation. The Group endeavors to build the standardized and professional international team with accumulated experience and technology advantages from environmental protection of electric power to achieve rapid and sustainable development of international business.

4. *Strengthening systematic and institutional innovation and fully promoting to make a breakthrough in "Double Hundred Actions of the Reform of State-owned Enterprises"*

The Group will seize the opportunity brought by the "Double Hundred Actions of the Reform of State-owned Enterprises" and focus on the 13th Five-Year Plan and the goals for the next three years. With effectiveness improvement and external development as the guideline, the Group will construct market-oriented system and mechanism to remove constraints and solve major problems which affecting the survival and development of enterprises. Firstly, the Group will accelerate the reform of incentive mechanism and realize market-oriented allocation of staff; secondly, the Group will make good plans for the medium and long-term incentives, the improvement of corporate governance system and the reform of mixed ownership; thirdly, through reform, the Group will stimulate vitality of resource elements to enhance innovation capabilities and market competitiveness, building a world-class environmental protection enterprises.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

2018 FINAL DIVIDEND

The Board is currently considering and discussing whether to declare the final dividend for the year ended 31 December 2018 and (if declared) the amount of such dividend. The Company expects to make further announcements to the shareholders of the Company (the "**Shareholders**") in relation to the final dividend for the year ended 31 December 2018 no later than the publication of the 2018 annual report of the Company (the "**2018 Annual Report**").

As the Company is yet to confirm the specific date of the annual general meeting for 2018 (the "**AGM**"), the record date for determining the eligibility to attend and vote at the AGM and the entitlement to the final dividend (if any) and the period for closure of register, the Company will upon confirmation thereof announce such details in the notice of the AGM.

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 "**Stock Exchange**") (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 2018, 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 2018, 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 2018 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 2018. 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 2018 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 2018 annual results and the consolidated financial statements for the year ended 31 December 2018 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 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 will be 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 (the "**Prospectus**").

The following table sets forth the use of net proceeds from the initial public offering as at 31 December 2018:

	Use of net proceeds disclosed in the Prospectus *(HK$ Million)*	**Actual use of net proceeds up to 31 December 2018** *(HK$ Million)*	**Unused net proceeds up to 31 December 2018** *(HK$ Million)*	**Expected time of full utilization of remaining balance**
To finance the capital expenditures for expanding the desulfurization and denitrification concession operations	1,219.5	1,086.5	133.0	December 2019
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	304.8	304.8	0.0	–
To repay some of the existing bank loans in order to lower the financial costs and improve the leverage ratio	203.2	203.2	0.0	–
For working capital and other general corporate purposes	203.2	201.5	1.7	December 2019
For research and development expenditures	101.6	7.6	94.0	December 2019
Total	2,032.3	1,803.6	228.7	

SIGNIFICANT SUBSEQUENT EVENT

As of the date of this announcement, the Group had no significant events after the reporting period that needs to be disclosed.

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 2018 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, 22 March 2019

As of the date of this announcement, the non-executive Directors are Mr. Jin Yaohua, Mr. Liu Chuandong, Mr. Liu Guangming, Mr. Li Yi and Mr. Deng Xiandong, the executive Director is Mr. Shen Zhen, and the independent non-executive Directors are Mr. Ye Xiang, Mr. Mao Zhuanjian and Mr. Gao Jiaxiang.

* *For identification purposes only*