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國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

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

(Stock code: 01296)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2017, the revenue from continuing operations of the Group was approximately RMB11,703.0 million, representing a decrease of approximately 26.4% compared to that for the previous year; the revenue from the discontinued operations of the Group was approximately RMB1.6 million, representing a decrease of approximately 99.2% compared to that for the previous year.
- For the year ended 31 December 2017, the gross profit from continuing operations of the Group was approximately RMB2,855.6 million, representing a decrease of approximately 20.4% compared to that for the previous year; the gross loss from the discontinued operations of the Group was approximately RMB7.9 million.
- For the year ended 31 December 2017, the operating profit from continuing operations of the Group was approximately RMB1,104.5 million, representing an increase of approximately 8.5% compared to that for the previous year; the operating loss from the discontinued operations of the Group was approximately RMB347.4 million.
- For the year ended 31 December 2017, profit attributable to equity shareholders of the Company was approximately RMB43.7 million, as compared to a profit attributable to equity shareholders of the Company of approximately RMB320.7 million, representing an decrease of approximately 86.4% compared to that for the previous year.
- The Board recommends not to distribute dividends for the year ended 31 December 2017.

* For identification purposes only

The board (the “**Board**”) of directors (the “**Directors**”) of Guodian Technology & Environment Group Corporation Limited (the “**Company**”) announces herewith the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2017, together with comparative figures for the year ended 31 December 2016. The results were extracted from the Group’s audited financial statements prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

(Expressed in Renminbi(“RMB”))

	<i>Note</i>	2017 RMB’000	2016 <i>RMB’000</i> <i>(restated)</i>
Continuing operations			
Revenue	4	11,703,002	15,893,049
Cost of sales		(8,847,401)	(12,304,828)
Gross profit		2,855,601	3,588,221
Other revenue	5	355,111	309,050
Other net income	5	560,218	328,798
Selling and distribution expenses		(945,493)	(1,366,875)
Administrative expenses		(1,720,956)	(1,841,622)
Profit from operations		1,104,481	1,017,572
Finance costs	6	(563,800)	(590,443)
Share of profits less losses of associates		86,734	102,211
Profit before taxation from continuing operations	7	627,415	529,340
Income tax	8	(180,936)	(123,500)

		2017	2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(restated)</i>
Profit for the year from continuing operations		446,479	405,840
Discontinued operation			
Loss for the year from discontinued operation	9	(355,709)	(134,089)
Profit for the year		90,770	271,751
Attributable to:			
Equity shareholders of the Company		43,703	320,672
Non-controlling interests		47,067	(48,921)
Profit for the year		90,770	271,751
Basic and diluted earnings/(loss) per share (<i>expressed in RMB cent</i>)	10		
– Continuing and discontinued operations		0.72	5.29
– Continuing operations		6.55	7.48
– Discontinued operation		(5.83)	(2.19)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

(Expressed in RMB)

	2017 RMB'000	2016 <i>RMB'000</i> <i>(restated)</i>
Profit for the year	90,770	271,751
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	(1,022)	1,268
– Reclassification adjustment for amounts transferred to profit or loss as disposal of an operation outside the PRC	(265)	–
Other comprehensive income for the year	(1,287)	1,268
Total comprehensive income for the year	89,483	273,019
Attributable to:		
Equity shareholders of the Company	42,416	321,940
Non-controlling interests	47,067	(48,921)
Total comprehensive income for the year	89,483	273,019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*as at 31 December 2017**(Expressed in RMB)*

	<i>Note</i>	2017 RMB'000	2016 <i>RMB'000</i> <i>(restated)</i>
Non-current assets			
Property, plant and equipment		4,472,199	4,860,466
Investment properties		235,197	246,039
Lease prepayments		309,883	330,736
Intangible assets		1,163,921	1,197,118
Goodwill		57,591	57,591
Interests in associates		419,952	412,801
Other equity investments		162,187	162,187
Other non-current assets		3,306,106	4,004,969
Deferred tax assets		724,191	613,181
Total non-current assets		10,851,227	11,885,088
Current assets			
Inventories		3,145,414	2,733,252
Gross amounts due from customers for contract work		1,324,257	1,443,384
Trade and bills receivables	11	12,842,798	14,069,033
Deposits, prepayments and other receivables		2,001,198	2,400,362
Tax recoverable		132,988	151,722
Restricted deposits		192,835	171,539
Cash at bank and in hand		4,305,074	4,664,110
Assets held for sale	12	812,459	2,699,889
Total current assets		24,757,023	28,333,291

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> <i>(restated)</i>
Current liabilities			
Borrowings		7,699,284	8,478,005
Trade and bills payables	13	9,684,721	10,858,105
Other payables		3,372,339	3,627,212
Gross amounts due to customers for contract work		922,598	1,022,644
Income tax payable		44,312	51,681
Provision for warranty		170,558	255,294
Liabilities held for sale	12	70,679	1,196,294
Total current liabilities		<u>21,964,491</u>	<u>25,489,235</u>
Net current assets		<u>2,792,532</u>	<u>2,844,056</u>
Total assets less current liabilities		<u>13,643,759</u>	<u>14,729,144</u>
Non-current liabilities			
Borrowings		4,053,705	5,115,637
Deferred income		368,557	378,886
Deferred tax liabilities		207,269	205,338
Provision for warranty		676,958	737,796
Other non-current liabilities		404,005	222,932
Total non-current liabilities		<u>5,710,494</u>	<u>6,660,589</u>
NET ASSETS		<u>7,933,265</u>	<u>8,068,555</u>
CAPITAL AND RESERVES			
Share capital		6,063,770	6,063,770
Reserves		(1,199,226)	(1,071,594)
Total equity attributable to equity shareholders of the Company		4,864,544	4,992,176
Non-controlling interests		3,068,721	3,076,379
TOTAL EQUITY		<u>7,933,265</u>	<u>8,068,555</u>

NOTES

(Expressed in RMB unless otherwise indicated)

1 STATEMENT OF COMPLIANCE

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less cost to sell.

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

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

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the annual report to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in manufacturing and sale of wind turbines, ignition equipment, solar cells and modules and other related electric equipment for power plants, construction engineering of desulphurisation, denitrification, water treatment, solar energy and other environmental protection and energy conservation projects, rental of desulphurisation, denitrification facilities and provision of integrated services relating to environmental protection, energy conservation and renewable energy businesses.

Revenue represents the sales value of goods supplied to customers, revenues from construction contracts, rendering of services, service concession arrangement and rental income. Revenue is presented net of VAT, if any.

As disclosed in Note 9, the revenue generated by solar power products and services segment is presented as discontinued operation.

The amount of each significant category of revenue from continuing operations and discontinued operation recognised during the year is as follows:

	Continuing operations		Discontinued operation		Total	
	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)				(restated)
Sales of goods (<i>Note (i)</i>)	5,649,973	9,072,469	–	27,539	5,649,973	9,100,008
Revenue from construction contracts	4,567,766	5,294,591	–	121,960	4,567,766	5,416,551
Rental income from operating leases (<i>Note (ii)</i>)	877,292	854,729	–	–	877,292	854,729
Rendering of services	346,732	387,368	1,632	45,878	348,364	433,246
Service concession arrangement revenue	261,239	283,892	–	–	261,239	283,892
	11,703,002	15,893,049	1,632	195,377	11,704,634	16,088,426

Notes:

- (i) Revenue from sale of goods amounting to RMBNil (2016: RMB84,106,190) is sale of wind turbines to contractors who are engaged to construct wind farms for China Guodian Corporation (“**Guodian**”) and related parties under Guodian.
- (ii) The amount mainly represents income related to service arrangements entered into by the Group with power plants to operate the desulphurisation and denitrification facilities for the treatment of sulphur dioxide and nitrogen oxide generated by power plants during their electricity generation. The Group acquires or constructs the facilities and then maintains and operates the facilities to provide pollutant treatment services to power plants during the useful lives of power plants. The service charge is based on the volume of electricity sold by the power plant and a tariff determined by the National Development and Reform Commission of the PRC. These arrangements are not in the legal form of leases, but are deemed as operating leases based on their terms and conditions.

(b) Segment reporting

The Group manages its businesses by subsidiaries, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

- Environmental protection segment: this segment provides environmental protection products and services which mainly consists of sulphur oxide control technologies, nitrogen oxide control technologies, rental of desulphurisation and denitrification facilities, ash removal with filter bag, water treatment related technologies and products.
- Energy conservation solutions segment: this segment provides energy saving products and services which mainly consists of plasma ignition and micro-oil ignition equipment and gas turbine improvement services and construction of energy-efficient power plants.
- Wind power products and services segment: this segment produces and sells wind turbine and its components, provides related system solutions and services to wind power operators.
- Solar power products and services segment: this segment produces and sells solar cells, solar modules and other solar products, constructs solar power stations and provides related system solutions and services to solar power operators. During the year ended 31 December 2015, the Group discontinued the operation of this segment. Please refer to Note 9 for further details.
- The Group combined other business activities that are not reportable in "All others". Revenue included in this category is mainly from the wind and solar power generation and sale of other electric power control system related products.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of interests in associates, other equity investments, tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of income tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is the gross profit. In addition to receiving segment information concerning the gross profit, management is also provided with segment information concerning depreciation and amortisation, interest income, finance costs, impairment of assets, inventory write-down and additions to segment non-current assets.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

	2017					
	Continuing operations				Discontinued operation	Total <i>RMB'000</i>
	Environmental protection <i>RMB'000</i>	Energy conservation solutions <i>RMB'000</i>	Wind power products and services <i>RMB'000</i>	All others <i>RMB'000</i>	Solar power products and services <i>RMB'000</i>	
Revenue from external customers	4,618,951	1,953,012	4,750,393	380,646	1,632	11,704,634
Inter-segment revenue	20,661	2,639	12,741	39,923	-	75,964
Reportable segment revenue	4,639,612	1,955,651	4,763,134	420,569	1,632	11,780,598
Reportable segment profit/(loss) (gross profit/(loss))	982,371	313,309	1,397,577	163,144	(7,944)	2,848,457
Depreciation and amortisation	266,262	26,080	141,981	97,035	1,349	532,707
Impairment of property, plant and equipment	42,552	-	4,461	-	58,098	105,111
Impairment of intangible assets	-	31,969	-	-	-	31,969
Inventory write-down	229	1,383	-	-	-	1,612
Impairment/(reversal of impairment) of trade and other receivables	137,330	(8,128)	129,892	(2,654)	22,244	278,684
Impairment of other non-current assets	-	-	-	-	171,175	171,175
Interest income	25,564	30,752	2,194	3,417	887	62,814
Finance costs	81,269	6,188	145,748	698	6,895	240,798
Reportable segment assets	12,362,153	3,843,546	13,143,815	2,398,087	1,571,028	33,318,629
Additions to reportable segment non-current assets during the year	193,606	6,377	87,795	5,903	54	293,735
Reportable segment liabilities	8,618,070	2,554,920	10,237,558	555,814	5,611,783	27,578,145

	Continuing operations				Discontinued operation	
	Environmental protection <i>RMB'000</i>	Energy conservation solutions <i>RMB'000</i> (restated)	Wind power products and services <i>RMB'000</i>	All others <i>RMB'000</i>	Solar power products and services <i>RMB'000</i>	Total <i>RMB'000</i> (restated)
Revenue from external customers	5,912,695	1,518,274	8,038,787	423,293	195,377	16,088,426
Inter-segment revenue	14,751	6,495	8,478	59,218	–	88,942
Reportable segment revenue	5,927,446	1,524,769	8,047,265	482,511	195,377	16,177,368
Reportable segment profit (gross profit)	1,132,496	267,112	1,986,917	203,556	5,152	3,595,233
Depreciation and amortisation	289,422	27,696	171,543	98,063	79,318	666,042
Impairment of property, plant and equipment	96,800	7	–	2	132,534	229,343
Reversal of impairment of lease prepayment	–	–	–	–	(11,895)	(11,895)
Inventory write-down	17,349	1,163	3,510	–	–	22,022
Impairment/(reversal of impairment) of trade and other receivables	8,268	27,803	139,214	23,707	(181,833)	17,159
Reversal of impairment of other non-current assets	–	–	–	–	(53,543)	(53,543)
Interest income	22,235	42,226	2,296	3,348	527	70,632
Finance costs	172,052	310	158,241	132	147,755	478,490
Reportable segment assets	15,951,078	4,553,056	14,040,541	2,327,934	2,095,126	38,967,735
Additions to reportable segment non-current assets during the year	242,176	4,334	54,632	9,980	–	311,122
Reportable segment liabilities	11,475,428	2,731,305	11,120,004	627,518	6,420,143	32,374,398

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Continuing operations		Discontinued operation		Total	
	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i> (restated)	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Revenue						
Reportable segment revenue	11,778,966	15,981,991	1,632	195,377	11,780,598	16,177,368
Elimination of inter-segment revenue	(75,964)	(88,942)	–	–	(75,964)	(88,942)
Consolidated revenue	<u>11,703,002</u>	<u>15,893,049</u>	<u>1,632</u>	<u>195,377</u>	<u>11,704,634</u>	<u>16,088,426</u>
Profit/(loss)						
Reportable segment profit/(loss)	2,856,401	3,590,081	(7,944)	5,152	2,848,457	3,595,233
Elimination of inter-segment profit	(800)	(1,860)	–	–	(800)	(1,860)
Reportable segment profit/(loss) derived from the Group's external customers	2,855,601	3,588,221	(7,944)	5,152	2,847,657	3,593,373
Other revenue	355,111	309,050	13,062	40,561	368,173	349,611
Other net income	560,218	328,798	108,509	87,717	668,727	416,515
Selling and distribution expenses	(945,493)	(1,366,875)	9,022	(10,081)	(936,471)	(1,376,956)
Administrative expenses	(1,720,956)	(1,841,622)	(470,012)	(109,683)	(2,190,968)	(1,951,305)
Finance costs	(563,800)	(590,443)	(6,895)	(147,755)	(570,695)	(738,198)
Share of profits less losses of associates	86,734	102,211	–	–	86,734	102,211
Consolidated profit/(loss) before taxation	<u>627,415</u>	<u>529,340</u>	<u>(354,258)</u>	<u>(134,089)</u>	<u>273,157</u>	<u>395,251</u>

	2017 RMB'000	2016 <i>RMB'000</i> (restated)
Assets		
Reportable segment assets	33,318,629	38,967,735
Inter-segment elimination	(389,189)	(1,112,427)
	32,929,440	37,855,308
Interests in associates	419,952	412,801
Other equity investments	162,187	162,187
Tax recoverable	132,988	151,722
Deferred tax assets	724,191	613,181
Unallocated head office and corporate assets	1,239,492	1,023,180
Consolidated total assets	35,608,250	40,218,379
Liabilities		
Reportable segment liabilities	27,578,145	32,374,398
Inter-segment elimination	(389,189)	(966,491)
	27,188,956	31,407,907
Income tax payable	44,312	51,681
Deferred tax liabilities	207,269	205,338
Unallocated head office and corporate liabilities	234,448	484,898
Consolidated total liabilities	27,674,985	32,149,824

(iii) Geographical information

The Group did not have significant business operations outside the PRC, therefore no geographic segment information is presented.

(iv) Major customers

Revenues from Guodian and related parties under Guodian amounted to RMB7,988,340,000 (2016: RMB11,127,320,000 (restated)).

5 OTHER REVENUE AND OTHER NET INCOME

	Continuing operations		Discontinued operation		Total	
	2017 RMB'000	2016 RMB'000 (restated)	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000 (restated)
Other revenue						
Government grants	131,275	161,431	–	34,191	131,275	195,622
Interest income	118,755	85,586	887	527	119,642	86,113
Dividend income from unquoted equity investments	16,700	18,982	–	–	16,700	18,982
Others	88,381	43,051	12,175	5,843	100,556	48,894
	<u>355,111</u>	<u>309,050</u>	<u>13,062</u>	<u>40,561</u>	<u>368,173</u>	<u>349,611</u>
Other net income						
Net gain/(loss) on sales of raw materials	7,290	51,911	(13)	(2,116)	7,277	49,795
Net gain on disposals of subsidiaries and interest in an associate	463,186	188,947	98,268	–	561,454	188,947
Net gain on debt settlement (Note i)	–	–	10,718	75,591	10,718	75,591
Net gain on disposals of property, plant and equipment and intangible assets	4,925	57,399	–	24,435	4,925	81,834
Net foreign exchange (loss)/gain	(14,936)	26,585	2,536	(2,821)	(12,400)	23,764
Others (Note ii)	99,753	3,956	(3,000)	(7,372)	96,753	(3,416)
	<u>560,218</u>	<u>328,798</u>	<u>108,509</u>	<u>87,717</u>	<u>668,727</u>	<u>416,515</u>

Notes:

- (i) During the year ended 31 December 2017, as part of the Group's discontinued operation in the solar power products and services segment, the Group negotiated with its creditors in that segment on debt settlement and resulted in a gain of RMB10,718,000 (2016: RMB75,591,000).
- (ii) During the year ended 31 December 2017, certain accrued payables were reversed after settlement with suppliers, resulting in a gain of RMB106,468,000.

6 FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interests on bank loans and other borrowings	566,518	600,011	6,895	147,755	573,413	747,766
Less: interest expenses capitalised into property, plant and equipment, and construction contracts	(2,718)	(9,568)	–	–	(2,718)	(9,568)
	<u>563,800</u>	<u>590,443</u>	<u>6,895</u>	<u>147,755</u>	<u>570,695</u>	<u>738,198</u>

The borrowing costs have been capitalised at a rate of 4.45% per annum (2016: 4.99%).

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Staff costs[#]

	Continuing operations		Discontinued operation		Total	
	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	1,050,074	1,063,740	18,005	40,115	1,068,079	1,103,855
Contributions to defined contribution retirement plan (Note)	94,934	103,970	2,036	3,269	96,970	107,239
	<u>1,145,008</u>	<u>1,167,710</u>	<u>20,041</u>	<u>43,384</u>	<u>1,165,049</u>	<u>1,211,094</u>

Note:

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its PRC Subsidiaries participated in defined contribution retirement schemes (the “**PRC Schemes**”) organised by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 15% to 20% of basic salaries of the employees. The local government authorities are responsible for the entire pension obligations payable to retired employees. In addition, certain subsidiaries and its staff participate in a retirement plan managed by Guodian on a voluntary basis to supplement the above-mentioned schemes and the Group is required to make contributions at 5% to 10% of total salaries of the employees. The Group has no other material obligation to make payments in respect of pension benefits associated with these schemes and supplementary retirement plan other than the annual contributions described above.

(b) Other items

	Continuing operations		Discontinued operation		Total	
	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)				(restated)
Amortisation [#]						
– lease prepayments	7,253	10,896	–	2,592	7,253	13,488
– intangible assets	70,569	84,449	947	2,134	71,516	86,583
Depreciation [#]						
– investment properties	8,886	8,642	–	–	8,886	8,642
– property, plant and equipment	444,650	482,737	402	74,592	445,052	557,329
Impairment/(reversal of impairment)						
– property, plant and equipment	47,013	96,809	58,098	132,534	105,111	229,343
– lease prepayments	–	–	–	(11,895)	–	(11,895)
– intangible assets	31,969	–	–	–	31,969	–
– trade and other receivables	256,440	198,992	22,244	(181,833)	278,684	17,159
– assets held for sale	(401)	–	18,369	9,059	17,968	9,059
– other non-current assets	–	–	171,175	(53,543)	171,175	(53,543)
Auditors' remuneration						
– annual audit services	11,455	13,485	–	–	11,455	13,485
– interim review services	3,500	4,560	150	–	3,650	4,560

	Continuing operations		Discontinued operation		Total	
	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i> (restated)	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Operating lease charges [#]						
– hire of plant and equipment	27,834	35,252	–	115	27,834	35,367
– hire of properties	26,399	42,992	41	213	26,440	43,205
Research and development costs	181,942	287,421	–	–	181,942	287,421
Provision/(reversal of provision) for warranty	97,840	405,557	(12,267)	–	85,573	405,557
Rental receivables from investment properties	(45,697)	(40,798)	(11,610)	–	(57,307)	(40,798)
Direct outgoings of investment properties	10,502	11,375	2,695	–	13,197	11,375
Cost of inventories [#]	3,949,605	6,788,295	–	29,184	3,949,605	6,817,479

[#] Cost of inventories includes staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in Note 7(a) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Continuing operations		Discontinued operation		Total	
	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i> (restated)	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Current tax						
Provision for the year	220,747	160,622	-	-	220,747	160,622
Under-provision in respect of prior years (<i>Note (iii)</i>)	69,398	87,996	1,451	-	70,849	87,996
	290,145	248,618	1,451	-	291,596	248,618
Deferred tax						
Origination and reversal of temporary differences	(109,209)	(125,118)	-	-	(109,209)	(125,118)
	<u>180,936</u>	<u>123,500</u>	<u>1,451</u>	<u>-</u>	<u>182,387</u>	<u>123,500</u>

Notes:

- (i) The charge for PRC enterprise income tax for the Group's subsidiaries established in the PRC is calculated at the statutory rate of 25% (2016: 25%) on the estimated assessable profit of the period determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Group, which are tax exempted or taxed at a preferential rate of 12.5% or 15% (2016: 12.5% or 15%) and a subsidiary of the Group which is a small-scale enterprise and is subject to enterprise income tax at 20% (2016: 20%).
- (ii) A subsidiary of the Group is subject to Hong Kong Profits Tax at 16.5% (2016: 16.5%). Taxation for other overseas subsidiaries is charged at the appropriate rate of taxation ruling in the relevant jurisdiction.
- (iii) The current tax for the year ended 31 December 2017 included tax payments of RMB70,849,000 in respect of prior years according to tax assessments concluded by local tax bureaus.

(b) Reconciliations between tax expense and accounting profit at applicable tax rates:

	2017 RMB'000	2016 <i>RMB'000</i> (restated)
Profit/(loss) before taxation		
– continuing operations	627,415	529,340
– discontinued operation	(354,258)	(134,089)
	273,157	395,251
Notional tax on profit before taxation at		
PRC statutory tax rate	68,289	98,813
Effect on non-deductible expenses	12,974	15,335
Effect of non-taxable income	(4,469)	(7,664)
Effect of research and development bonus deductions	(12,269)	(15,760)
Effect of share of profits less losses of associates	(21,683)	(25,553)
Effect of PRC tax concessions	(92,292)	(265,664)
Tax effect of unused tax losses and temporary differences not recognised	255,194	645,587
Tax effect of unused tax losses and temporary differences not recognised in previous year but utilised or recognised in current year	(89,787)	(492,503)
Tax effect of unused tax losses and temporary differences recognised in previous year but derecognised in current year	–	87,725
Under provision in respect of prior years	70,849	87,996
Others	(4,419)	(4,812)
Actual tax expense	182,387	123,500

9 DISCONTINUED OPERATION

During the year ended 31 December 2015, management decided to abandon all of the Group's operations under the solar power products and services segment, which constitute a major line of business of the Group, due to the challenging market conditions in the solar industry. As such, the results of the Group's operations under the solar power products and services segment were presented as discontinued operation in the consolidated financial statements.

As a result of the discontinuation of solar power products and services segment, the Group shut down the related production lines during the year ended 31 December 2015, which indicated the related property, plant and equipment, lease prepayments and intangible assets may be impaired. It is also considered that the carrying amounts of certain other assets belong to the solar power products and services segment may not be recovered or realised as previously expected. Accordingly, management conducted a review on the carrying amounts of these assets and based on the results of the assessment recognised impairment losses or assets write-downs according to the Group's applicable accounting policies at the end of each reporting period.

The Company entered into several sale and purchase agreements with certain counter-parties during the year ended 31 December 2016, pursuant to which the Company proposed to dispose of the main assets/liabilities of solar power products and services segment. Such assets and liabilities were presented as non-current assets and disposal groups held for sale in the consolidated financial statements as at 31 December 2017 and 2016.

		2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
	<i>Note</i>		
Revenue	4	1,632	195,377
Cost of sales		<u>(9,576)</u>	<u>(190,225)</u>
Gross (loss)/profit		(7,944)	5,152
Other revenue	5	13,062	40,561
Other net income	5	108,509	87,717
Selling and distribution expenses		9,022	(10,081)
Administrative expenses		<u>(470,012)</u>	<u>(109,683)</u>
(Loss)/profit from operation		(347,363)	13,666
Finance costs	6	<u>(6,895)</u>	<u>(147,755)</u>
Loss before taxation from a discontinued operation	7	(354,258)	(134,089)
Income tax	8	<u>(1,451)</u>	<u>–</u>
Loss for the year from a discontinued operation		<u>(355,709)</u>	<u>(134,089)</u>
Attributable to:			
Equity shareholders of the Company		(353,730)	(133,011)
Non-controlling interests		<u>(1,979)</u>	<u>(1,078)</u>
Loss for the year from a discontinued operation		<u>(355,709)</u>	<u>(134,089)</u>

10 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB43,703,000 (2016: RMB320,672,000 (restated)) and the weighted average of 6,063,770,000 ordinary shares (2016: 6,063,770,000 ordinary shares) in issue during the year ended 31 December 2017.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2017 and 2016.

Profit/(loss) attributable to ordinary equity shareholders of the Company used in the basic and diluted earnings/(loss) per share calculations:

	2017 RMB'000	2016 <i>RMB'000</i> (restated)
– From continuing operations	397,433	453,683
– From a discontinued operation (<i>Note 9</i>)	(353,730)	(133,011)
	43,703	320,672

11 TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 <i>RMB'000</i> (restated)
Trade receivables for contract work due from:		
– related parties under Guodian	1,991,821	1,824,487
– associates	14,018	43,418
– third parties	3,005,343	3,259,600
	5,011,182	5,127,505
Bills receivable for contract work due from:		
– related parties under Guodian	693,548	1,664,723
– third parties	209,639	228,836
	903,187	1,893,559
Trade receivables for operating leases due from:		
– related parties under Guodian	76,066	110,933
– third parties	24,576	33,511
	100,642	144,444
Trade receivables for sale of goods and rendering of services due from:		
– Guodian	2,908	740
– related parties under Guodian	2,302,395	3,130,531
– associates	38,439	27,789
– third parties	4,676,340	4,906,013
	7,020,082	8,065,073
Bills receivable for sale of goods and rendering of services due from:		
– related parties under Guodian	800,179	263,058
– third parties	1,023,246	634,971
	1,823,425	898,029
	14,858,518	16,128,610
Less: allowance for doubtful debts	(2,015,720)	(2,059,577)
	12,842,798	14,069,033

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts of the Group is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (restated)
Within 1 year	8,554,641	9,665,169
Between 1 to 2 years	2,156,939	3,580,045
Between 2 to 3 years	1,862,106	629,585
Over 3 years	269,112	194,234
	<u>12,842,798</u>	<u>14,069,033</u>

Trade receivables are required to be settled in accordance with contracted terms and are generally due immediately without credit upon the issuance of invoice.

12 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

At 31 December 2017, the non-current assets and disposal groups held for sale were stated at the lower of carrying amount and fair value less costs to sell, comprising the following assets and liabilities:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Property, plant and equipment	500,699	1,464,815
Lease prepayments	224,112	373,913
Other non-current assets	74,949	137,079
Trade and other receivables	31,957	360,298
Other current assets	2,458	612,260
Less: inter-company receivables eliminated in the consolidated financial statements	<u>(21,716)</u>	<u>(248,476)</u>
Assets held for sale	<u>812,459</u>	<u>2,699,889</u>
Trade and other payables	62,320	1,310,789
Other current liabilities	–	192,904
Other non-current liabilities	10,284	117,371
Less: inter-company payables eliminated in the consolidated financial statements	<u>(1,925)</u>	<u>(424,770)</u>
Liabilities held for sale	<u>70,679</u>	<u>1,196,294</u>
Net assets held for sale	<u><u>741,780</u></u>	<u><u>1,503,595</u></u>

Note:

Pursuant to the announcements published by the Company on 3 May 2016 and 4 July 2016 respectively, the Company entered into a cooperation framework agreement and sale and purchase agreement with Tianjin Zhonghuan Semiconductor Co., Ltd. (“**Zhonghuan**”) on 3 May 2016 and 1 July 2016 respectively to dispose 90% of equity interest in Guodian Solar Co., Ltd. (“**Guodian Solar**”), a wholly-owned subsidiary of the Company, to Zhonghuan. Guodian Solar will cease to be a subsidiary of the Company upon completion of the disposal. As at 31 December 2017, the disposal has not yet been completed as Zhonghuan is listed on the Shenzhen Stock Exchange and the completion of the disposal is subject to the approval of the China Securities Regulatory Commission (“**CSRC**”) and other regulatory authorities relevant to Zhonghuan.

On 9 February 2018, Zhonghuan received a notice from CSRC in respect of the failure of obtaining approval of the above transaction from CSRC. On 23 March 2018, Zhonghuan convened a board meeting and decided to resubmit the application for approval of the transaction to CSRC to address the concerns raised in CSRC’s notice. Based on all facts and circumstance, the directors of the Company are of the opinion that the completion of the sale is highly probable and expect the disposal will be completed in 2018.

13 TRADE AND BILLS PAYABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (restated)
Bills payable to:		
– sub-contractors and equipment suppliers	145,507	182,975
– raw material suppliers	<u>1,236,693</u>	<u>1,934,785</u>
	----- 1,382,200	----- 2,117,760
Trade payables to:		
– sub-contractors and equipment suppliers:		
– related parties under Guodian	34,645	109,129
– associates	4,588	2,926
– third parties	<u>4,855,724</u>	<u>5,187,145</u>
	----- 4,894,957	----- 5,299,200
– raw material suppliers:		
– related parties under Guodian	27,564	17,078
– associates	8,681	8,681
– third parties	<u>3,371,319</u>	<u>3,415,386</u>
	----- 3,407,564	----- 3,441,145
	<u><u>9,684,721</u></u>	<u><u>10,858,105</u></u>

As at 31 December 2017 and 2016, all trade and bills payables of the Group are repayable on demand except for bills payable which are repayable within 6 months. All trade and bills payables are expected to be settled within one year.

14 DIVIDENDS

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

The directors of the Company did not recommend the payment of a final dividend in respect of the years ended 31 December 2017 and 2016.

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

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the years ended 31 December 2017 and 2016.

15 ACQUISITION OF A SUBSIDIARY UNDER COMMON CONTROL

During the year ended 31 December 2017, the Company entered into an equity transfer agreement with Guodian Science and Technology Research Institute (“**GSTRI**”), a subsidiary of Guodian. Pursuant to the agreement, the Company agreed to acquire 100% of the equity interests in Beijing Guodian Lantian Energy Saving Science and Technology Development Co. Ltd.(“**Lantian Company**”) from GSTRI at a cash consideration of RMB48,156,500.

As the Company and Lantian Company are under common control of Guodian Group, the above acquisition has been recorded as a business combination under common control. The assets and liabilities of Lantian Company have been recognised at the carrying amounts recognised previously in Guodian’s consolidated financial statements. The consolidated financial statements of the Group have been restated as if the combination had occurred prior to the start of the earliest period presented.

Recognised amounts of carrying value of identifiable assets acquired and liabilities at 31 October 2017 (the “**acquisition date**”) are as follows:

	<i>RMB’000</i>
Property, plant and equipment	4,333
Intangible assets	756
Deferred tax assets	799
Inventories	9,236
Trade and bills receivables	21,908
Deposits, prepayments and other receivables	2,535
Tax recoverable	19
Cash at bank and in hand	25,259
Trade and bills payables	(19,034)
Other payables	(23,834)
Deferred income	(3,475)
Net assets	18,502

Details of the restatement of the Group's consolidated financial statements are as follows:

	The Group (as previously reported) <i>RMB'000</i>	Lantian Company <i>RMB'000</i>	The Group (as restated) <i>RMB'000</i>
Results of operations for the year ended 31 December 2016:			
Profit from operations	1,012,160	19,078	1,031,238
Profit for the year from continuing operations	387,540	18,300	405,840
Profit for the year	253,451	18,300	271,751
Net profit attributable to:			
– Equity shareholders of the Company	302,372	18,300	320,672
– Non-controlling interests	(48,921)	–	(48,921)
Basic and diluted earnings per share (<i>RMB cent</i>)	5.00	0.29	5.29
Consolidated statement of financial position as at 31 December 2016:			
Non-current assets	11,878,875	6,213	11,885,088
Current assets	28,221,827	111,464	28,333,291
Current liabilities	25,448,837	40,398	25,489,235
Non-current liabilities	6,656,655	3,934	6,660,589

16 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 5 February 2018, Guodian and China Energy Investment Corporation Limited (“**China Energy**”, formerly Shenhua Group Corporation Limited) formally entered into a consolidation agreement to start the process of joint reorganisation. Upon the completion of the joint reorganisation, China Energy will be the parent and ultimate holding company of the Group.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Certain statistical data and other information relating to the PRC and the industries in which the Group operates contained in the section entitled “Key Industry Developments” in this announcement, have been derived from various publicly available official publications. The Company believes that these sources are appropriate and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company or relevant parties. The Company makes no representation as to the accuracy of the information contained in such sources, and which may not be consistent with other information compiled within or outside the PRC. Accordingly, such information may not be accurate and should not be unduly relied upon for your investment in the Company.

This announcement contains certain forward-looking statements and information relating to the Group or the Company that are based on the management’s belief and assumptions. The words “anticipate”, “believe”, “expect”, “going forward” and similar expressions, as they relate to the Company, the Group or the Company’s management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company’s management with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Group’s business, financial condition and results of operations may be adversely affected and may vary materially from those described herein as anticipated, believed or expected.

2017 INDUSTRY AND BUSINESS OVERVIEW

Key Industry Developments

In 2017, the PRC government continued to introduce new regulations and policy initiatives applicable to the PRC power and power-related industries, amid risks and challenges under the new normal of economic growth. The main purpose of these initiatives is to adjust the energy structure, enhance the proportion of clean energy supply, control the scale of coal power production capacity. It is expected that during the “13th Five-Year Plan” period, the ultralow emission renovation capacity of coal power of 420 million kw and energy conservation renovation capacity of 340 million kw would help drive sustainable development of the environmental protection and energy-saving solutions businesses of the Group. Meanwhile, China has clarified the tax expenses deduction policies for renewable energy companies. By 2020, the domestic installed wind power capacity will reach up to 286 million kw, and the peaking capability construction will be strengthened in favour of sustainable development of the renewable energy device manufacturing business of the Group.

For the purpose of this announcement, the “**PRC**” refers to the People’s Republic of China, excluding Taiwan, the Macau Special Administration Region of the PRC and the Hong Kong Special Administration Region of the PRC.

Set forth below are the key regulations and policy initiatives issued by the PRC government and other relevant regulatory authorities that are expected to have a material effect on the Group’s businesses, operations and financial conditions:

1. In December 2016, the State Council of the PRC (the “**State Council**”) issued the Comprehensive Work Plan for Energy Conservation and Emission Reduction in the “13th Five-Year Plan” Period (the “**Work Plan**”), clearly setting forth the main targets and key tasks for the work of energy conservation and emission reduction in the “13th Five-Year Plan” Period and generally deploying the national work of energy conservation and emission reduction.

Main target: By 2020, the total energy national consumption per RMB10,000 of GDP will be 15% lower than that of 2015, and the total energy consumption will be controlled within 5BT standard coal. The national total COD, ammonia nitrogen, sulphur dioxide and nitrogen oxide emissions will be controlled within 20.01 Mton, 2.07 Mton, 15.80 Mton and 15.74 Mton, respectively, representing a decrease of 10%, 10%, 15% and 15% respectively from 2015. The total amount of volatile organic compounds emitted in China will be decreased by more than 10% from that of 2015.

The Work Plan proposes the promotion and development of key energy-saving projects. Among them, the comprehensive upgrade of coal-fired boiler energy saving systems, the upgrade of motor system energy efficiency, utilization of waste heat for people, green lighting, energy-saving technology and equipment industrialization demonstration, energy system optimization, coal consumption reduction and replacement, comprehensive energy efficiency upgrade of key energy consumers and promotion of contract-based energy management, urbanization energy conservation upgrading and renovation, natural gas distributed energy demonstration, etc.; the Work Plan also proposes the promotion of the comprehensive cascade utilization of energy and the achievement of energy conservation up to approximately 300Mton standard coal; by 2020, the production value of the energy conservation service industry should be double of that of 2015.

The Work Plan proposes the construction of key projects for the emission reduction of main air pollutants, the implementation of the ultralow emission and energy conservation renovation projects for coal-fired power plants, the completion of the task to realize the ultralow emission for accumulatively 580 million kw units by 2020 and the elimination of 20 million kw units with inferior production capacity and not conforming to the applicable compulsory standards within the specified time. The Work Plan also proposes the implementation of pollution control projects for emission fully in line with standards in key industries such as electricity, steel, cement, petrochemical, flat glass, nonferrous metal, etc..

The Work Plan mentions the pursuit of a contract-based energy management method. Implementing contract based energy management and promotion projects and encouraging energy conservation service companies to innovate their service modes so as to provide users with “one-stop” integrated contract-based energy management services covering energy conservation consultation, diagnosis, design, financing, renovation and hosting, etc. The Work Plan abolishes the energy conservation service company review and filing system. Any local government or authority shall not restrict energy conservation service companies in their business on the pretext that they do not have the corresponding qualifications. The Work Plan implements the taxation preference policy for energy conservation service companies and encourages the government at all levels to enhance the support to contract-based energy management. The Work Plan supports energy conservation service companies to issue green bonds. The Work Plan encourages energy conservation service companies to innovate the integration of investment, bond and financing so as to promote the development of contract-based energy management.

The issuance of the Work Plan will foster the sustainable and healthy development of the Group’s environmental protection and energy-saving solutions business.

2. In December 2016, the National Development and Reform Commission (“**NDRC**”) and the National Energy Administration (“**NEA**”) formally issued the “13th Five-Year Plan” for Energy Development (the “**Plan**”).

The layout of wind power and PV projects shifts the focus to Central and East China. As the market space in the main energy consumption areas under the new normal shrinks, the Plan has adjusted the energy development layout for the “13th Five-Year Plan” period, mainly shifting the focus of wind power and PV projects onto Central and East China. For the newly installed wind power units, Central and East China will account for approximately 58% of the units; for the newly installed solar power units, Central and East China will account for approximately 56% of the units. The mode of distributed development and local consumption will be dominant.

In respect of problems such as low comprehensive efficiency of energy supply, the Plan has presented four measures: firstly, to eliminate the excess capacity on the basis of safety, environmental protection, technology, quality standards, etc.. Secondly, to enhance the peaking capability of electric power system, strengthen the construction of branch conduits and promote the construction of urban distribution power grids. Thirdly, to push forward the ultralow emission and energy-saving renovation for coal-fired power plants. In the “13th Five-Year Plan” period, China will complete the ultralow emission renovation of 420 million kw coal-fired units and energy conservation renovation of 340 million kw. Fourthly, to control the scale of the new coal-fired power plants put into operation and the installed capacity of coal-fired units within 1.1 billion kw.

The Group has maturely mastered related advanced technologies, such as secondary reheating DCS control system of supercritical unit and ultralow emissions and energy conservation renovation, and enhanced capabilities in wind turbine generator manufacturing segment and wind power economy operations. The issuance of the Plan makes the Group more confident to face the challenges of the energy industry in future.

3. In February 2017, the NEA issued the Guidance for Energy Work 2017 (**“Guidance I”**).

Guidance I proposes that the energy consumption per unit of GDP be decreased by more than 5.0% from that of 2016. The average power supply coal consumption of coal-fired power plants will be 314g standard coal per kwh, 1g less than that of 2016. The completed scale of energy conservation renovation will be 60 million kw.

Stable Development of Wind Power. To optimize wind power construction and development layout and shift the focus of new projects onto Central China, East China and South China. To strictly control the new power grid synchronization projects in the regions with severe phenomenon of abandoning wind power, issue the pre-warning information for the wind power industry in 2017 and suspend the new wind power projects of any province with the rate of abandoning wind power which is more than 20%. To promote orderly planning and construction of such wind power bases as those around Beijing-Tianjin-Hebei region, at the valleys of the Jinsha River and the Yalong River, etc.. To speed up the development and utilization of offshore wind power. To stably push forward the construction of wind power projects, commence 25 million kw construction and add installed capacity of 20 million kw in 2017. The requirement of the stable promotion of the preliminary work for wind power projects in some regions with project scale of 25 million kw.

Coal-fired Power Ultralow Emission and Energy Conservation Renovation. To further push forward renovation and plans to complete 80 million kw ultralow emission renovation and 60 million kw energy conservation renovation by the end of 2017.

The issuance of Guidance I is conducive to the continuous development of the renewable energy equipment manufacturing business and energy conservation business of the Group.

4. In February 2017, the NEA published the Notice on the Issue of the Wind Power Investment Monitoring and Pre-warning Results 2017. Six provinces and autonomous regions including Inner Mongolia, Heilongjiang, Jilin, Ningxia, Gansu and Xinjiang (comprising Corps), are classified as red pre-warning areas, which shall attach importance to the settlement of the problem of abandoning wind power. In such areas, new wind power projects in 2017 must not be approved and shall be suspended the permission for the new wind power grid synchronization projects and new power generation projects.

5. In July 2017, the 16 departments and commissions including the NDRC and NEA jointly issued the Guidance on Pushing Forward the Supply Side Structural Reform and Preventing and Eliminating the Risk of Coal Power Overcapacity (**“Guidance II”**).

Guidance II proposes that by 2020, the national scale of coal power installations should be kept within 1.1 billion kw. In addition, Guidance II also clarifies that, in the “13th Five-Year plan” period, China will cease and delay the construction of 150 million kw coal power capacity, eliminate above 20 million kw backward power capacity, realize the ultralow emission renovation of 420 million kw, the energy-saving renovation of 340 million kw and flexible renovation of 220 million kw. The coal unit with the proper conditions will complete the ultralow emission renovation, and the average coal consumption for coal power supply shall be reduced to 310g/kwh.

Guidance II also proposes the following six major tasks. Firstly, to strictly eliminate the backward power capacity; namely, the coal power generator units (including the captive coal-fired generator units) below 300 thousand kw which are not in line with the relevant requirements will be eliminated and closed down according to laws and regulations. Secondly, to clear and rectify the illegal projects; namely, the illegal coal power projects that are constructed without approval, approved illegally, approved with illegal procedures or commenced without completion of all required procedures will all closed down and discontinued and will be disposed of on basis of the actual conditions and according to the applicable laws and regulations. Thirdly, to strictly control the scale of the new power capacity, namely, any province whose warning level is red or orange shall not expand its planned coal power construction scale; by the end of 2020, the operation scale of the outbound power transmission projects included in the planning base will in principle be reduced by half. Fourthly, to speed up generator unit upgrade and renovation; namely, East China, Central China and West China will respectively complete the renovation of the generator units with proper conditions by 2017, 2018 and 2020. Fifthly, to standardize the management of the captive power plant; namely, the coal-fired captive power plants will be counted into the national electric power construction planning; the regions including Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Pearl River Delta will forbid the construction of new coal-fired captive power plants; and any coal-fired captive power plant should strictly comply with the national energy conservation and environmental protection emission standards and perform the corresponding peaking obligation. Sixthly, to ensure the safe supply of electric power.

Guidance II further proposes to actively push forward reorganization and integration. It is proposed to encourage and promote the reorganization and integration of large power generation groups, encourage the upstream and downstream enterprises of coal, electricity and other industrial chains to give play to the synergy of the industrial chains, strengthen the middle-term and long-term cooperation between coal enterprises and electric power enterprises, and stabilize the coal market prices; it is also proposed to support leading enterprises and main enterprises to integrate coal and power resources through asset reorganization, equity cooperation, asset exchange, free transfer and so on.

The new energy conservation and environmental protection industry has become the development direction of China, which will rely on the stock market including the old power plant's ultralow and super ultralow emission technology renovation to release the development space. The issuance of Guidance II is conducive to the optimization and development of the Group in the areas of environmental protection and energy conservation solutions, and creates new opportunities for its sustainable and stable development.

6. NEA pushes forward the implementation of the “13th Five-Year Plan” in renewable energy development.

On 28 July, NEA issued the Guidance on the Implementation of the “13th Five-Year Plan” in Renewable Energy Development (“**Guidance III**”), which further explains the development path of renewable energy in “13th Five-Year Plan” period, and points out that strengthening the leading role of development planning, strengthening the implementation of renewable energy consumption conditions, mitigating subsidy pressure, etc., will become the key for development at the next stage.

Guidance III, the Proposal for the New Construction Scale of Wind Power 2017–2020 (the “**Proposal for Wind Power**”) and other documents were also issued at the same time. The Proposal for Wind Power clarifies that the planned total newly added wind power installed capacity of the 25 provinces (autonomous regions and municipalities) including Beijing, Tianjin and Hebei in 2017–2020 will be 110,410,000 kw and the planned wind power to be synchronized with power grid by 2020 will be 126,000,000 kw. According to the data published by the NEA, by 2016, the total wind power installed capacity of China was 149,000,000 kw; by 2020, the total wind power installed capacity of China will reach 286,000,000 kw, far above the 210,000,000 kw development target established in the “13th Five-Year Plan” for Wind Power Development issued in November 2016. It should be noted that, due to being included in the wind power abandoning red warning areas, the development plan for the 7 regions, i.e. Jilin, Heilongjiang, Gansu, Ningxia, Inner Mongolia, Xinjiang Autonomous Region and the Xinjiang

Production and Construction Corps, will be issued separately after the wind power abandoning condition alleviates. The actual scale of wind power development in the “13th Five-Year Plan” period is likely to exceed the original target by 150%.

The issuance of Guidance III is conducive to the sustainable development of the renewable energy equipment manufacturing business of the Group and is expected to be conducive to the wind turbine generator manufacturing business.

7. In August 2017, the General Division of the NEA issued the Letter Seeking for Comments on the “Notice on Mitigating the Tax Burden of the Enterprises Involved in Renewable Energy” (the “**Notice**”).

Based on the fact that the tax burden of renewable energy enterprises is generally heavy, the Notice clarifies the tax reduction policy for renewable energy enterprises.

For wind power enterprises, the Notice stipulates: for wind power projects, in the case where wind farm entry and overhaul roads occupy farmlands, the farmland occupation tax shall be reduced to RMB2.00/m² by reference to general highways. The Notice requires that local authorities strengthen service capacity construction, shorten the time to process large parts transportation licence, and standardize the transportation management of the super-large parts of wind turbine generators. The Notice encourages the role of insurance in risk transfer, strengthens the construction of the quality insurance system for wind power equipment, and promotes the replacement of wind power quality security deposits by wind power equipment quality insurance.

All localities shall encourage banks and other financial institutions to lower their lending rates, encourage banks and other financial institutions to support the enterprises investing in renewable energy projects with the interest rate equal to the benchmark interest rate minus around 10%, extend the loan term for renewable energy power generation projects as appropriate and allow them to repay loans flexibly. The government at all levels shall guide renewable energy enterprises to issue corporate bonds, the governments at all levels may cooperate with social entities to establish renewable energy industry funds, and provide policy support to renewable energy related funds initiated by social entities.

The issuance of the Notice is conducive to the sustainable development of the wind power equipment manufacturing business of the Group.

8. In October 2017, the Ministry of Industry and Information Technology issued the Guidance on Speeding up the Promotion of the Development of the Environmental Protection Equipment Manufacturing Industry (“**Guidance IV**”).

Guidance IV puts forward the working target of the environmental protection equipment manufacturing industry: by 2020, the innovation ability of the environmental protection equipment manufacturing industry will be obviously improved, and new breakthroughs will be made in key core technologies and the innovation-driven industry development system will be basically built; the effective supply capacity of advanced environmental protection technology and equipment will be improved significantly, and the market share will greatly increase; the major technical equipment will basically reach an internationally advanced level, and international competitiveness will be significantly enhanced; the industrial structure will be continuously optimized, a number of demonstrative and leading enterprises in each key area will be supported, 10 leading enterprises in the scale of RMB10 billion will be cultivated, thousands of “dedicated, proficient, special and new” small- and-medium-sized enterprises will be created and a number of industrial clusters of strong driving effect and distinctive characteristics will be formed; and the environmental protection equipment manufacturing output value will reach RMB1 trillion.

Guidance IV has defined the main tasks of the future development of the environmental protection equipment manufacturing industry, as follows: firstly, to strengthen the collaborative and innovative development of technology R&D; secondly, to push forward the transformation and development of intelligent and green production; thirdly, to promote product diversification and brand-based development; fourthly, to guide differentiated, convergent and integrated industry development; fifthly, to encourage the internationalized and open development of the enterprises.

Guidance IV has also identified the nine key areas for the development of the environmental protection equipment manufacturing industry, i.e., air pollution prevention equipment, water pollution prevention equipment, soil pollution repair equipment, solid waste disposal and treatment equipment, comprehensive resource utilization equipment, environmental pollution emergency treatment equipment, environmental monitoring instruments and meters, special materials and chemicals for environmental pollution prevention, noise and vibration control equipment.

In the field of air pollution prevention equipment, it is necessary to promote ultralow emissions from coal-fired power stations, the collaborative control of multiple pollutants in the non-power industries such as iron and steel, coking, non-ferrous metals, construction material, chemical, etc., and the application demonstration of the technical equipment for the control of volatile organic compounds in key fields.

The issuance of Guidance IV may bring new development opportunities to the environmental protection business of the Group.

9. In December 2017, the 2018 National Energy Work Conference (the “**Conference**”) was held in Beijing.

The Conference stresses that the energy work of 2018 will concentrate on the following 7 aspects. Firstly, to focus on outstanding contradictions and problems, and effectively improve the security of oil and gas and the safety of energy production. Secondly, to focus on green development, make efforts to solve the clean energy consumption problem, make efforts to promote the strategic projects of energy structure adjustment, plan as a whole to promote clean and efficient use of coal, and vigorously promote the development level of clean energy. Thirdly, to focus on coal and coal-fired power, further promote supply side structural reform, resolutely get the decisive victory in the task of coal de-capacity, and greatly resolve the overcapacity in coal-fired power. Fourthly, to focus on the core technology breakthroughs and achievement transformations and applications, vigorously promote the major technology and equipment breakthroughs, perfect working mechanism, foster and strengthen the new impetus in science and technology innovation. Fifthly, to focus on key fields and key links, further deepen the electric power system reform, the oil and natural gas system reform, the “release, management and compliance” reform, further strengthen energy regulation and governance according to law. Sixthly, focus on key fields and important areas, and promote the clean heat supply in North China, enhance the quality upgrade of refined oil, vigorously promote the preference and benefit of energy for the people. Seventhly, to focus on major strategic cooperation, further improve the general arrangement and planning, create cooperation highlights, improve the discourse advantage, fully enhance international cooperation in energy.

The Conference deployed the energy task in 2018, which has pointed out the direction for the Group to optimize its assets and accelerate its transformation.

Key Business Development

In 2017, the global economy as a whole showed a solid recovery, while the national economy of China improved with a stable growth and the economic structure was optimized continuously. High-quality development has become the main theme of economic and social development.

Taking safety production as its foundation, improvement in quality and efficiency as the core, becoming leaner and healthier as its emphasis, market development as a key task, and technological and institutional innovation as a driving force, the Group integrated resources and enhanced collaboration to push the Company to realize a healthy and sustainable development. The Company made solid and efficient improvement in quality and service by developing craftsmanship spirit and strengthening quality control to push its quality management system to be in line with the international first-class standard. The Company vigorously implemented the “going out” strategy and promoted collaborative marketing pilots. Meanwhile, it also actively participated in large-scale exhibitions and summits both at home and abroad such as the Central Enterprise Innovation Achievement Exhibition (中央企業創新成就展) and Smart Enterprise Innovation Forum (智慧企業創新論壇) to promote its technologies and products, improving the reputation and influence of the brands of the Company.

Environmental Protection Business

As at 31 December 2017, the Group’s desulfurization and denitrification projects under construction were set out as follows:

Projects	Number	Installed capacity (MW)
Desulfurization projects under construction	25	22,620
Desulfurization renovation projects	14	11,390
Desulfurization renovation EPC projects	13	9,390
Desulfurization concession reconstruction projects	1	2,000
Newly built desulfurization projects	11	11,230
Newly built desulfurization EPC projects	10	9,910
Newly built desulfurization concession projects	1	1,320
Denitrification projects under construction	18	13,585
Denitrification renovation projects	11	5,485
Denitrification renovation EPC projects	11	5,485
Denitrification concession renovation projects	0	0
Newly built denitrification projects	7	8,100
Newly built denitrification EPC projects	6	6,780
Newly built denitrification concession projects	1	1,320

Currently, the models of concession operations of the Group's environmental protection business are categorized into three types: general concession model, the operation and maintenance model of general contracting for tariff (generating income from tariff for desulfurization, and assuming the responsibility for the supply of materials and the disposal of desulfurization by-products in addition to general operation and maintenance) and the operation and maintenance model (generating income from general operations and maintenance). As at the end of 31 December 2017, the desulfurization concession operation of the Group had an aggregate installed capacity of 15,890 MW, the operating units of denitrification concession operation had an aggregate installed capacity of 11,100 MW; the desulfurization generating units under the operation and maintenance model of general contracting for tariff had an installed capacity of 2,020 MW; the desulfurization generating units under the operation and maintenance model had an installed capacity of 17,430 MW.

In addition, in the Environmental Protection business, technical solutions were upgraded continuously and non-electric sectors were actively developed. The Company successfully won the biddings of a denitrification system optimization project for 10 boilers of Qilu Petrochemical (齊魯石化) and an integrated transformation project for desulfurization, denitrification and dust removal of Yanshan Petrochemical (燕山石化).

As of 31 December 2017, the annual production capacity of denitrification catalysts, the key material for denitrification service of the Group was 24,000 m³.

As of 31 December 2017, the Group processed approximately 189,430,000 tons of sewage (including reclaimed water) and reduced the cumulative chemical oxygen demand ("COD") emissions by approximately 70,600 tons.

Energy Conservation Solutions Business

In the aspect of energy conservation business, among all projects under the general contracting business of power station construction, the Guodian Hami Dananhu Project undertaken by Guodian Longyuan Power Technology & Engineering Co., Ltd. was awarded the National Quality Project Gold Award (國家優質工程金質獎) in 2017, and succeeded in obtaining the closure and coal transportation system renovation projects of four coal yards including Tongling Coal Yard with "coal closure renovation" project as its new business direction. The Company made a successful exploration in new business growth and actively expanded its business in new energy fields such as wind power and PV by using the available resources and its own strengths. The Company won the bidding of the EPC general contracting engineering of Susong Xinzhoudu Wind Power Project. The project is the first wind power general contracting project that the Company has obtained, marking that the Company has taken a solid step in the new energy business market.

The Group adjusted the organizational organs of Guodian Longyuan Energy Saving Technology Co., Ltd. (“**Energy Saving Company**”) in the first half of 2017 and made use of the comprehensive energy-saving retrofitting integrated technology to provide customers with system integration solutions with reliable quality and better technology. The Energy Saving Company has a total contract value of RMB950 million for the whole year, the Group has been closely monitoring the power plants in Shizuishan and Changzhou and other energy-saving renovation projects. The Company signed the first comprehensive energy conservation reform project—Shizuishan Comprehensive Energy Conservation Reform Project. The project is expected to complete the reform of six boiler units in 2018, which will significantly reduce the average coal consumption of the entire plant, improve the combustion efficiency and reduce the emission of nitrogen oxides. The economic and social benefits of the project are significant. In terms of steam turbine through-flow renovation, the Company signed six steam turbines through-flow renovation projects in Shizuishan city (in the Ningxia Hui Autonomous Region), the technical solutions of which are provided by GE (Shanghai) Electric Power Technology Co., Ltd. (通用電氣(上海)電力技術有限公司) (“**GE**”), and the first unit has been successfully connected to the grid. The Company won the bidding of Changzhou Steam Turbine Through-flow Renovation Project by cooperating with GE, marking a successful cooperation in the through-flow renovation of large-scale steam turbines.

The market expansion of plasma ignition business has been greatly affected by the decline of the new infrastructure coal market with the saturation of the market for low-nitrogen combustion retrofitting.

Wind Power Products and Services Business

The Group’s Wind Turbine Generator (“**WTG**”) sales volumes by product type for the year ended 31 December 2016 and 2017 are set forth below:

	Completed Sales (units)		Orders (units)	
	2017	2016	As of 31 December 2017 Confirmed Orders	Successful Tenders
1.5MW	119	427	597	1
2.0MW	507	725	981	73
3.0MW	7	—	16	—
Total	633	1,152	1,594	74

In 2017, the newly installed capacity in the wind power industry dropped significantly year-on-year, and the number of tenders in the domestic wind power market recorded a year-on-year decrease of 27%. Through strengthening management and deepening reforms, the Group has overcome such a severe situation and participated in project competition with market-oriented price, quality and service. The Group achieved a market presence of 94.73% within the system, reaching a historical high. In 2017, the demand in the wind power industry changed rapidly. The Group made clear the key direction of innovative research and development with low wind speed, high power and high tower tube, and achieved the greatest scientific and technological achievement in the history with a total of 12 internal and external awards, including the First Prize for the China Power Science and Technology Award, the First Prize for Science and Technology Award of Hebei Province, the First Prize for China Machinery Industry Science and Technology Award, the First Prize for China Marine Science and Technology Award (中國海洋科學技術一等獎), the First Prize for the China Power Technological Innovation Award and other important awards. In 2017, the Group's WTG unit of South Africa De Aar project passed the European On-grid Connection Standard Certification, the most leading certification system in the world. The variable pitch product has passed the GL certification and the EU CE latest directive certification, and its safety performance complies with EU regulations and standards.

To proactively expand the domestic market in adversity

In 2017, the completed investment in the national thermal power supply infrastructure continued its downward trend. The Group proactively expanded the domestic market in adversity and achieved satisfactory results. New energy groups, paper manufacturing groups and local energy groups became new key customers of the Group. In 2017, the environmental protection segment continued to consolidate its market share in the petrochemical system, obtaining new orders amounting to RMB116 million in aggregate. The Group also explored the flue gas treatment business in the paper manufacturing industry, obtaining orders amounting to RMB23.20 million. The water treatment business obtained the first wastewater zero discharge project outside the system with a contract amount of RMB41.5 million. In the wind generator sector, major customers were explored outside the system, obtaining orders amounting to RMB370 million. Meanwhile, as to institutional mechanisms, the Group has explored the establishment of a joint market development and results-sharing mechanism, so that with upstream and downstream coordination and regional interaction, the Group can collaborate effectively to carry out marketing efforts. The Group carried out the pilot program of collaborative marketing in Northwest China and Southern China and signed six projects outside the system with a total contract amount of nearly RMB30 million throughout the year under the implementation of collaborative marketing. After the reorganization and establishment of China Energy, the Group will embrace unprecedented market opportunities in the system. The Group will gradually expand its market to coal, coal chemical industry, transportation, port and other fields based on the existing electric power conservation and environmental protection industry.

To proactively expand overseas markets

In 2017, the Group formed a clearer picture of the strategic thinking on its international business. It steadily promoted its international business by conducting a unified layout in key countries. In 2017, the total value of new contracts entered into by the Group amounted to approximately RMB59.17 million. These new contracts mainly included:

- Beijing Guodian Zhishen Control Technology Co., Ltd. (“**Guodian Zhishen**”), a subsidiary, obtained the distributed control system (“**DCS**”) project of two generating units with capacity of 1,000MW in Indonesia, which was not only the first DCS order of the Group for overseas large-scale coal-fired power generation units, but also a significant breakthrough for “China Brain” in overseas markets.
- Beijing Guodian Longyuan Environmental Engineering Co., Ltd. (“**Longyuan Environmental**”), a subsidiary, obtained a 2x100MW seawater desulfurization EP project in Indonesia.
- An entrance road construction project of a 2x660MW coal-fired power plant in Bangladesh.

Committed to technological innovation and research and development

The Group dedicated itself to technological innovation and research and development to enhance core competitiveness. The dedication of the Group led to a number of technological achievements in the following respects:

- The Group set up a complete scientific and technological R&D system. It now has four national scientific R&D platforms including the “national key laboratory for wind power equipment and system technology”, 12 provincial scientific R&D platforms, one postdoctoral scientific research center, and one workstation of academics and experts, with incomparable advantages in this regard domestically.
- The Group actively participated in formulating and modifying national and industry standards. As of the end of December 2017, it has led the preparation of one national standard and revision of one national standard, and participated in preparing and revising 34 national standards; led the preparation of 14 industry standards, and participated in preparing 24 industry standards; and led the preparation of one local standard. In 2017, the Group obtained a total of 264 intellectual property rights, including one international invention patent and 65 invention patents.

- Longyuan Environmental undertook the Research Project on Preparation Technology of High Specific Surface Denitrification Catalyst and overcame key technological difficulties such as the extrusion, drying, roasting, etc. of 50/60-hole catalyst, and participated in the implementation of the Project of Complete Process Evaluation on Pollutant Control in Coal-fired Power Plants, being the sub-topic of the Project of Cause and Treatment of Heavy Air Pollution under the special research on the cause of fog and haze proposed by the Premier; the wind power generating units independently researched and developed and manufactured by Guodian United Power Technology Co., Ltd. (“**United Power**”) passed the European On-grid Connection Standard Certification, the most leading certification system in the world, and 163 wind power generating units of Longyuan in South Africa successfully completed on-grid connection with the national grid in South Africa; the prototype of intelligent wind power integrated control system for 1.5MW units jointly developed by United Power, Guodian Zhishen, Beijing Huadian Tianren Power Controlling Technology Co., Ltd. (“**Huadian Tianren**”) and the Guodian Longyuan Electrical Co., Ltd. (“**Longyuan Electrical**”) successfully completed on-grid connection on 6 May 2017, which was of significance to improve the autonomy of electric control system of wind power generating units and promote the development of intelligent wind power plants; the Yantai Longyuan Power Technology Co., Ltd. (“**Yantai Longyuan**”) AGC Optimization Control System was successfully applied to power generating unit No. 1 of Bulian Power Plant, creating good return for the owner; as recognized by the Chinese Society of Power Engineering, the research and development achievement of Guodian Zhishen Intelligent City Heat Network Control System met a leading level in the domestic market, the DCS system was successfully applied to the 1MW Trough Solar Thermal Power 863 Demonstration Project undertaken by the Institute of Electrical Engineering of the Chinese Academy of Sciences for the first time; the “3MW High-pressure Pitch System” of Huadian Tianren and the 2.0MW Standard and Plateau Converter Model of Electric Company have successively passed the assessment and certification of Beijing Jianheng Certification Center for reaching industry leading level.

As a result of the remarkable achievements in technological innovation and R&D, in 2017, the Group has established a strong foothold in this field while winning numerous awards:

- The “Key Technology and Application of Load Coupling Mechanism and Control of Wind Turbine Based on Flexible Multibody Dynamics” project of United Power won the China Power Science and Technology Advancement Award (First Prize).
- The “Treatment Technology and Integrated Application of Fine Particles and Precursors of Coal” of Nanjing Longyuan Environmental Co., Ltd. (“**Nanjing Longyuan**”) was awarded the Environmental Protection Scientific and Technological Award (First Prize).

- The “Research and Application of Key Technology of Series Bearings for Wind Power Equipment under 3.6MW” project of United Power was awarded the China Machinery Industry Science and Technology Award (First Prize).
- The “Independent Innovation and Industrialization of Key Technology for Wind Turbine Load Shedding and Efficiency Enhancement” of United Power was awarded the Science and Technology Award of Hebei Province (First Prize).
- The “Research and Application of Key Technology for Wind Turbine Load Shedding” of United Power was awarded the China Power Innovation Award (First Prize).
- The “Power Generation Equipment of Efficient Horizontal Axis Ocean Current Power Generation Series and the ‘Hai Neng Hai Yong’ System” of United Power was awarded the Marine Science and Technology Award (First Prize).
- The “Efficient Wind Turbine for Class IV Wind Area” of United Power was awarded the Science and Technology Award of Hebei Province (Second Prize).
- The “Research and Application of Key Technology of Series Bearings for Wind Power Equipment above 2MW” of United Power was awarded the Science and Technology Advancement Award of Henan Province (Second Prize). The “Intelligent Operation and Maintenance and Performance Improvement and Optimization of Wind Turbines in Operation” of United Power and the “Research on Pitch Control System of Ultra Large Offshore Wind Turbines” of Huadian Tianren were awarded the China Power Innovation Award (Second Prize).
- The “Automatic Monitoring System for Key Parameters in Pneumatic Conveying of Coal-Fired Power Plants” of Huadian Tianren was awarded the Science and Technology Advancement Award of Tianjin (Second Prize).
- The “Dual Circulation Limestone and Gypsum Wet Desulfurization Technology” of Longyuan Environmental, the “Control System and Control Technology of 1,000MW Secondary Reheating Power Generation Units” of Guodian Zhishen, and the “Research and Practice of Zero Emission Systems for Full Membrane Desulfurization Wastewater Treatment” of Beijing Lucency Environment and Technology Co., Ltd. (“**Lucency**”) were awarded the China Power Construction Science and Technology Advancement Award (Second Prize).
- The “Waste Heat Recovery of Power Plant Boiler Exhaust Gas and Efficiency Improving Technology for Desulfurization and Water Saving” of Yantai Longyuan was awarded the China Power Science and Technology Advancement Award (Third Prize).
- The “Practical Research of Large-Scale Energy Storage and Demonstration of Wind Farm for Energy Storage” and the “Research and Development of Air Flow Control Methods and Related Devices Based on Online Measurement of Pulverized Coal Flow Parameters” of Huadian Tianren were awarded the China Power Innovation Award (Third Prize).

- The “Complete Technology for Smoke Sulfur Recycling for Coal-Fired Power Plants Burning High-sulfur Coal” of Longyuan Environmental was awarded the Science and Technology Advancement Award of the China Petroleum and Chemical Industry Association (Third Prize).
- The “A Flue Gas Denitrification Method and Device with Rectifying Components” of Longyuan Environmental was awarded the China Patent Excellence Award.

ANALYSIS OF 2017 FINANCIAL RESULTS

Please read this section in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

Analysis on consolidated results

Revenue

Consolidated revenue of the Group in 2017 was approximately RMB11,704.6 million, representing a decrease of 27.2% as compared with approximately RMB16,088.4 million in 2016 (the consolidated revenue as disclosed in the 2016 annual report was RMB15,970.7 million, which was restated due to the acquisition of Lantian Company during the year). Revenues from environmental protection solutions, wind power products and services, and solar power products and services businesses (discontinued operation) decreased by approximately RMB1,293.7 million, RMB3,288.4 million and RMB193.8 million, respectively, representing decreases of 21.9%, 40.9% and 99.2%, respectively as compared to 2016. The decrease in revenue generated from the environmental protection business was mainly due to a decline in revenue from the desulfurization and denitrification EPC business. The decrease in revenue from the wind power products and services business was primarily attributable to a decline in the number of wind turbines of which the transfer testing was completed by the Group in 2017. The decrease in revenue from the solar power products and services business (discontinued operation) was primarily attributable to the discontinuation of such business. The Group entered into a share issuance and asset purchase agreement with Zhonghuan on 1 July 2016 to transfer 90% equity of Guodian Solar, a wholly-owned subsidiary of the Company. However, since Zhonghuan was listed on the SME Board of the Shenzhen Stock Exchange, the transaction is still subject to the approval of the CSRC. On 19 March 2018, Zhonghuan received relevant decision issued by CSRC, i.e. made the valid decision on disapproval of the Application for Purchase of Assets by Issuance of Shares for Raising Supporting Funds by Zhonghuan. On 23 March 2018, Zhonghuan convened a board meeting and decided to continue the promotion of such transaction. The Board is of the view that the transaction is highly probable to be completed and the Company will also cooperate with the Zhonghuan to amend and supplement the application materials for submission to the CSRC for review.

The following table sets out the Group's revenues by segment and as a percentage of the total revenue of the Group for the years ended 31 December 2017 and 2016, respectively:

	2017		2016	
	(RMB million)	%	(RMB million) (Restated)	%
Environmental protection and energy conservation solutions:				
Environmental protection	4,619.0	39.5	5,912.7	36.8
Energy conservation solutions	1,953.0	16.7	1,518.2	9.4
Renewable energy equipment manufacturing and services:				
Wind power products and services	4,750.4	40.6	8,038.8	50.0
Solar power products and services (discontinued operation)	1.6	0.0	195.4	1.2
All others	380.6	3.2	423.3	2.6
Total	<u>11,704.6</u>	<u>100.0</u>	<u>16,088.4</u>	<u>100.0</u>

Cost of sales

In 2017, the cost of sales for the Group amounted to approximately RMB8,856.9 million, representing a decrease of approximately RMB3,638.1 million or 29.1%, as compared to that in 2016 of approximately RMB12,495.0 million (restated). This decrease was primarily due to the consistent decrease in cost of sales and revenue for the Group's environmental protection solutions, wind power products and services, and solar power products and services (discontinued operation).

The following table sets out the Group's cost of sales by segment and as a percentage of total cost of sales of the Group for the years ended 31 December 2017 and 2016, respectively:

	2017		2016	
	(RMB million)	%	(RMB million) (Restated)	%
Environmental protection and energy conservation solutions:				
Environmental protection	3,623.0	40.9	4,769.0	38.2
Energy conservation solutions	1,630.3	18.4	1,242.3	9.9
Renewable energy equipment manufacturing and services:				
Wind power products and services	3,365.1	38.0	6,044.5	48.4
Solar power products and services (discontinued operation)	9.5	0.1	190.2	1.5
All others	229.0	2.6	249.0	2.0
Total	8,856.9	100.0	12,495.0	100.0

Gross profit and gross profit margin

For the foregoing reasons, gross profit of the Group in 2017 amounted to approximately RMB2,847.7 million, representing a decrease of approximately RMB745.7 million, or 20.8%, as compared to that in 2016 of approximately RMB3,593.4 million (restated). The decrease in gross profit was mainly due to the decrease in gross profit for wind power products and services business. The average gross profit margin of the Group across all segments increased from 22.3% in 2016 to 24.3% in 2017, which was primarily attributable to the increase in gross profit margin for the wind power products and services business.

The following table sets out the Group's gross profit/(loss) and gross profit margins by segment for the years ended 31 December 2017 and 2016, respectively:

	2017 (RMB million)	%	2016 (RMB million) (Restated)	%
Environmental protection and energy conservation solutions:				
Environmental protection	996.0	21.6	1,143.7	19.3
Energy conservation solutions	322.7	16.5	275.9	18.2
Renewable energy equipment manufacturing and services:				
Wind power products and services	1,385.3	29.2	1,994.3	24.8
Solar power products and services (discontinued operation)	(7.9)	N/A	5.2	2.7
All others	151.6	39.8	174.3	41.2
Total	2,847.7	24.3	3,593.4	22.3

Other revenue

Other revenue of the Group's continuing operations increased by approximately RMB46.0 million, or 14.9%, from approximately RMB309.1 million (restated) for 2016 to approximately RMB355.1 million for 2017, which was primarily due to the increase in revenue such as refunds for liquidated damages and individual tax received by certain subsidiaries during the year. Other revenue of the Group's discontinued operation decreased by approximately RMB27.5 million, or 67.7%, from approximately RMB40.6 million for 2016 to approximately RMB13.1 million for 2017, which was primarily due to the decrease in government subsidies.

Other net income

Other net income from continuing operations of the Group for 2017 was approximately RMB560.2 million, while other net income for 2016 was approximately RMB328.8 million, which was primarily due to the net gain from disposal of subsidiaries of approximately RMB463.2 million. Other net income from the Group's discontinued operation was approximately RMB108.5 million for 2017, representing an increase of approximately RMB20.8 million or 23.7% as compared to other net income of approximately RMB87.7 million for 2016, which was primarily due to the increase in net gain from disposal of subsidiaries of approximately RMB98.3 million, and the decrease in gain on debt restructuring of approximately RMB64.9 million.

Selling and distribution expenses

Selling and distribution expenses of the Group's continuing operations decreased by approximately RMB421.4 million or 30.8%, from approximately RMB1,366.9 million (restated) for 2016 to approximately RMB945.5 million for 2017, which was primarily due to the decrease in the after-sales service fee and warranty of wind turbines. The Group reversed selling and distribution expenses of the discontinued operation approximately RMB9.0 million in 2017, which was mainly due to the reversal of warranty.

Administrative expenses

Administrative expenses of the Group's continuing operations decreased by approximately RMB120.7 million or 6.6%, from approximately RMB1,841.6 million (restated) for 2016 to approximately RMB1,720.9 million for 2017. Administrative expenses of the Group's discontinued operation increased by approximately RMB360.4 million or 328.5%, from approximately RMB109.7 million for 2016 to approximately RMB470.0 million for 2017. The increase in administrative expenses for the year was primarily due to the impairment loss and provision of outstanding litigation from discontinued operation in solar power products and services segment business during the year ended 31 December 2017.

Operating profit/(loss)

As a result of the foregoing factors, the operating profit of the Group's continuing operations increased by approximately RMB86.9 million, or 8.5%, from approximately RMB1,017.6 million (restated) for 2016 to approximately RMB1,104.5 million for 2017. The operating profit of the Group's discontinued operation decreased by approximately RMB361.1 million or 2,635.8% from approximately RMB13.7 million for 2016 to a loss of approximately RMB347.4 million for 2017.

Finance costs

Finance cost of the Group's continuing operations decreased by approximately RMB26.6 million, or 4.5%, from approximately RMB590.4 million for 2016 to approximately RMB563.8 million for 2017. Finance cost of the Group's discontinued operation decreased by approximately RMB140.9 million, from approximately RMB147.8 million for 2016 to approximately RMB6.9 million for 2017.

Profit/(loss) before taxation

As a result of foregoing factors, profit before taxation of the Group's continuing operations increased by approximately RMB98.1 million or 18.5%, from approximately RMB529.3 million (restated) for 2016 to approximately RMB627.4 million for 2017; loss before taxation of the Group's discontinued operation increased by approximately RMB220.2 million, or 164.2%, from approximately RMB134.1 million for 2016 to approximately RMB354.3 million for 2017.

Income tax

The Group's income tax charges for continuing operations increased by approximately RMB57.4 million, or 46.5%, from approximately RMB123.5 million (restated) for 2016 to approximately RMB180.9 million for 2017. The effective tax rate for the Group's continuing operations increased from 23.3% (restated) for 2016 to 28.8% for 2017, which was primarily due to the Group changed the reversal tax rate of deferred income tax assets of high-tech enterprises in 2016.

Profit for the year

As a result of the foregoing factors, the Group recorded profit for the year of approximately RMB90.8 million in 2017, and the profit of approximately RMB271.8 million (restated) in 2016.

Profit/(loss) attributable to non-controlling interests

As a result of the foregoing factors, non-controlling interests of the Group increased by approximately RMB96.0 million, from a loss attributable to non-controlling interests of approximately RMB48.9 million for 2016 to a profit attributable to non-controlling interests of approximately RMB47.1 million for 2017.

Profit attributable to equity shareholders of the Company

As a result of the foregoing factors, profit attributable to equity shareholders of the Company was approximately RMB43.7 million for 2017, representing a decrease of approximately RMB277.0 million, from a profit attributable to equity shareholders of the Company of approximately RMB320.7 million (restated) for 2016.

Analysis of Segment Results

The following table sets out Group's segment revenues, segment gross profit and segment operating profit, each as a percentage of total Group revenues, Group gross profit, and Group operating profit for the years ended 31 December 2017 and 2016, respectively:

	2017		2016	
	(RMB million)	%	(RMB million) (Restated)	%
Environmental protection and energy conservation solutions				
Environmental protection:				
Revenue	4,619.0	39.5	5,912.7	36.8
Gross profit	996.0	35.0	1,143.7	31.8
Operating profit	615.9	81.3	511.6	49.6
Energy conservation solutions:				
Revenue	1,953.0	16.7	1,518.2	9.4
Gross profit	322.7	11.3	275.9	7.7
Operating profit	181.6	24.0	72.2	7.0
Renewable energy equipment manufacturing and services				
Wind power products and services:				
Revenue	4,750.4	40.6	8,038.8	50.0
Gross profit	1,385.3	48.6	1,994.3	55.5
Operating profit	245.0	32.4	209.5	20.3
Solar power products and services (discontinued operation):				
Revenue	1.6	0.0	195.4	1.2
Gross (loss)/profit	(7.9)	(0.3)	5.2	0.1
Operating (loss)/profit	(347.4)	(45.9)	13.7	1.3

Environmental Protection and Energy Conservation Solutions

Environmental protection

Revenue

Revenue from the environmental protection business decreased by approximately RMB1,293.7 million or 21.9%, from approximately RMB5,912.7 million for 2016 to approximately RMB4,619.0 million for 2017. The decrease was mainly attributable to the decrease in revenue from the desulfurization, denitrification and water treatment businesses of the Group. Compared with 2016, revenue generated from the desulfurization business decreased by approximately RMB540.9 million, or a decrease of approximately 17.1%; revenue generated from the denitrification business decreased by approximately RMB291.4 million, or a decrease of approximately 29.4%; and revenue generated from the water treatment business decreased by approximately RMB302.1 million, or a decrease of approximately 26.1%. The decrease of environmental protection business of the Group was mainly attributable to the decrease in the volume of desulfurization and denitrification EPC business due to the suspension of the construction of new thermal power projects and the fact that the ultra-low emission transformation was under the final stage although the environmental protection segment will continue to be supported by national policies.

The following table sets out the revenues from the business lines of the Group's environmental protection business, each as a percentage of the revenue from this business, for the years ended 31 December 2017 and 2016, respectively:

	2017		2016	
	(RMB million)	%	(RMB million)	%
Desulfurization	2,626.8	56.9	3,167.7	53.5
Denitrification	700.6	15.2	992.0	16.8
Low NOx combustion equipment	83.3	1.8	157.6	2.7
Water treatment	856.3	18.5	1,158.4	19.6
Ash removal	352.0	7.6	437.0	7.4
Total	4,619.0	100.0	5,912.7	100.0

Cost of sales

Cost of sales for the environmental protection business of the Group decreased by approximately RMB1,146.0 million or 24.0%, from approximately RMB4,769.0 million for 2016 to approximately RMB3,623.0 million for 2017, which was consistent with the decrease in revenues from this business lines.

Gross profit and gross profit margin

As a result of the foregoing reasons, gross profit attributable to the environmental protection business decreased by approximately RMB147.7 million, or 12.9%, from approximately RMB1,143.7 million for 2016 to approximately RMB996.0 million for 2017. Gross profit margin for this business increased from 19.3% to 21.6%, which was primarily attributable to the increases in gross profit margins for the desulfurization, denitrification and water treatment businesses.

The following table sets out the changes in gross profit margins for the business lines comprising the Group's environmental protection business for the year ended 31 December 2017 as compared with the year ended 31 December 2016:

	2017 (%)	2016 (%)
Desulfurization	22.4	20.0
Denitrification	33.4	29.5
Low NOx combustion equipment	2.5	11.9
Water treatment	19.7	15.7
Ash removal	12.6	18.6

Energy conservation solutions

Revenue

Revenue attributable to the energy conservation business increased by approximately RMB434.8 million or 28.6%, from approximately RMB1,518.2 million (restated) for 2016 to approximately RMB1,953.0 million for 2017. The increase was mainly due to the increase in revenue from the business line of energy management contract (“EMC”) mainly as a result of the recognition of revenue from new and existing projects.

The following table sets out the revenues from the business lines of the Group's energy conservation business, each as a percentage of revenue from this business, for the years ended 31 December 2017 and 2016, respectively.

	2017		2016	
	(RMB million)	%	(RMB million) (Restated)	%
Plasma-assisted coal ignition and combustion stabilization	250.9	12.8	239.0	15.8
Steam turbine flow passage retrofitting and maintenance	28.8	1.5	39.6	2.6
Energy conservation equipment retrofitting	80.9	4.1	66.7	4.4
EMC	428.7	22.0	225.1	14.8
Waste heat recovery	144.1	7.4	6.0	0.4
General contracting for power stations	1,019.6	52.2	941.8	62.0
Total	1,953.0	100.0	1,518.2	100.0

Cost of sales

Cost of sales for the energy conservation solutions business increased by approximately RMB388.0 million or 31.2%, from approximately RMB1,242.3 million (restated) for 2016 to approximately RMB1,630.3 million for 2017, which was consistent with the increase in revenue from this business line.

Gross profit and gross profit margins

As a result of the foregoing reasons, gross profit attributable to the energy conservation business increased by approximately RMB46.8 million or 17.0%, from approximately RMB275.9 million (restated) for 2016 to approximately RMB322.7 million for 2017. Gross profit margin for this business decreased from 18.2% to 16.5%, mainly attributable to the decreased gross profit margin of EMC and general contracting for power stations.

Renewable energy equipment manufacturing and services

Wind power products and services

Revenues

Revenue attributable to the wind power products and services business decreased by approximately RMB3,288.4 million, or 40.9%, from approximately RMB8,038.8 million for 2016 to approximately RMB4,750.4 million for 2017. The decrease in the revenue attributable to the wind power products and services business was mainly attributable to the further fragmentation of market share due to the overcapacity of wind power and the decrease in number of wind turbines of the Group which completed testing as a result of multiple factors such as price wars.

Cost of sales

Cost of sales attributable to the wind power products and services business decreased by approximately RMB2,679.4 million or 44.3%, from approximately RMB6,044.5 million for 2016 to approximately RMB3,365.1 million for 2017, which was consistent with the decrease in revenue from such business.

Gross profit and gross profit margin

As a result of the foregoing reasons, gross profit attributable to the wind power products and services business decreased by approximately RMB609.0 million or 30.5%, from approximately RMB1,994.3 million for 2016 to approximately RMB1,385.3 million for 2017. Gross profit margin for this business increased from 24.8% for 2016 to 29.2% for 2017, which was primarily due to the scientifically effective decrease in costs of WTG products during the course of improving quality and services.

Solar power products and services (discontinued operation)

Revenues

Revenue attributable to the solar power products and services business decreased by approximately RMB193.8 million or 99.2%, from approximately RMB195.4 million in 2016 to approximately RMB1.6 million in 2017. The decrease was mainly due to the decrease in revenue from the Group's shutdown of production lines in the solar power products manufacturing business.

Cost of sales

Cost of sales attributable to the solar power products and services business decreased by approximately RMB180.7 million or 95.0%, from approximately RMB190.2 million for 2016 to approximately RMB9.5 million for 2017. Such a downward trend was consistent with the decrease in revenue from the business segment.

Gross profit

As a result of the foregoing reasons, the solar power products and services business of the Group recorded a gross loss of approximately RMB7.9 million as of 31 December 2017, as compared with the gross profit of approximately RMB5.2 million for 2016.

Liquidity and Source of Capital

In 2017, the Group's cash is mainly used in business operations and the repayment of bank borrowings due.

The following table sets out the net cash flows of the Group for the years ended 31 December 2017 and 2016, and the cash and cash equivalents as at 31 December 2017 and 2016, respectively:

	2017 <i>(RMB million)</i>	2016 <i>(RMB million)</i> (Restated)
Net cash generated from operating activities	1,007.7	1,599.2
Net cash generated from investing activities	1,078.9	2,708.6
Net cash used in financing activities	(2,525.8)	(2,174.0)
Cash and cash equivalents as at 31 December	<u>3,994.1</u>	<u>4,443.1</u>

Net cash generated from operating activities

Net cash generated from the Group's operating activities for 2017 was approximately RMB1,007.7 million, as compared to the net cash generated from the Group's operating activities of approximately RMB1,599.2 million (restated) for 2016, which was mainly due to the decrease of the Group's revenue during the year.

Net cash generated from investing activities

Net cash generated from the Group's investing activities for 2017 was approximately RMB1,078.9 million, as compared to the net cash generated from the Group's investing activities of approximately RMB2,708.6 million (restated) for 2016. The decrease of the net cash generated from the Group's investing activities was mainly attributable to decrease in disposal of property, plant and equipment for 2017 as compared with 2016.

Net cash used in financing activities

Net cash used in the Group's financing activities for 2017 was approximately RMB2,525.8 million, as compared to the net cash used in the Group's financing activities of approximately RMB2,174.0 million for 2016, primarily due to the Group repaid corporate bonds of RMB800.0 million this year.

Working capital

As at 31 December 2017, the Group's cash and cash equivalents were approximately RMB3,994.1 million in total, representing a decrease of approximately RMB449.0 million, as compared to approximately RMB4,443.1 million (restated) for 2016. As at 31 December 2017, the Group had total unutilised bank facilities of approximately RMB18,264.0 million.

The Group's gearing ratio, which is calculated by dividing net debt (including interest-bearing other payables and interest-bearing borrowings, less cash and cash equivalents) by the sum of total equity plus net debt, decreased from 53.6% (restated) as at 31 December 2016 to 48.2% as at 31 December 2017.

Based on the existing cash resources and unutilised bank credit facilities, the Directors of the Company are of the opinion that the Group will have enough working capital to support current requirements and daily operations for the coming 12 months.

Inventory analysis

The inventories were approximately RMB3,145.4 million as at 31 December 2017, which increased by approximately RMB412.1 million, or 15.1%, from approximately RMB2,733.3 million (restated) as at 31 December 2016. The increase was primarily attributed to the increase in inventories of WTG raw materials and finished products.

Trade and bills receivables

Trade and bills receivables decreased by approximately RMB1,226.2 million or 8.7% from approximately RMB14,069.0 million (restated) as at 31 December 2016 to approximately RMB12,842.8 million as at 31 December 2017.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables decreased by approximately RMB399.2 million or 16.6%, from approximately RMB2,400.4 million (restated) as at 31 December 2016 to approximately RMB2,001.2 million as at 31 December 2017. The decrease was primarily attributable to decrease in the receivables from related parties of the Group and increase in provision for bad debts.

Trade and bills payables

Trade and bills payables decreased by approximately RMB1,173.4 million or 10.8% from approximately RMB10,858.1 million (restated) as at 31 December 2016 to approximately RMB9,684.7 million as at 31 December 2017, which was primarily attributable to a decrease in sales volume of the Group for the year causing a reduction in the procurement of raw materials required for the production of WTG equipment, and thus a decrease in payables.

Indebtedness

The following table sets forth the Group's borrowings as at 31 December 2017 and 2016:

	As at 31 December 2017 (RMB million)	As at 31 December 2016 (RMB million)
Long-term interest bearing borrowings		
Bank loans:		
Secured	269.5	202.3
Unsecured	160.2	337.6
Other loans	622.9	605.1
Private placement notes (unsecured)	2,448.5	2,441.4
Corporate bonds	2,035.4	2,843.2
Sub-total	5,536.5	6,429.6
Less: current portion of long-term borrowings	(1,482.8)	(1,314.0)
Total	4,053.7	5,115.6
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Short-term interest bearing borrowings		
Bank loans:		
Secured	–	520.0
Unsecured	5,616.5	6,044.0
Other loans:		
Guodian (unsecured)	600.0	600.0
Current portion of long-term borrowings	1,482.8	1,314.0
Total	7,699.3	8,478.0
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Total indebtedness	11,753.0	13,593.6

As at 31 December 2017, the Group's indebtedness decreased by approximately 13.5% from approximately RMB13,593.6 million as at 31 December 2016 to approximately RMB11,753.0 million. The decrease was mainly due to a reduction in the scale of financing from 2016. The proportion of short-term indebtedness to overall indebtedness increased from approximately 62.4% as at 31 December 2016 to approximately 65.5% as at 31 December 2017, which was mainly due to changes in the structure of long-term borrowings and short-term borrowings as the bonds payable in long-term borrowings for the year decreased.

All of the Group's borrowings are denominated in RMB.

The following table sets out the maturity status of the Group's long-term borrowings (including current portion) as at 31 December 2017 and 31 December 2016 respectively:

	As at 31 December 2017 (RMB million)	As at 31 December 2016 (RMB million)
Less than 1 year or on demand	1,482.8	1,314.0
More than 1 year but less than 2 years	1,721.9	1,365.3
More than 2 years but less than 5 years	2,321.7	2,170.7
More than 5 years	10.1	1,579.6
Total	5,536.5	6,429.6

The effective interest rate of the Group (determined by dividing total interest expenses for 2017 by the average of the sums of outstanding borrowings as at 1 January 2017 and 31 December 2017) decreased from approximately 4.3% for 2016 to approximately 3.9% for 2017. The decrease in the Group's effective interest rate was primarily due to the central bank's three successive announcements of the lowering of interest rates this year to foster a moderately loose monetary policy.

Contingent liabilities

The Group's contingent liabilities as at 31 December 2017 primarily consisted of bid, performance and quality guarantees provided by the Group.

Major Investment

On 22 December 2017, Yantai Longyuan, a non-wholly owned subsidiary of the Company, entered into the Investment Cooperation Agreement and Shareholders' Agreement with Guodian Shandong Electric Power Co., Ltd. ("**Guodian Shandong**"), pursuant to which both parties contributed to establish a Joint Venture company to engage in construction of the wind power project of Guodian Dongping. The scale under construction of the wind power project of Guodian Dongping is tentatively to be 96,000 kw and the actual scale under construction will be determined in accordance with the relevant policies and requirements of the local government. The registered capital of the Joint Venture company amounted to RMB159.0 million. The proportion and contribution amounts of registered capital of the Joint Venture company which both parties accounted for: (i) Yantai Longyuan accounted for 24%, contributing to approximately RMB38.2 million; and (ii) Guodian Shandong accounted for 76%, contributing to approximately RMB120.8 million.

In 2017, the investment of the Group amounted to approximately RMB174.6 million in aggregate, of which infrastructure investment amounted to approximately RMB44.0 million, which was used for the phase II desulfurization and denitrification concession operations project in Suqian, Jiangsu Province; technological transformation investment amounted to approximately RMB130.5 million, which was mainly used for the technological upgrading and transformation of desulfurization and denitrification concession operations projects and the technological upgrading and transformation of wastewater treatment plants, etc.

Acquisition

On 13 September 2017, Energy Saving Company, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with GSTRI, pursuant to which, Energy Saving Company has conditionally agreed to purchase, and GSTRI has conditionally agreed to sell, the latter's 100% equity interest in Lantian Company at a consideration of RMB48,156,500.

Disposal or Deemed Disposal

On 11 November 2016, the Group entered into a sale and purchase agreement to dispose of the entire equity interests in Guodian United Power Technology (Changchun) Co., Ltd. ("**Changchun Company**") to a related party under Guodian for a consideration of RMB253.6 million. In September 2017, the carrying value of the net assets of Changchun Company as at the disposal date amounted to RMB276.3 million. Upon completion of the disposal, Changchun Company was no longer a subsidiary of the Group.

On 28 December 2016, the Group entered into a sale and purchase agreement to dispose of the 85.8% equity interests in Guodian United Power Technology (Yixing) Co., Ltd. (“**Yixing Company**”) to a third party at a consideration of RMB256.2 million. In February 2017, the carrying value of the net assets of Yixing Company attributable to the Group as at the disposal date amounted to RMB119.5 million. Upon completion of the disposal, Yixing Company was no longer a subsidiary of the Group.

On 13 January 2017, the Group entered into a sale and purchase agreement to dispose of the 51% equity interests in Beijing Longyuan Environmental Engineering Co., Ltd. (“**Beijing Longyuan Environmental**”) to a third party at a consideration of RMB385.0 million. In January 2017, the carrying value of the net assets of Beijing Longyuan Environmental attributable to the Group as at the disposal date amounted to RMB40.7 million. Upon completion of the disposal, Beijing Longyuan Environmental was no longer a subsidiary of the Group.

On 22 January 2017, the Group entered into a sale and purchase agreement to dispose of the 51% equity interests in Guodian Zhaojing Optoelectronics Technology Jiangsu Co., Ltd. (“**Guodian Zhaojing**”) to a third party at a consideration of RMB137.7 million. In February 2017, the carrying value of the net assets of Guodian Zhaojing attributable to the Group as at the disposal date amounted to RMB39.4 million. Upon completion of the disposal, Guodian Zhaojing was no longer a subsidiary of the Group.

On 30 March 2017, Yantai Longyuan disposed of a 51% equity interest in its subsidiary Shanghai Yinguo Thermal Power Equipment Co., Ltd. (“**Shanghai Yinguo**”) in a public listing process through Shanghai Equity Exchange at a consideration of RMB2.6 million. On 22 May 2017, both parties entered into a sale and purchase agreement. Upon completion of the disposal, Shanghai Yinguo was no longer a subsidiary of the Group.

On 1 November 2017, United Power disposed of a 51% equity interest in its subsidiary United Power Yangtze (Jiangsu) Co., Ltd. (“**Yangtze Company**”) in a public listing process through China Beijing Equity Exchange at a consideration of RMB24.0 million. On 13 December 2017, both parties entered into a sale and purchase agreement. As the control has not been delivered, Yangtze Company is still a subsidiary of the Group.

Market risk

The Group is exposed to various risks associated with its business operations, including credit and counterparty risk, interest rate risk, liquidity risk and exchange rate risk.

Credit and counterparty risk

The Group's credit risk is primarily attributable to cash at bank and in hand, trade and bills receivables, deposits, prepayments and other receivables and other non-current assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash at bank and in hand are deposited in the stated owned/controlled PRC banks which the directors of the Company assessed the credit risk to be insignificant.

The Group performed credit evaluations on all of its customers, and monitors outstanding receivables due from such customers on an ongoing basis. The Group's credit evaluation focuses on a customer's payment history and its ability to pay and takes into account industry and customer-specific considerations, as well as the general macroeconomic climate. The Group generally requires its customers to settle progress billings and other debts in accordance with agreed contract terms.

Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the year, however, management of the Group did not consider it is necessary to use interest rate swaps to hedge their exposure to interest.

Liquidity risk

The nature of the Group's business gives rise to significant irregularity in its cash flow. Through regular collection of receivables and while ensuring sound operations, thereby was able to significantly increase the Company's operating cash. Meanwhile, the Group proposed to improve its financing structure and increase the proportion of long-term loans by issuing mid-term and long-term bonds and introducing financial leasing. The Group is committed to ensuring sufficient working capital to meet its operating needs or having access to adequate bank credit to maintain uninterrupted operations. The Group's cash flow position is essential for its continuous development and expansion.

Exchange rate risk

The continued development and expansion of the Group's international operations is expected to result in increased exposure to exchange rate risk, arising primarily through export sales which would typically be denominated in foreign currencies. The Group expects that its future export sales will principally be denominated in either United States dollars, or Hong Kong dollars. In 2017, the Group recorded an exchange loss of RMB12.4 million, mainly because the Hong Kong dollars deposits of the Company and amounts due from Guodian Technology & Environment Group Hong Kong Corporation Limited, a subsidiary, were priced in Hong Kong dollars and there had been a devaluation in the Hong Kong dollar. The Directors of the Company consider that the Group's exchange rate risk is insignificant. The Group does not currently hedge against its exchange rate risk.

RMB currently is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currency exchange for current account transactions in the future. Changes in such foreign exchange controls may adversely affect the Group's international operations and sales, and may limit the Group's ability to satisfy its foreign exchange denominated obligations. In addition, the Group may be restricted from paying dividends on its listed H-shares to shareholders by any such policy changes.

Business prospects for 2018

To speed up the structural optimization and adjustment and further improve the corporate development quality

The Group will continue to adhere to the foundation established for the benefit of the overall efficient growth of the Company by streamlining organization, enhancing quality and efficiency. It plans to speed up the cultivation of strategic emerging industries and enhance the efficiency of capital allocation, solve the problems left over by history, unravel the operating mechanism, settle the outstanding contradictions in the layout and structure, and improve the quality of development and the level of profit by increasing revenues, reducing expenditures, optimizing structure, promoting management, etc..

To improve the construction of quality and service and further enhance the reputation of the enterprise brand

The Group will take quality and service awareness as the cornerstone for its survival and development. It will further improve the quality of products and projects, keep pace with the advanced international standards, establish a quality control system for the whole staff, whole process and whole life cycle, improve the service, quality, duration assessment mechanism, and continuously improve the product quality and customer service capability.

To strengthen the implementation of the reform measures and make further new marketing breakthroughs

The Group will persist in being market-oriented and enterprise-based. It will activate the subjective initiative, optimize the sales mechanism, make the customer channels smooth, implement the sharing of resources, cultivate the sales teams, promote the market-oriented reforms and improve the profitability.

To adhere to the drive of the scientific and technological innovation and further build the core competitiveness of the enterprise

The Group will adhere to the top-level strategy driven by innovation, take science and technology planning as the guiding principle, strengthen the scientific and technological information research, intellectual property management and cooperation among industry, school, research institute and applied practice, and improve the motivational and restraint mechanisms for the scientific and technological research and development. With Artificial Intelligence as the upgrading and future development trend of the existing businesses of the Company, it will define the main direction and breakthrough of science and technology, seek new economic growth points and promote the development of industry.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2017.

DIVIDEND

The Board recommends not to distribute dividends for the year ended 31 December 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In 2017, the Company has complied with relevant code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company 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 regarding all directors’ and supervisors’ dealings in the Company’s securities. After specific enquiries were made by the Company to them, all Directors and Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code for the year ended 31 December 2017.

MATERIAL LITIGATION AND ARBITRATION

On 24 July 2017, a subsidiary of the Group, whose operations were discontinued, was sued by a supplier, and was required to pay the remaining RMB114.4 million and overdue interest according to the sales contract. As of the announcement date, the case is still pending.

Save as disclosed above, for the year ended 31 December 2017, the Directors of the Company believe that other litigations and arbitrations of the Group involved will not have a material adverse effect on the financial position, operating results and business of the Group.

AUDIT COMMITTEE

According to the Listing Rules, the Group has established the audit committee (“**Audit Committee**”), the responsibilities of which including making recommendation to the Board on the appointment, re-appointment and dismissal of external independent auditors, and monitoring their work. The Audit Committee comprises Mr. YEUNG Chi Tat (independent non-executive Director), Mr. SHEN Xiaoliu (independent non-executive Director) and Mr. ZHANG Wenjian (non-executive Director). The 2017 annual results of the Group and the Financial Statements as at and for the year ended 31 December 2017, which have been prepared in accordance with the International Financial Reporting Standards, have been reviewed by the Audit Committee.

AUDITORS

KPMG was appointed as the Company’s international auditors, for the year ended 31 December 2017. The financial statements for the year ended 31 December 2017 of the Company have been prepared in accordance with the IFRSs, and have been audited by KPMG. KPMG has been appointed by the Company since the date of its listing.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at <http://www.hkexnews.hk> and the Company’s website at <http://www.01296.hk>, respectively.

The Company’s 2017 annual report containing all the information required under the Listing Rules will be dispatched to the relevant shareholders and will be published on the websites of the Company and Hong Kong Stock Exchange in due course.

By order of the Board
Guodian Technology & Environment Group Corporation Limited
Mr. CHEN Dongqing
Chairman

Beijing, China, 29 March 2018

As at the date of this announcement, the executive directors are Mr. Chen Dongqing, Mr. Zhang Jun and Mr. Tang Chaoxiong; the non-executive directors are Mr. Wang Zhongqu, Mr. Zhang Wenjian, Mr. Gu Yuchun and Mr. Yan Andrew Y.; and the independent non-executive directors are Mr. Shen Xiaoliu, Mr. Qu Jiuhui, Mr. Xie Qiuye and Mr. Yeung Chi Tat.