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 2016

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2016, the revenue from continuing operations of the Group was approximately RMB15,775.3 million, representing a decrease of approximately 21.0% compared to that for the last year; the revenue from the discontinued operation of the Group was approximately RMB195.4 million, representing a decrease of 71.4% compared to that for the last year.

- For the year ended 31 December 2016, the gross profit from continuing operations of the Group was approximately RMB3,568.1 million, representing a decrease of approximately 6.3% compared to that for the last year; the gross profit from the discontinued operation of the Group was approximately RMB5.2 million, representing an increase of 102.8% compared to that for the last year.

- For the year ended 31 December 2016, the operating profit from continuing operations of the Group was approximately RMB998.5 million, representing an increase of approximately 9.6% compared to that for the last year; the operating profit from the discontinued operation of the Group was approximately RMB13.7 million, representing an increase of approximately 100.3% compared to that for the last year.

- For the year ended 31 December 2016, profit attributable to equity shareholders of the Company was approximately RMB302.4 million, as compared to a loss attributable to equity shareholders of the Company of approximately RMB4,639.6 million, representing an increase of approximately 106.5% compared to that for the last year.

- The Board recommends not to distribute dividends for the year ended 31 December 2016.

* *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 2016, together with comparative figures for the year ended 31 December 2015. 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 2016
(Expressed in Renminbi)

	Note	**2016** *RMB'000*	2015 *RMB'000*
Continuing operations			
Revenue	4	**15,775,318**	19,970,161
Cost of sales		**(12,207,256)**	(16,163,992)
Gross profit		**3,568,062**	3,806,169
Other revenue	5	**305,476**	325,460
Other net income	5	**328,798**	29,307
Selling and distribution expenses		**(1,366,864)**	(1,136,449)
Administrative expenses		**(1,836,978)**	(2,113,537)
Profit from operations		**998,494**	910,950
Finance costs	6	**(590,443)**	(576,125)
Share of profits less losses of associates		**102,211**	(140,661)
Profit before taxation from continuing operations	7	**510,262**	194,164
Income tax	8	**(122,722)**	(139,872)

	Note	**2016** **RMB'000**	2015 RMB'000
Profit for the year from continuing operations		**387,540**	54,292
Discontinued operation			
Loss for the year from discontinued operation	9	**(134,089)**	(4,744,011)
Profit/(loss) for the year		**253,451**	(4,689,719)
Attributable to:			
Equity shareholders of the Company		**302,372**	(4,639,616)
Non-controlling interests		**(48,921)**	(50,103)
Profit/(loss) for the year		**253,451**	(4,689,719)
Basic and diluted earnings/(loss) per share *(Expressed in RMB)*	10		
– Continuing and discontinued operation		**0.050**	(0.765)
– Continuing operations		**0.072**	(0.006)
– Discontinued operation		**(0.022)**	(0.759)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Renminbi)

	2016	2015
	RMB'000	*RMB'000*
Profit/(loss) for the year	**253,451**	(4,689,719)
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**")	**1,268**	2,175
Other comprehensive income for the year	**1,268**	2,175
Total comprehensive income for the year	**254,719**	(4,687,544)
Attributable to:		
Equity shareholders of the Company	**303,640**	(4,637,441)
Non-controlling interests	**(48,921)**	(50,103)
Total comprehensive income for the year	**254,719**	(4,687,544)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016
(Expressed in Renminbi)

	Note	**2016** *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**4,855,891**	9,522,930
Investment properties		**246,039**	246,228
Lease prepayments		**330,736**	696,123
Intangible assets		**1,196,279**	1,302,097
Goodwill		**57,591**	57,591
Interests in associates		**412,801**	315,546
Other equity investments		**162,187**	162,187
Other non-current assets		**4,004,969**	4,854,414
Deferred tax assets		**612,382**	459,730
Total non-current assets		**11,878,875**	17,616,846
Current assets			
Inventories		**2,722,197**	3,492,380
Gross amounts due from customers for contract work		**1,443,384**	2,204,619
Trade and bills receivables	11	**14,036,574**	13,912,696
Deposits, prepayments and other receivables		**2,392,860**	2,419,841
Tax recoverable		**151,722**	60,509
Restricted deposits		**171,539**	176,014
Cash at bank and in hand		**4,603,662**	3,069,769
Assets held for sale	12	**2,699,889**	–
Total current assets		**28,221,827**	25,335,828

	Note	2016 RMB'000	2015 RMB'000
Current liabilities			
Borrowings		**8,478,005**	10,749,717
Trade and bills payables	13	**10,821,789**	13,021,717
Other payables		**3,624,852**	3,765,053
Gross amounts due to customers for contract work		**1,022,644**	975,449
Income tax payable		**49,959**	63,600
Provision for warranty		**255,294**	111,389
Liabilities held for sale	12	**1,196,294**	–
Total current liabilities		**25,448,837**	28,686,925
Net current assets/(liabilities)		**2,772,990**	(3,351,097)
Total assets less current liabilities		**14,651,865**	14,265,749
Non-current liabilities			
Borrowings		**5,115,637**	4,792,674
Deferred income		**374,952**	499,453
Deferred tax liabilities		**205,338**	174,305
Provision for warranty		**737,796**	675,667
Other non-current liabilities		**222,932**	220,697
Total non-current liabilities		**6,656,655**	6,362,796
NET ASSETS		**7,995,210**	7,902,953

	Note	2016 RMB'000	2015 RMB'000
CAPITAL AND RESERVES			
Share capital		**6,063,770**	6,063,770
Reserves		**(1,144,939)**	(1,457,306)
Total equity attributable to equity shareholders of the Company		**4,918,831**	4,606,464
Non-controlling interests		**3,076,379**	3,296,489
TOTAL EQUITY		**7,995,210**	7,902,953

NOTES

(Expressed in Renminbi 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 HKSE.

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 2016 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 a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 ignition equipment, wind turbines, solar cells and modules and other related electric equipment for power plants, construction engineering of desulphurisation, water treatment, solar energy and other environmental protection and energy conservation projects, rental of desulphurisation 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 a discontinued operation.

The amount of each significant category of revenue recognised during the year is as follows:

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Sales of goods *(note (i))*	**9,072,469**	10,011,501	**27,539**	468,260	**9,100,008**	10,479,761
Revenue from construction contracts	**5,176,860**	7,630,751	**121,960**	210,770	**5,298,820**	7,841,521
Rental income from operating leases *(note (ii))*	**854,729**	1,805,977	**–**	–	**854,729**	1,805,977
Rendering of services	**387,368**	179,508	**45,878**	5,234	**433,246**	184,742
Service concession arrangement revenue	**283,892**	342,424	**–**	–	**283,892**	342,424
	15,775,318	19,970,161	**195,377**	684,264	**15,970,695**	20,654,425

Notes:

(i) Revenue from sale of goods amounting to RMB84,106,190 (2015: RMB78,382,000) 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 filer 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 2016 and 2015 is set out below:

	2016					
	Continuing operations				Discontinued operation	
	Environmental protection *RMB'000*	**Energy conservation solutions** *RMB'000*	**Wind power products and services** *RMB'000*	**All others** *RMB'000*	**Solar power products and services** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**5,912,695**	**1,400,543**	**8,038,787**	**423,293**	**195,377**	**15,970,695**
Inter-segment revenue	**14,751**	**6,495**	**8,478**	**59,218**	**–**	**88,942**
Reportable segment revenue	**5,927,446**	**1,407,038**	**8,047,265**	**482,511**	**195,377**	**16,059,637**
Reportable segment profit (gross profit)	**1,132,496**	**246,953**	**1,986,917**	**203,556**	**5,152**	**3,575,074**
Depreciation and amortisation	**289,422**	**27,266**	**171,543**	**98,063**	**79,318**	**665,612**
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**	**28,563**	**139,214**	**23,707**	**(181,833)**	**17,919**
Interest income	**22,235**	**41,949**	**2,296**	**3,348**	**527**	**70,355**
Finance costs	**172,052**	**310**	**158,241**	**132**	**147,755**	**478,490**
Reportable segment assets	**15,951,078**	**4,436,178**	**14,040,541**	**2,327,934**	**2,095,126**	**38,850,857**
Additions to reportable segment non-current assets during the year	**242,176**	**3,846**	**54,632**	**9,980**	**–**	**310,634**
Reportable segment liabilities	**11,475,428**	**2,688,695**	**11,120,004**	**627,518**	**6,420,143**	**32,331,788**

	2015					
	Continuing operations				Discontinued operation	
	Environmental protection *RMB'000*	Energy conservation solutions *RMB'000*	Wind power products and services *RMB'000*	All others *RMB'000*	Solar power products and services *RMB'000*	Total *RMB'000*
Revenue from external customers	7,750,030	3,124,619	8,617,609	477,903	684,264	20,654,425
Inter-segment revenue	40,205	10,624	19,112	57,742	400	128,083
Reportable segment revenue	7,790,235	3,135,243	8,636,721	535,645	684,664	20,782,508
Reportable segment profit/(loss) (gross profit/(loss))	1,378,807	305,301	1,876,091	255,221	(181,109)	3,634,311
Depreciation and amortisation	518,409	20,200	204,037	77,104	249,520	1,069,270
Impairment of property, plant and equipment	–	–	9,691	–	1,534,550	1,544,241
Impairment of lease prepayments	–	–	–	–	154,835	154,835
Impairment of intangible assets	–	–	–	–	17,992	17,992
Inventory write-down	4,426	–	3,060	–	61,363	68,849
Impairment of trade and other receivables	587,356	37,613	35,669	3,038	1,835,338	2,499,014
Write down of gross amounts due from customers for contract work	146,545	–	–	–	–	146,545
Interest income	48,681	64,745	12,978	430	1,950	128,784
Finance costs	297,877	5,638	239,151	51	325,179	867,896
Reportable segment assets	16,772,591	4,705,077	15,030,485	2,130,574	3,222,856	41,861,583
Additions to reportable segment non-current assets during the year	393,072	23,536	89,577	4,860	22,172	533,217
Reportable segment liabilities	12,829,750	2,391,195	12,110,644	832,353	7,351,566	35,515,508

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

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue						
Reportable segment revenue	**15,864,260**	20,097,844	**195,377**	684,664	**16,059,637**	20,782,508
Elimination of inter-segment revenue	**(88,942)**	(127,683)	**–**	(400)	**(88,942)**	(128,083)
Consolidated revenue	**15,775,318**	19,970,161	**195,377**	684,264	**15,970,695**	20,654,425
Profit/(loss)						
Reportable segment profit/(loss)	**3,569,922**	3,815,420	**5,152**	(181,109)	**3,575,074**	3,634,311
Elimination of inter-segment (profit)/loss	**(1,860)**	(9,251)	**–**	161	**(1,860)**	(9,090)
Reportable segment profit/(loss) derived from Group's external customers	**3,568,062**	3,806,169	**5,152**	(180,948)	**3,573,214**	3,625,221
Other revenue	**305,476**	325,460	**40,561**	8,077	**346,037**	333,537
Other net income/(losses)	**328,798**	29,307	**87,717**	(5,676)	**416,515**	23,631
Selling and distribution expenses	**(1,366,864)**	(1,136,449)	**(10,081)**	(9,542)	**(1,376,945)**	(1,145,991)
Administrative expenses	**(1,836,978)**	(2,113,537)	**(109,683)**	(4,149,991)	**(1,946,661)**	(6,263,528)
Finance costs	**(590,443)**	(576,125)	**(147,755)**	(325,179)	**(738,198)**	(901,304)
Share of profits less losses of associates	**102,211**	(140,661)	**–**	–	**102,211**	(140,661)
Consolidated profit/(loss) before taxation	**510,262**	194,164	**(134,089)**	(4,663,259)	**376,173**	(4,469,095)

	2016	2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**38,850,857**	41,861,583
Inter-segment elimination	**(1,112,427)**	(1,292,970)
	37,738,430	40,568,613
Interests in associates	**412,801**	315,546
Other equity investments	**162,187**	162,187
Tax recoverable	**151,722**	60,509
Deferred tax assets	**612,382**	459,730
Unallocated head office and corporate assets	**1,023,180**	1,386,089
Consolidated total assets	**40,100,702**	42,952,674

	2016	2015
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**32,331,788**	35,515,508
Inter-segment elimination	**(966,491)**	(1,107,709)
	31,365,297	34,407,799
Income tax payable	**49,959**	63,600
Deferred tax liabilities	**205,338**	174,305
Unallocated head office and corporate liabilities	**484,898**	404,017
Consolidated total liabilities	**32,105,492**	35,049,721

(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 RMB10,950,768,000 (2015: RMB11,989,598,000).

5 OTHER REVENUE AND OTHER NET INCOME/(LOSSES)

	Continuing operations		**Discontinued operation**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Other revenue						
Government grants	**158,134**	131,129	**34,191**	5,712	**192,325**	136,841
Interest income	**85,309**	129,090	**527**	1,950	**85,836**	131,040
Dividend income from unquoted equity investments	**18,982**	13,739	**–**	–	**18,982**	13,739
Others	**43,051**	51,502	**5,843**	415	**48,894**	51,917
	305,476	325,460	**40,561**	8,077	**346,037**	333,537

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Other net income /(losses)						
Net gain/(loss) on sales of raw materials	**51,911**	55,319	**(2,116)**	305	**49,795**	55,624
Net gain on disposal of subsidiaries and investments in an associate	**188,947**	–	**–**	–	**188,947**	–
Net gain on debt settlement *(note)*	**–**	–	**75,591**	–	**75,591**	–
Net gain/(losses) on disposal of property, plant and equipment and intangible assets	**57,399**	(33,528)	**24,435**	–	**81,834**	(33,528)
Net foreign exchange gain/(losses)	**26,585**	(9,945)	**(2,821)**	(5,543)	**23,764**	(15,488)
Others	**3,956**	17,461	**(7,372)**	(438)	**(3,416)**	17,023
	328,798	29,307	**87,717**	(5,676)	**416,515**	23,631

Note:

During the year ended 31 December 2016, as part of the Group's discontinuation of its 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 RMB75,591,000.

6 FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Interest on bank and other borrowings	**600,011**	621,616	**147,755**	325,179	**747,766**	946,795
Less: interest expenses capitalised into property, plant and equipment, and construction contracts	**(9,568)**	(45,491)	**–**	–	**(9,568)**	(45,491)
	590,443	576,125	**147,755**	325,179	**738,198**	901,304

The borrowing costs have been capitalised at a rate of 4.99% per annum (2015: 5.24%).

7 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Staff costs#

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Salaries, wages and other benefits	**1,060,806**	994,236	**40,115**	81,604	**1,100,921**	1,075,840
Contributions to defined contribution retirement plan *(note)*	**103,496**	108,977	**3,269**	4,259	**106,765**	113,236
	1,164,302	1,103,213	**43,384**	85,863	**1,207,686**	1,189,076

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	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Amortisation#						
– lease prepayments	**10,896**	11,429	**2,592**	7,732	**13,488**	19,161
– intangible assets	**84,349**	78,534	**2,134**	4,291	**86,483**	82,825
Depreciation#						
– investment properties	**8,642**	8,652	**–**	–	**8,642**	8,652
– property, plant and equipment	**482,407**	743,533	**74,592**	237,497	**556,999**	981,030
Impairment/(reversal of impairment)						
– property, plant and equipment	**96,809**	9,691	**132,534**	1,534,550	**229,343**	1,544,241
– lease prepayments	**–**	–	**(11,895)**	154,835	**(11,895)**	154,835
– intangible assets	**–**	–	**–**	17,992	**–**	17,992
– trade and other receivables	**199,752**	663,676	**(181,833)**	1,835,338	**17,919**	2,499,014
– Assets held-for-sale	**–**	–	**9,059**	–	**9,059**	–
– Write down of gross amounts due from customers for contract work	**–**	146,545	**–**	–	**–**	146,545

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Auditors' remuneration						
– annual audit services	**13,485**	13,485	**–**	–	**13,485**	13,485
– interim review service	**4,560**	4,560	**–**	–	**4,560**	4,560
Operating lease charges#						
– hire of plant and equipment	**35,252**	30,375	**115**	101	**35,367**	30,476
– hire of properties	**41,108**	56,366	**213**	6,356	**41,321**	62,722
Research and development costs	**283,457**	213,948	**–**	10,287	**283,457**	224,235
Provision for warranty	**405,557**	270,440	**–**	–	**405,557**	270,440
Rental receivable from investment properties	**(40,798)**	(38,642)	**–**	–	**(40,798)**	(38,642)
Direct outgoings of investment properties	**11,375**	8,979	**–**	–	**11,375**	8,979
Cost of inventories#	**6,767,940**	7,677,657	**29,184**	698,809	**6,797,124**	8,376,466

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) Income tax in the consolidated statement of profit or loss:

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Current tax						
Provision for the year	**158,900**	194,332	**–**	–	**158,900**	194,332
Under/(over)-provision in respect of prior years *(note (iii))*	**88,464**	(3,056)	**–**	(387)	**88,464**	(3,443)
	247,364	191,276	**–**	(387)	**247,364**	190,889
Deferred tax						
Origination and reversal of temporary differences	**(124,642)**	(51,404)	**–**	81,139	**(124,642)**	29,735
	122,722	139,872	**–**	80,752	**122,722**	220,624

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% (2015: 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% (2015: 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% (2015: 20%)

(ii) A subsidiary of the Group is subject to Hong Kong Profits Tax at 16.5% (2015: 16.5%). Taxation for other overseas subsidiaries is charged at the appropriate rate of taxation ruling in the relevant jurisdiction.

(iii) In October 2016, the State Administration of Taxation of the PRC ("**SAT**") carried out a tax inspection on Beijing Guodian Longyuan Environmental Engineering Co., Ltd. ("**Longyuan Environmental**") and assessed Longyuan Environmental did not maintain proper tax records of research and development expenditures in accordance with the requirements set out in "Administrative Measures on Accreditation of High and New Technology Enterprises (2016 Revision)" (高新技術企業認定管理辦法) and the relevant work guidance jointly promulgated by the Ministry of Science and Technology of the PRC, the Ministry of Finance of the PRC and SAT in 2016.

According to the assessment of SAT, Longyuan Environment paid additional tax of RMB79,438,000 in respect of prior years and the relevant overdue payment surcharges of RMB45,951,000. The overdue payment surcharges were recognised in "Administrative expenses" in the consolidated statement of profit or loss.

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

	2016	2015
	RMB'000	*RMB'000*
Profit/(loss) before taxation		
– continuing operations	**510,262**	194,164
– discontinued operation	**(134,089)**	(4,663,259)
	376,173	(4,469,095)
Notional tax on profit before taxation at PRC statutory tax rate	**94,043**	(1,117,274)
Effect on non-deductible expenses	**15,294**	14,532
Effect of non-taxable income	**(7,664)**	(14,051)
Effect of research and development bonus deductions	**(15,760)**	(10,921)
Effect of share of profits less losses of associates	**(25,553)**	35,165
Effect of PRC tax concessions	**(264,289)**	(163,342)
Tax effect of unused tax losses and temporary differences not recognised	**645,587**	1,342,590
Tax effect of unused tax losses and temporary differences not recognised in previous year but utilised or recognised in current year	**(491,688)**	(28,139)
Tax effect of unused tax losses and temporary differences recognised in previous year but derecognised in current year	**87,725**	167,025
Under/(over)-provision in respect of prior years	**88,464**	(3,443)
Others	**(3,437)**	(1,518)
Actual tax expense	**122,722**	220,624

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 a 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 the reporting period.

The Company entered into several sale and purchase agreements with certain counterparties 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 consolidated financial statements as at the end of the reporting period.

	Note	**2016** ***RMB'000***	2015 *RMB'000*
Revenue	4	**195,377**	684,264
Cost of sales		**(190,225)**	(865,212)
Gross profit/(loss)		**5,152**	(180,948)
Other revenue	5	**40,561**	8,077
Other net income/(losses)	5	**87,717**	(5,676)
Selling and distribution expenses		**(10,081)**	(9,542)
Administrative expenses		**(109,683)**	(4,149,991)

	Note	2016 RMB'000	2015 RMB'000
Profit/(loss) from operation		**13,666**	(4,338,080)
Finance costs	6	**(147,755)**	(325,179)
Loss before taxation from a discontinued operation	7	**(134,089)**	(4,663,259)
Income tax	8	**–**	(80,752)
Loss for the year from a discontinued operation		**(134,089)**	(4,744,011)
Attributable to:			
Equity shareholders of the Company		**(133,011)**	(4,604,649)
Non-controlling interests		**(1,078)**	(139,362)
Loss for the year from a discontinued operation		**(134,089)**	(4,744,011)

10 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB302,372,000 (2015: loss of RMB4,639,616,000) and the weighted average of 6,063,770,000 ordinary shares (2015: 6,063,770,000 ordinary shares) in issue during the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2016 and 2015.

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

	2016	2015
	RMB'000	*RMB'000*
– From continuing operations	**435,383**	(34,967)
– From discontinued operation	**(133,011)**	(4,604,649)
	302,372	(4,639,616)

11 TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables for contract work due from:		
– Guodian	**–**	12,783
– related parties under Guodian	**1,813,687**	1,808,442
– associates	**43,418**	16,856
– third parties	**3,236,559**	3,693,833
	5,093,664	5,531,914
Bills receivable for contract work due from:		
– related parties under Guodian	**1,664,723**	1,122,609
– associates	**–**	500
– third parties	**228,836**	512,383
	1,893,559	1,635,492

	2016	2015
	RMB'000	*RMB'000*
Trade receivables for operating leases due from:		
– related parties under Guodian	**110,933**	237,388
– third parties	**33,511**	44,989
	144,444	282,377
Trade receivables for sale of goods and rendering of services due from:		
– Guodian	**740**	1,426
– related parties under Guodian	**3,130,531**	1,490,780
– associates	**27,789**	26,807
– third parties	**4,906,013**	5,580,538
	8,065,073	7,099,551
Bills receivable for sale of goods and rendering of services due from:		
– related parties under Guodian	**263,058**	483,263
– third parties	**634,971**	1,186,763
	898,029	1,670,026
	16,094,769	16,219,360
Less: allowance for doubtful debts	**(2,058,195)**	(2,306,664)
	14,036,574	13,912,696

(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:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**9,637,710**	10,392,683
Between 1 to 2 years	**3,575,045**	3,091,777
Between 2 to 3 years	**629,585**	357,024
Over 3 years	**194,234**	71,212
	14,036,574	13,912,696

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 2016, 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:

	RMB'000
Property, plant and equipment	1,464,815
Lease prepayments	373,913
Other non-current assets	137,079
Trade and other receivables	360,298
Other current assets	612,260
Less: inter-company receivables eliminated in the consolidated financial statements	(248,476)

	RMB'000
Assets held for sale	2,699,889
Trade and other payables	1,310,789
Other current liabilities	192,904
Other non-current liabilities	117,371
Less: inter-company payables eliminated in the consolidated financial statements	(424,770)
Liabilities held for sale	1,196,294

13 TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Bills payable to:		
– sub-contractors and equipment suppliers	**182,975**	235,437
– raw material suppliers	**1,934,785**	3,091,999
	2,117,760	3,327,436
Trade payables to:		
– sub-contractors and equipment suppliers:		
– related parties under Guodian	**109,129**	162,924
– associates	**2,926**	5,485
– third parties	**5,187,145**	5,165,357
	5,299,200	5,333,766
Raw material suppliers:		
– related parties under Guodian	**17,078**	44,992
– associates	**8,681**	9,462
– third parties	**3,379,070**	4,306,061
	3,404,829	4,360,515
	10,821,789	13,021,717

As at 31 December 2016 and 2015, 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) The board of directors of the Company did not recommend the payment of a final dividend in respect of the years ended 31 December 2016 and 2015.

(ii) 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 2016 and 2015.

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, for instance, 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.

2016 INDUSTRY AND BUSINESS OVERVIEW

Key Industry Developments

In 2016, 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, effectively control the scale of coal power production capacity, and promote the green and efficient development and utilization of coal. It is expected that during the "Thirteenth Five-Year" Plan period, the installed capacity of coal power will increase by up to 200 million KW (referring to the original data derived from relevant national policies, hereinafter inclusive, 100 million KW=100,000 MW), and the installed capacity of wind power will increase by 79 million KW. China will strengthen its power system peak regulation capacity and it is expected that the scale of the heat and electricity cogenerating units and conventional coal power flexibility transformation will reach about 133 million KW and 86 million KW (10,000 KW=10MW) respectively during the "Thirteenth Five-Year" Plan period, which may promote the development of environmental protection and energy and water saving related industries.

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 condition:

1. In January 2016, the National Development and Reform Commission ("**NDRC**") issued the "Guiding Opinions on Implementation of Third Party Treatment of Environmental Pollution in Coal-fired Power Plants" (Fa Gai Huan Zi [2015] No. 3191) (*《關於在燃煤電廠推行環境污染第三方治理的指導意見》(發改環資[2015]3191號)*)(the "**Opinions I**").

   The Opinions I proposed a third party "treatment mechanism which was oriented by the pollution treatment being market-oriented, professionalized, and industrialized". Such system and mechanism shall attract and expand social capital as regards the treatment of environmental pollution, innovate the safety and stabilization measures in relation to environmental protection facilities in coal-fueled power stations while stabilizing emissions operations in line with economical rates for discharge, and promote the substainable and healthy development of the environmental protection industry.

From 2007 to 2010, a pilot project relating to the concession of flue gas desulfurization and denitrification for coal-fired power plants in the power industry achieved success with the joint endeavors of the NDRC and the Ministry of Environmental Protection. In respect of the application of this pilot project, third party treatment of environmental pollution will improve the quality of engineering construction of coal-fueled power plants in pollution treatment; contribute to the stable operation of the pollution treatment facilities and attain the set standard; be beneficial to the development of social capital and reduce the capital pressure on the construction of environmental protection facilities in the power industry; maximize the professional advantages of environmental service companies and foster the development of the environmental protection service industry to a sustainable and healthy level.

The issuance of the Opinions I will foster the sustainable and healthy development of the Group's environmental protection industry.

2. In February 2016, the National Energy Administration ("**NEA**") indicated that the supply-side reform in relation to the energy industry shall be implemented from seven perspectives.

The meeting of a leadership team for comprehensively intensifying reform held by the NEA indicated that under the new normal of slowing growth in energy consumption, fast-paced structural optimization, and the shift in momentum, the development of the energy model should transit from an extensive development model to a model that improves quality and increases efficiency, and energy-related work should have more focus on reform and technological innovation, instead of emphasizing on project approval. The implementation of supply-side structural reform in the energy field should focus on 7 perspectives: first, to resolve overcapacity in the coal industry. The Guideline to Resolve Overcapacity and Difficulties in Development of the Coal Industry (《關於煤炭行業化解過剩產能實現脱困發展的意見》) should be implemented for the purpose of shutting down more than 1,000 underdeveloped coal mines, with a total capacity of 60 million tons by 2016, thereby promoting the merger and restructure in coal industry; second, to resolve overcapacity of coal power. By leveraging on market mechanisms, the market-oriented reform of electric power should be accelerated and in principle, newly-approved generators should be involved in trading in the electric market; third, to solve problems of grid curtailment of hydropower, wind power and solar power. The government will optimize and control increment volume, effectively controlling the pace of development of hydropower and nuclear power in accordance with relevant plans, and develop wind power, photovoltaic energy, biomass and geothermal power based primarily on local consumption; fourth, to accelerate the implementation of electric power system reform. The government will, with its best endeavors, motivate all regions across the nation to accelerate the establishment of an electric power market for direct trading. It will also release its control over on-grid tariff and the selling price of electricity, while maintaining stringent control over the price of power transmission and distribution by grid enterprises; fifth, to steadily promote the reform of the oil and natural gas system. After considering and introducing the Certain Opinions on Deepening Reform of Oil and Natural Gas System (《關於深化石油天然氣體制改革的若干意見》), the central government undertook research and formulated customized reform proposals and relevant supporting documents. Comprehensive pilot projects or customized pilot projects for oil and gas reform will also be implemented in some provinces and municipalities; sixth, to enhance poverty alleviation through access to energy. The government will implement the new phase of transition and upgrade project for the grid system in rural areas, and promote targeted poverty alleviation and one-to-one aid program; seventh, to increase the overall operating efficiency of the energy system. The government will optimize energy-consuming industries and the distribution of energy exploitation, and reduce dependence on long-distance energy delivery, thus promoting coordinated development of energy and its complementary utilization, and increasing the intelligence level and the operating efficiency of energy system.

Faced with the increasing downward pressure in the economy, the Group will implement corporate transition and upgrade with determination. The Guideline provided directional guidance for the transition and upgrade of the Group.

3. In March 2016, the NEA issued the Guiding Opinions on Energy Related Work for 2016 (the "***Opinions II***").

   The Opinions II stated: to promote the innovation of energy technology, to research and develop innovative promotion and a collaboration mechanism for advanced technology equipment. To implement pilot exercise of secondary reheating of the ultra supercritical units, ultra supercritical cycle fluidised bed boilers of great capacity and other advanced technology and equipment. To construct demonstrative engineering projects including provision of heat created by wind power, production of hydrogen etc. To explore new commercial models for local absorption and consumption of wind power and photovoltaic energy. To conduct overall planning to resolve wind power, solar power, hydropower curtailment and other outstanding problems relating to the development of the industry. To explore a targeted management mechanism for the development and utilization of renewable energy through the pilot projects.

To steadily develop wind power. To promote the healthy development of the "**Three-North**" Areas, and encourage and accelerate the development of wind power in the eastern, central and southern regions. To promote the planning and construction of new Phase III energy power generation bases in Zhundong, Ximeng, Jinbei and Zhangjiakou, to increase the proportion of externally delivered power volume generated by new energy. To research and solve the technical bottleneck and mechanism barrier as to the development of offshore wind power, and promote the healthy and sustained development of offshore wind power.

To implement ultra-low emission and energy conservation and transformation of coal power. During the "**Thirteenth Five-Year**" period, the state planned to implement the ultra-low emission transformation of approximately 420 million KW, energy conservation and transformation of approximately 340 million KW, with an estimated aggregate investment of approximately RMB150 billion (**all amounts in this announcement refer to RMB unless otherwise indicated**). In 2016, it is planned to launch a group of pilot projects on ultra-low emission transformation and energy conservation and transformation. To adjust the efficiency standards and minimum limit standards of coal-fired units. To implement the valuation of pilot projects of coal power and energy conservation, to promote the application of advanced and mature technologies.

The Group has thoroughly grasped relevant advanced technology including the DCS control system for secondary reheating of ultra supercritical units, ultra-low emission and energy conservation transformation, etc., and has made significant improvements in the wind turbine manufacturing segment and economic operation of wind power. The issuance of the Opinions II enables the Group to be more confident in facing the future transformation of the energy industry.

4. On 28 June 2016, the NDRC announced that there would continue to be adjustments in the tariff and selling price of coal-fired units from 1 January 2017.

   According to the figures published in June 2016, the national price of thermal coal was RMB315/ton, and the average price from January to June 2016 was RMB320/ton, representing a decrease of approximately RMB43/ton as compared with the average level for the whole year of 2015. Pursuant to this amount and the newly amended thermal coal power price linkage mechanism, the on-grid price and selling price of coal-fired units will continue to be adjusted from 1 January 2017, which will bring further operating pressure to thermal power generation enterprises, and at the same time, transferring part of the pressure to the Group.

5. On 8 August 2016, the State Council issued "*The Working Plan to Reduce Cost of Enterprises in Real Economy*" (*《降低實體經濟企業成本工作方案》*) (the "*Working Plan*"). The Working Plan pointed out that the reform of energy fields shall be accelerated so as to steer competitive pricing; to accelerate the market-oriented reform in the fields of electricity, oil, natural gas and etc.; to improve the on-grid connection mechanism in photovoltaic energy, wind power and other new energy; to basically liberalize the competitive fields and all sectors' price control in 2017 to set up a fully competitive mechanism with an aim to make the energy price fully reflect changes in the market supply and demand and to enhance the price flexibility; to speed up the electricity system reform and reasonably reduce the enterprises' electric cost; to accelerate the implementation of the pricing reform in power transmission and distribution pilot plan; and actively carry out direct power supply transactions to relax participation scopes and orderly reduce the scale of power generation and utilization plan to increase the proportion of market-driven power supply transactions.

   Market-oriented reform will continually intensify the competition among power generation enterprises which will make them attach more attention to the cost control and may bring new challenges to the Group's operation.

6. The NEA canceled certain coal-fired power projects without approved construction conditions, which have generated 12,400,000 KW power in aggregate, among which Guodian Group accounted for 6,500,000 KW. On 13 September 2016, the NEA issued "Notice of Cancelation of Coal-fired Power Projects Without Approved Construction Conditions (GNDL[2016] No. 244)" (《關於取消一批不具備核准建設條件煤電項目的通知》(國能電力[2016]244號)) to cancel a total of 15 coal-fired power projects without approved construction conditions with12,400,000 KW power generated locating in Jilin, Shanxi, Shandong, Shaanxi, Sichuan, Jiangxi, Guangdong, Guangxi, Yunan and other provinces (autonomous regions), and require the department of Development and Reform Commission (Energy Administration) in each province (region/city) to further cancel other local coal-fired power projects without approved (construction) conditions. Among these canceled projects, Guodian Group in aggregate accounted for 5 projects generating 6,500,000 KW power, representing 33.3% and 52.4% of the number and capacity of the canceled projects respectively.

   The domestic infrastructure market will be depressed as certain coal-fired power projects being canceled, however, the Group will actively promote the international business development and enhance the enterprise's healthy and sustainable development by leveraging on the national "**One Belt, One Road**" strategy.

7. In September 2016, the NDRC and the Ministry of Environmental Protection of the PRC jointly issued *"The Opinion on Cultivating Environmental Governance and Ecological Protection Market Entities"* (*《關於培育環境治理和生態保護市場主體的意見》*) (the "***Opinions III***").

The "Opinions III" pointed out that in 2020, the production value of environmental protection industry shall exceed RMB2.8 trillion. There will be more than 50 environmental protection enterprises with their respective production value over RMB10 billion. Great efforts will be made to establish a group of international environmental protection companies with advanced technology, refined management, competitive integrated service and strong brand influence; form a group of environmental protection industry demonstration bases and technology conversion platforms which are of high level of concentration and with clear advantages. The "Opinions III" put forward four measures to promote the establishment of a marketized environmental governance model. First, the innovation of enterprise operation model, which means to put great efforts on the promotion of PPP models like concession operation in the field of municipal public facility and accelerate the process of law making in respect of concession operation; in industrial park and priority sectors, to implement the environmental pollution third party governance model, actively promote third party governance experience of coal power plants and study and issue sample contracts in relation to third party governance. Second, to promote and implement integrated service model which comprises the implementation of supply-side reform in environmental protection field and the promotion of comprehensive solution based on environmental performance and regional integrated service model. Third, to implement "Internet Plus" ecologic movements which comprises supporting the R&D of intelligent operation management platform and promoting remote control and low-cost operation and maintenance of pollution control facilities. Fourth, to speed up the formation of relevant market trading system. A trading system of pollution rights, carbon emission rights, energy using rights, water rights and forest rights will be established and improved based on the experience from pilot projects.

The "Opinions III" will benefit the Group in the optimization of the industrial layout of its desulphurization and denitrification concession operations and create new opportunities for the sustained and stable development of the Group's environmental protection business.

8. In October 2016, the State Council issued "*The "Thirteenth Five-Year" Work Plan for Greenhouse Gas Emission Control*" (*《"十三五"控制溫室氣體排放工作方案》*)(the "***Work Plan II***"). The "Work Plan II" pointed out that in 2020, ratio of per unit GDP to carbon dioxide emissions shall be reduced by 18% as compared with 2015, and the total carbon dioxide emission shall be taken under effective control. For large power groups, the carbon dioxide emissions per unit of electricity provided shall be limited under the level of 550g CO_2/KWh.

   The utilization of fossil energy resources shall be optimized, the total consumption of coal shall be controlled and the amount shall be limited at around 4.2 billion tonnes when it comes to 2020. Active efforts will be made to develop natural gas power generation and distributed energy resources. In coal-based industries and oil and gas production industry, large-scale carbon capture, utilization and storage industrial demonstration bases will be established and the carbon emissions of coal chemical industry will be reduced.

   A national carbon emissions trading system will be established. The system will cover enterprises whose annual energy consumption exceed 10,000 tonnes of standard coal in 8 industrial sectors including petrochemical industry, chemical industry, construction material, steel, non-ferrous metal, paper, power and aviation specifying the total carbon emissions and the relevant quota allocation. A carbon emissions quota monitoring and controlling system will be also be put into place.

   The "Work Plan II" is likely to bring new opportunities for the development of the Group's environmental protection business.

9. The State's further regulation on the planning and construction of coal-fired power.

   On 10 October 2016, the NEA issued the *Notice Regarding Further Regulation on Planning and Construction of Coal-Fired Power* (Guo Neng Dian Li [2016] No. 275) *(《關於進一步調控煤電規劃建設的通知》(國能電力[2016]275號))* (the "***Notice***") to continue its strict control on planning and construction of coal-fired power plants. The Notice states clearly that the planning and construction of coal-fired power shall be strictly controlled. Firstly, as for the projects that have been recognized as planning projects but are not yet approved, the granting of approval shall be postponed. Secondly, as for the approved projects, if necessary supporting files related to commencement of construction are not fully obtained or if the said files are fully obtained but the commencement (marked by the first pour of concrete into the foundation bedding layer of the plant's main building) is not yet launched, the commencement of construction shall be deferred; if the construction started in 2016, relevant projects shall be suspended; and if the construction started before the end of 2015, the construction schedule shall be properly rearranged and timing of putting into operation shall be well-managed. Thirdly, as the risk alert level turns to normal, relevant development and reform commissions at the provincial level (Energy Administration) could gradually re-grant delayed approval or re-start the extended construction of coal-fired power projects under the guidance of the state.

As the state intensifies the control on planning and construction of coal-fired power plants, the market size of infrastructure project business is accordingly narrowing down. The Group will accelerate the progress of structural adjustment and promote the transformation and upgrading, thereby to provide new supports for its business development.

10. In November 2016, the NDRC and the NEA jointly issued the *"Thirteenth Five-Year" Plan of the Power Development (《電力發展「十三五」規劃》)* (the "***Plan I***").

According to the Plan I, the power consumption of the whole society in 2020 is estimated to be 6.8–7.2 trillion KWh, representing an average annual growth rate of 3.6% to 4.8%, and the nation's total installed capacity will reach 2 billion KW with an average annual growth rate of 5.5%.

As the proportion of non-fossil energy consumption is required to reach 15%, the installed capacity for non-fossil energy in 2020 will be almost 0.77 billion KW, increasing by around 0.25 billion KW as compared with 2015; the installed capacity for gas power will increase by 50 million KW to above 0.11 billion KW. The installed capacity for coal-fired power is targeted to be limited within 1.1 billion KW, with the proportion decreasing to about 55%.

During the "**Thirteenth Five-Year**" Plan, the ultra-low emissions reform implemented nationwide will achieve a coverage of approximately 0.42 billion KW, and the energy-saving reform will achieve a coverage of approximately 0.34 billion KW. By 2020, the country's average coal consumption rate for coal-fired power will reduced to 310 grams standard coal for each one kilowatt hour; and the qualified power generation units of or above 300MW-class will all fulfill the ultra-low requirement.

We will strengthen our ability of peak regulation and improve our system's flexibility. During the "**Thirteenth Five-Year**" Plan, the thermal power generation units and the condensing units reform in the "Three-North (三北)" area are estimated to realize flexibility reform result of approximately 0.133 billion KW and 82 million KW respectively, while the condensing units reform result in other areas will be around 4.5 million KW.

Under the circumstances that industries featured with new-type energy saving, low-carbon emission and green environmental protection are priorities of national development. The ultra-low emission and nearly-no-emission technologies, the water-saving and zero-water-discharge technologies and other technologies applied on the technical transformation of obsolete power plants will bring enormous development benefit to the existing market, and thus form favorable environment to our Group's environmental protection and energy conservation business.

11. On 16 November 2016, NEA issued the "*Thirteenth Five-Year" Plan for Wind Power Development* (*《風電發展"十三五"規劃》*) (the "***Plan II***").

The Plan II indicated that the aggregate grid connection installed capacity of wind power shall be more than 210 million KW by the end of 2020, among which, the grid connection installed capacity of offshore wind power shall be more than 5 million KW, and the annual output of wind power shall reach 420 billion KWH, representing approximately 6% of the aggregate national power production. The issue of abandoning wind power shall be effectively solved with the "three north" regions reaching the minimum requirement of national protective buyouts utilization hours, while the manufacturing and research and development capacity of wind power equipments shall be gradually improved, 3 to 5 manufacturers shall attain overall leading positions and therefore resulting to the increase of market shares. During the "**Thirteenth Five-Year**" period, the installed capacity of wind power shall increase by more than 80 million KW, among which, the installed capacity of offshore wind power shall increase by more than 4 million KW. During the "**Thirteenth Fine-Year**" Period, total investment in the construction of wind power shall be more than RMB700 billion based on the onshore wind power investment of RMB7,800/KW and the offshore wind power investment of RMB16,000/KW.

The issuance of the Plan II is beneficial for the sustainable development of the renewable energy equipment manufacturing business.

12. NDRC adjusted the benchmark on-grid price of the onshore wind power.

On 26 December 2016, NDRC issued the *Notice on Adjusting the Benchmark On-grid Price of Onshore Wind Power and Photovoltaic Power (NDRC Prices [2016] No. 2729)（《關於調整光伏發電陸上風電標桿上網電價的通知》發改價格[2016]2729號））* (the "**Notice**"), indicating that the policy of the benchmark on-grid price of new energy shall be adjusted. After 1 January 2017, the benchmark on-grid price for the newly built photovoltaic power stations in category I to III resource region shall be adjusted to RMB0.65, RMB0.75 and RMB0.85 per KWH, representing a decrease of RMB0.15, RMB0.13 and RMB0.13 per KWH as compared to 2016. After 1 January 2018, the benchmark on-grid price for the newly approved onshore wind power stations in category I to IV resource region shall be adjusted to RMB0.40, RMB0.45, RMB0.49 and RMB0.57 per KWH, representing a decrease of RMB0.07, RMB0.05, RMB0.05 and RMB0.03 per KWH as compared to 2016 to 2017. In the respect of non-tender offshore wind power projects, the on-grid price of offshore wind power and intertidal wind power shall be determined separately. The benchmark on-grid price of the onshore wind power projects shall be RMB0.85 per KWH, and the benchmark on-grid price of the intertidal wind power projects shall be RMB0.75 per KWH.The operation of new energy enterprises will, to some extent, be affected, but according to the Thirteenth Five-Year Plan for Wind Power Development (《風電發展「十三五」規劃》), areas with lower wind speed shall be the development focus of the PRC's wind power, and the Group has obtained its competitive strength in the low wind speed wind turbine market, which will provide the Group with a broader market space.

13. The National Energy Work Conference was held in December 2016, during which 9 for 2017 tasks were assigned, including attaching great importance to prevent and consume the overcapacity of coal power, promoting the scale development of non-fossil energy and the efficient and clean use of fossil energy. Certain targets were set on the conference, such as the consumption proportion of non-fossil energy shall increase to around 14.3%, the average coal consumption of the coal power station shall be 314g standard coal per KWH and the scale of improvement for energy saving shall be 60 million KW.

    The National Energy Work Conference has deployed the major tasks for 2017, indicating a direction for the Group's optimizing assets and accelerating transition.

Key Business Developments

The Group faced multiple challenges in 2016. As the world's economy entered into a stage of profound transformation and adjustment, China's economic growth continued to slow down, the problem of power overcapacity became increasingly prominent, power rationing issues in the clean and renewable energy industry continued to deteriorate, and the power market embarked on a course of "**Double Reductions and Double Lows**" ("**雙降雙低**"), (i.e. reduction of tariffs and reduction of utilization hours, and low power growth rate and low power load), the market competition has grown fiercely, which imposes great pressure on power generation companies. In 2016, the Group accelerated the optimization and adjustment of its corporate structure. In an effort to improve the overall performance of the Group, by optimizing team structure and intensifying business transformation and upgrading, the Group achieved steady growth in its business development, with main business performance indicators at their optimum in the past three years.

Environmental Protection Business

As at 31 December 2016, there were 35 desulfurization projects under construction, with an installed capacity of 30,205MW, including 19 desulfurization transformation projects with an installed capacity of 16,750MW, among which, there were 3 desulfurization concession transformation projects, with an installed capacity of 2,200MW; 16 newly built desulfurization EPC projects, with an installed capacity of 13,455MW, including 1 newly built desulfurization concession project, with an installed capacity of 1,320MW. There are 27 denitrification projects under construction, with an installed capacity of 21,010MW, including 17 denitrification transformation projects with an installed capacity of 11,095MW; 10 newly built denitrification EPC projects, with an installed capacity of 9,915MW, including 1 newly built denitrification concession project, with an installed capacity of 1,320MW.

Due to the integration of concession business and optimization of concession operation assets, the operation models of concession operations changed into three types: concession models, the operation and maintenance model of general contracting for tariff (only for the desulfurization generating units at present. This model generated income from tariff for desulfurization and assumed 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 (only for the desulfurization generating units at present. This model generated income from general operations and maintenance). As at 31 December 2016, the desulfurization concession operation of the Group had an aggregate installed capacity of 14,570MW, the operating units of the denitrification concession operation had an aggregate installed capacity of 11,000MW; the desulfurization generating units under the model of general contracting for tariff were of 3,340MW; the desulfurization generating units under the operation and maintenance model had an installed capacity of 16,690MW.

In 2016, as the stimulatory effect of the denitrification policy subsided, the conventional low-NOx combustion equipment business experienced a rapid decline. Going forward, the research and development of the new products of low-NOx combustion equipment business of the Group will help to improve the overall profitability of the low-NOx combustion equipment business.

For the year ended 31 December 2016, the annual production capacity of the denitrification catalysts of the Group was approximately 24,000.0m^3. During the year, the Group processed approximately 205.2 million tons of sewage (including reclaimed water), representing a decrease of 13.5% compared to that of 2015, and the cumulative chemical oxygen demand (COD) emissions was approximately 76,000 tons.

Energy Conservation Solutions Business

For the Group's energy conservation solutions business, the plasma ignition business of the Group was influenced by industry policies and experienced a decrease in market demand and an increase in operating pressure. The expansion of overseas business markets including India, Korea and Turkey, etc. as well as the demonstration and application of new technology will be conducive to the development of the energy conservation business segment of the Group. In 2016, the Group entered into new energy management contracts ("EMC") with a cumulative value of approximately RMB107.4 million. The Group's two general contracting projects for power stations in Hami, Xinjiang and Ledong, Hainan have passed the quality examinations for project construction, attaining a high standard. Construction work for the project in Lanzhou, Gansu has also commenced, with high standards applied. On the one hand, the Group facilitated the projects in Shanghaimiao, Inner Mongolia and Zhundong, Xinjiang, and on the other hand, it further expanded into the general contracting business of power stations in the clean energy industry.

Wind Power Products and Services Business

The Group's WTG sales volumes by product type for the years ended 31 December 2016 and 2015 are set forth below:

	Completed Sales *(units)*		**Orders** *(units)* **As at 31 December 2016**	
	2016	2015	**Confirmed Orders**	**Successful Tenders**
1.5MW	**427**	631	**206**	**1**
2.0MW	**725**	624	**805**	**323**
3.0MW	**–**	21	**15**	**–**
Total	**1,152**	1,276	**1,026**	**324**

Investment in wind power in the PRC decreased for the first time in 2016, while demand for the Group's main product for the wind power products and services segment, the WTGs, began to slow down in 2016. In 2016, the Group further improved the quality control system for its wind turbine products by implementing whole-process quality control, passing a systematic qualification package covering quality, environment and occupational health and safety and obtaining qualification certificates from both an international authoritative organisation, UKAS, and the only qualified domestic organisation, CNAS. 3 QC projects won the Excellence Award granted by Beijing Quality Association. The average malfunctioning rate of the WTGs in use was 0.024 occurrence/unit/day, a troubleshooting maintenance time of 3.46 hours/occurrence, with a year-on-year decrease of 7.7% and 3.9% respectively. Meanwhile, the orders of wind turbine products from the outside system market grew amid difficult times and achieved outstanding performance. New orders for the whole year amounted to RMB2.08 billion, representing a year-on-year increase of 196.0%. The wind turbine products and services business maintained the sustained development growth trend, and Guodian Group was listed among the top 500 new energy enterprises in the world for the second consecutive year.

Steadily Expanding into the Domestic Market

The Group has made significant progress in expanding into the domestic market. The total value of the contracts with customers outside of Guodian Group accounted for approximately 25.55% of the total value of new contracts entered into by the Group in the whole year. The local electric power enterprises and the affiliated electric power, chemical engineering and coal enterprises became new customers of the Group. In 2016, business in relation to the environmental protection sector market was stable, successfully signing the outer system large-scale million installed units denitrification and moisture removal EPC project, with orders amounting to RMB236 million. In the wind generator sector, there was a rather large increase in outer system wind power orders, of which foreign orders amounted to up to 24.98%. 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, the Group can carry out marketing efforts in an effective and synergic manner.

Actively Expanding into Overseas Market

In 2016, the Group actively explored the overseas market and scientifically enlarged the overseas marketing network. In 2016, the total value of new contracts was approximately RMB282.04 million, which mainly includes:

- a (3+1)×135MW power station seawater desulfurization project in the Philippines

- a 2X660MW seawater desulfurization EP (design, procurement and contracting) project in the Philippines

Dedication to Technological Innovation and Research and Development

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

- Setting up a complete scientific and technological R&D system. The Group now has 4 national scientific R&D platforms including the "**national key laboratory for wind power equipment and system technology**", 12 provincial scientific R&D platforms, and 2 postdoctoral scientific research centers, with incomparable advantages in this regard domestically.

- Undertaking major scientific projects and participating in the enactment of national and industrial standards. The Group's subsidiaries, Beijing Guodian Longyuan Environmental Engineering Co., Ltd. ("**Longyuan Environmental**"), Yantai Longyuan Power Technology Co., Ltd. ("**Longyuan Technology**"), Beijing Guodian Zhishen Control Technology Co., Ltd. and Guodian Longyuan Power Technology and Engineering Co., Ltd. were approved to assume the sub-project of the "Coal-fired Power Station Low Cost and Ultra Low Emission Control Technology and Equipment", which is a national key R&D project funded by the Ministry of Science and Technology. The Group actively participated in formulating and modifying national and industrial standards. By the end of 2016, it had participated in formulating 20 international and national standards, and 19 industrial standards. In 2016, the Group gained a total of 223 patents, including 81 for invention.

- Greatly promoting new technologies and transforming advanced technologies into product advantage. The Group worked hard to push forward the integrated application and innovation of advanced mature products, such as the desulfurization and denitrification of the Company, plasma low-nitrogen combustion, water treatment and automation into demonstration projects. It promoted the construction of demonstration project in Taizhou power plant featuring "key technology for secondary reheating of 1,000MW ultra supercritical units", a project funded by the national sci-tech support plan, in a high-standard and high-quality manner; it made positive efforts in pressing ahead with the R&D and popularization of ultra-clean treatment technology targeted at coal-fired power plant flue gas emissions; doubled efforts were also made to promote the R&D and application of PM2.5 removal technology. The Group's subsidiary, Guodian United Power Technology Co., Ltd. ("**United Power**") completed the R&D and application of 1.5MW-97, 2MW-115 and 2MW-121 wind turbines for the low wind speed areas with the average wind speed lingering at 5.5–6.5m/s; Guodian Longyuan Electrical Co., Ltd. successfully finished the R&D of the third-generation converter; the Group vigorously advanced the R&D and application of zero wastewater discharge for thermal power plants.

As a result of the remarkable achievements in technological innovation and R&D, in 2016, the Group has established a strong foothold in this field while winning numerous awards:

- United Power was awarded "**the Second Prize for National Environmental Protection Science and Technology Progress Award**" by the State Council for its "key technology and application on new energy power generation dispatch and operation".

- Longyuan Environmental was awarded "**the Second Prize for National Environmental Protection Science and Technology Award**" by the Ministry of Environmental Protection for its "dual-cycle limestone-gypsum wet flue gas desulfurization technology for ultra-low emissions of coal-fired power plants".

- Longyuan Environmental and United Power were awarded "**the Third Prize for the China Power Science and Technology Progress Award**" by Chinese Society of Electrical Engineering for their "limestone-gypsum wet dual-cycle desulfurization technology for ultra-low emissions of coal-fired power plants" and "research on key technology and R&D for low wind speed MW wind turbine generators" respectively.

- United Power was awarded "**the Third Prize for Science and Technology Progress Award of Hebei Province**" for "the development and manufacture of 2MW low wind speed wind turbine generator", "**the Third Prize for Science and Technology Progress Award of Jiangsu Province**" for its "2MW low wind speed double-fed induction wind turbine generator" and "**the First Prize for the China Power Technological Innovation Award**" by China Electricity Council for its "research on key technology and R&D for low wind speed MW wind turbine generators".

- Longyuan Technology was awarded "**the Second Prize for the China Power Technological Innovation Award**" by China Electricity Council for its "'W'-type boiler low-NOx coal power combustion" technology.

ANALYSIS OF 2016 FINANCIAL RESULTS

Please read this section in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

Analysis of Consolidated Results

Revenue

Total revenue of the Group in 2016 was approximately RMB15,970.7 million, representing a decrease of 22.7% from approximately RMB20,654.4 million in 2015. Compared with 2015, the Group's revenues decreased, which was mainly due to the decrease in business volume of the various business sectors as a result of industry and market impact. Revenues from environmental protection, energy conservation solutions, wind power products and services, and solar power products and services businesses (discontinued operation) decreased by approximately RMB1,837.3 million, RMB1,724.1 million, RMB578.8 million and RMB488.9 million, respectively, representing decreases of 23.7%, 55.2%, 6.7% and 71.4%, respectively as compared to those for 2015. The decrease in revenues from environmental protection business was mainly due to the Group's disposal of certain desulfurization and denitrification assets and cessation of relevant desulfurization concession businesses and the significant decrease in revenue from the EPC project general contracting business. The decrease in revenue from energy conservation solutions business in 2016 was primarily due to: the bulk of the construction for the Group's two general contracting projects for power stations in Hami, Xinjiang and Ledong, Hainan had been finished in previous years and only part of the work needed to be done in 2016 in order to complete the projects; the general contracting projects of power stations in Lanzhou, Gansu and Shanghaimiao, Inner Mongolia just started the construction work in late 2016 and there has been no significant progress so far, which caused a significant decrease in revenue generated from the general contracting business of power stations; and the market demand for plasma business quickly reduced, leading to a significant decrease in revenue. The decrease in the revenue attributable to the wind power products and services business was mainly attributable to the slight decrease in number of wind turbines of the Group which completed testing in 2016. The decrease in the revenue of solar power products and services businesses (discontinued operation) was primary due to the Group's decisions to discontinue all solar power business by the end of 2015 and to dispose of the 90% equity interest in Guodian Solar Co., Ltd. ("**GD Solar**"), a wholly-owned subsidiary of the Company, by entering into an agreement with Tianjin Zhonghuan Semiconductor Co., Ltd. ("**Zhonghuan**") in 2016 (the assets to be disposed of mainly include high-efficiency production lines etc., which is not yet completed as at the date of this announcement).

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 2016 and 2015, respectively:

	2016 *(RMB million)*	**%**	2015 *(RMB million)*	%
Environmental protection and energy conservation solutions:				
Environmental protection	**5,912.7**	**37.0**	7,750.0	37.5
Energy conservation solutions	**1,400.5**	**8.8**	3,124.6	15.1
Renewable energy equipment manufacturing and services:				
Wind power products and services	**8,038.8**	**50.3**	8,617.6	41.8
Solar power products and services (discontinued operation)	**195.4**	**1.2**	684.3	3.3
All others	**423.3**	**2.7**	477.9	2.3
Total	**15,970.7**	**100.0**	20,654.4	100.0

Cost of sales

In 2016, the cost of sales for the Group amounted to approximately RMB12,397.5 million, representing a decrease of approximately RMB4,631.7 million or 27.2%, as compared to that in 2015 of approximately RMB17,029.2 million. This decrease was primarily due to the combined effect of: (1) the consistent decrease in selling costs and revenue for the Group's energy conservation solutions, wind power products and services, environmental protection and solar power products and services (discontinued operation); and (2) the decrease in the market price of large materials.

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 2016 and 2015, respectively:

	2016 *(RMB million)*	**%**	2015 *(RMB million)*	%
Environmental protection and energy conservation solutions:				
Environmental protection	**4,769.0**	**38.5**	6,359.8	37.3
Energy conservation solutions	**1,144.8**	**9.2**	2,812.9	16.5
Renewable energy equipment manufacturing and services:				
Wind power products and services	**6,044.5**	**48.8**	6,737.4	39.6
Solar power products and services (discontinued operation)	**190.2**	**1.5**	865.2	5.1
All others	**249.0**	**2.0**	253.9	1.5
Total	**12,397.5**	**100.0**	17,029.2	100.0

Gross profit and gross profit margin

For the foregoing reasons, gross profit of the Group in 2016 amounted to approximately RMB3,573.2 million, representing a decrease of approximately RMB52.0 million, or 1.4%, as compared to that in 2015 of approximately RMB3,625.2 million. The decrease in gross profit was mainly due to the decrease in gross profit for the environmental protection and energy conservation solutions, the decrease of which was greater than the increase in gross profit for wind power products and services. The average gross profit margin of the Group across all segments of the Group increased from 17.6% in 2015 to 22.4% in 2016. The increase in gross profit margin was primarily attributable to the significant increase in gross profit margin for energy conservation solutions and the slight increase in gross profit margin for the Group's wind power products and services business and environmental protection business. The significant increase in gross profit margin for energy conservation solutions was primarily attributable to the higher increase in gross profit margin for the general contracting business of power stations, which is a newly developed business area of the Group in recent years. Although it has been carried out for a short time, with the benefit of the execution experience and technical personnel reserve from single EPC projects such as the desulfurization and water-related projects in the previous stage, it has become an important profit growth point for the development of the Group in just two years' time.

The following table sets out the Group's gross profit and gross profit margins by segment for the years ended 31 December 2016 and 2015, respectively:

	2016		2015	
	(RMB million)	*%*	*(RMB million)*	*%*
Environmental protection and energy conservation solutions:				
Environmental protection	**1,143.7**	**19.3**	1,390.2	17.9
Energy conservation solutions	**255.7**	**18.3**	311.7	10.0
Renewable energy equipment manufacturing and services:				
Wind power products and services	**1,994.3**	**24.8**	1,880.2	21.8
Solar power products and services (discontinued operation)	**5.2**	**2.7**	(180.9)	(26.4)
All others	**174.3**	**41.2**	224.0	46.9
Total	**3,573.2**	**22.4**	3,625.2	17.6

Other revenue

Other revenue of the Group's continuing operations decreased by RMB20.0 million, or 6.1%, from approximately RMB325.5 million for 2015 to approximately RMB305.5 million for 2016, which was primarily due to the decrease of interest income; other revenue of the Group's discontinued operation increased by RMB32.5 million, or 401.2%, from approximately RMB8.1 million for 2015 to approximately RMB40.6 million, which was primarily due to the one-off tax refund of RMB17.8 million in 2016.

Other net income/(loss)

The other net income from continuing operations of the Group for 2016 is approximately RMB328.8 million, while other net income for 2015 was approximately RMB29.3 million. That was primarily due to the net gain from disposal of equity in an associate, Longyuan Cooling, of RMB189 million. Other net income from the Group's discontinued operation is approximately RMB87.7 million, representing an increase of RMB93.0 million as compared to other net loss of approximately RMB5.7 million in 2015, which is primarily due to the Group having negotiated with its creditors and having recorded a net gain as part of the Group's discontinuation of its operation in the solar power products and services segment.

Selling and distribution expenses

Selling and distribution expenses of the Group's continuing operations increased by RMB230.5 million, or 20.3%, from approximately RMB1,136.4 million for 2015 to approximately RMB1,366.9 million for 2016. The increase was primarily due to the increase in maintenance costs for WTG products; selling and distribution expenses of the Group's discontinued operation slightly increased by RMB0.6 million, or 6.3%, from approximately RMB9.5 million for 2015 to approximately RMB10.1 million.

Administrative expenses

Administrative expenses of the Group's continuing operations decreased by approximately RMB276.5 million, or 13.1%, from approximately RMB2,113.5 million for 2015 to approximately RMB1,837.0 million for 2016; administrative expenses of the Group's discontinued operation decreased by approximately RMB4,040.3 million, or 97.4%, from approximately RMB4,150.0 million for 2015 to approximately RMB109.7 million. The decrease in administrative expenses for the year was primarily due to the Group recording impairment losses resulting from the Group's discontinuation of operation in the solar power products and services segment during the year ended 31 December 2015.

Operating profit/(loss)

As a result of foregoing factors, operating profit of the Group's continuing operations increased by approximately RMB87.5 million, or 9.6%, from approximately RMB911.0 million for 2015 to approximately RMB998.5 million for 2016; operating profit of the Group's discontinued operation increased by approximately RMB4,351.8 million, from loss of approximately RMB4,338.1 million for 2015 to profit of approximately RMB13.7 million.

Finance costs

Finance cost of the Group's continuing operations increased by approximately RMB14.3 million, or 2.5%, from approximately RMB576.1 million for 2015 to approximately RMB590.4 million for 2016; finance cost of the Group's discontinued operation decreased by RMB177.4 million, from approximately RMB325.2 million for 2015 to approximately RMB147.8 million.

Profit/(loss) before taxation

As a result of foregoing factors, profit before taxation of the Group's continuing operations increased by approximately RMB316.1 million, or 162.8%, from approximately RMB194.2 million for 2015 to approximately RMB510.3 million; loss before taxation of the Group's discontinued operation decreased by approximately RMB4,529.2 million, or 97.1%, from approximately RMB4,663.3 million for 2015 to approximately RMB134.1 million.

Income tax

The Group's income tax charges for continuing operations decreased by approximately RMB17.2 million, or 12.3%, from RMB139.9 million for 2015 to RMB122.7 million for 2016.

The effective tax rate for the Group's continuing operations decreased from 72.0% for 2015 to 24.0% for 2016, which was primarily due to the Group not recognizing deferred tax assets in respect of certain unutilised tax losses and unutilised tax credits in the year ended 31 December 2015.

Profit for the year

As a result of foregoing factors, the Group recorded profit for the year of approximately RMB253.5 million in 2016, as compared with the loss of approximately RMB4,689.7 million in 2015.

Loss attributable to non-controlling interests

As a result of the foregoing, loss attributable to non-controlling interests of the Group decreased by approximately RMB1.2 million, or 2.4%, from approximately RMB50.1 million for 2015 to approximately RMB48.9 million for 2016.

Profit attributable to equity shareholders of the Company

As a result of the foregoing, profit attributable to equity shareholders of the Company was approximately RMB302.4 million for 2016, representing an increase of approximately RMB4,942.0 million, or 106.5%, from a loss attributable to equity shareholders of the Company of approximately RMB4,639.6 million for 2015.

Analysis of Segment Results

The following table sets out the 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 2016 and 2015, respectively:

	2016			2015
	(RMB million)	*%*	*(RMB million)*	*%*
Environmental protection and energy conservation solutions				
Environmental protection:				
Revenue	**5,912.7**	**37.0**	7,750.0	37.5
Gross profit	**1,143.7**	**32.0**	1,390.2	38.3
Operating profit	**511.6**	**50.5**	236.1	(6.9)
Energy conservation solutions:				
Revenue	**1,400.5**	**8.8**	3,124.6	15.1
Gross profit	**255.7**	**7.2**	311.7	8.6
Operating profit	**53.1**	**5.2**	208.0	(6.1)

	2016			2015
	(RMB million)	**%**	*(RMB million)*	%
Renewable energy equipment manufacturing and services				
Wind power products and services:				
Revenue	**8,038.8**	**50.3**	8,617.6	41.8
Gross profit	**1,944.3**	**55.8**	1,880.2	51.9
Operating profit	**209.5**	**20.7**	422.9	(12.3)
Solar power products and services (discontinued operation):				
Revenue	**195.4**	**1.2**	684.3	3.3
Gross profit	**5.2**	**0.1**	(180.9)	(5.0)
Operating profit	**13.7**	**1.4**	(4,338.1)	126.6

Environmental Protection and Energy Conservation Solutions

Environmental protection

Revenue

Revenue from the environmental protection business decreased by approximately RMB1,837.3 million or 23.7%, from approximately RMB7,750.0 million for 2015 to approximately RMB5,912.7 million for 2016. The decrease was mainly attributable to the decrease in revenue from the desulfurization, denitrification, low NOx and ash removal businesses of the Group. Compared with the corresponding period of 2015, revenue generated from the SO_2 emission reduction business decreased by approximately RMB569.9 million, or a decrease of approximately 15.2%; revenue generated from the NOx emission reduction business decreased by approximately RMB904.6 million, or a decrease of approximately 47.7%; and revenue generated from the low NOx combustion equipment business decreased by approximately RMB243.2 million, or a decrease of approximately 60.7%. The decrease of environmental protection business of the Group was mainly attributable to the Group having disposed of certain desulfurization and denitrification assets and having ceased the relevant businesses during the year ended 31 December 2016.

The following table sets out the revenues from the business lines comprising the Group's environmental protection business, each as a percentage of the revenue from this business, for the years ended 31 December 2016 and 2015, respectively:

	2016		2015	
	(RMB million)	***%***	*(RMB million)*	*%*
SO_2 emission reduction	**3,167.7**	**53.5**	3,737.6	48.2
NOx emission reduction	**992.0**	**16.8**	1,896.6	24.5
Low NOx combustion equipment	**157.6**	**2.7**	400.8	5.2
Water treatment	**1,158.4**	**19.6**	1,088.0	14.0
Ash removal	**437.0**	**7.4**	627.0	8.1
Total	**5,912.7**	**100.0**	7,750.0	100.0

Cost of sales

Cost of sales for the environmental protection business of the Group decreased by approximately RMB1,590.8 million, or 25.0%, from approximately RMB6,359.8 million for 2015 to approximately RMB4,769.0 million for 2016, which was consistent with the decrease in revenues from these 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 RMB246.5 million, or 17.7%, from approximately RMB1,390.2 million for 2015 to approximately RMB1,143.7 million for 2016. Gross profit margin for this business increased from 17.9% to 19.3%, which was primarily attributable to the increases in gross profit margins for the SO_2 emission reduction, NOx emission reduction and ash removal 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 2016 as compared with the year ended 31 December 2015:

	2016	2015
	(%)	*(%)*
SO_2 emission reduction	**20.0**	15.9
NOx emission reduction	**29.5**	25.1
Low NOx combustion equipment	**11.9**	12.1
Water treatment	**15.7**	21.8
Ash removal	**18.6**	16.7

Energy conservation solutions

Revenue

Revenue attributable to the energy conservation solutions business decreased by approximately RMB1,724.1 million or 55.2%, from approximately RMB3,124.6 million for 2015 to approximately RMB1,400.5 million for 2016. The decrease was mainly due to the fact that the bulk of the construction for the two projects in Hami of Xinjiang and Ledong of Hainan undertaken by the general contracting business of power station construction of the Group had been finished in previous years and only part of the work needed to be done in 2016 in order to complete the projects, while those in Lanzhou of Gansu and Shanghaimiao of Inner Mongolia just started the construction work in late 2016 and there has been no significant progress so far, resulting in the significant decrease in revenue generated from the general contracting business of power stations.

The following table sets out the revenues from the business lines comprising the Group's energy conservation solutions business, each as a percentage of revenue from this business, for the years ended 31 December 2016 and 2015 respectively.

	2016 *(RMB million)*	**%**	2015 *(RMB million)*	%
Plasma-assisted coal ignition and combustion stabilization	**238.5**	**17.0**	360.8	11.5
Steam turbine flow passage retrofitting and maintenance	**40.1**	**2.9**	60.1	1.9
Energy management contract ("**EMC**")	**107.4**	**7.7**	146.4	4.7
Waste heat recovery	**6.0**	**0.4**	–	–
General contracting for power stations	**941.8**	**67.2**	2,495.5	79.9
Boiler comprehensive utilization and retrofitting	**66.7**	**4.8**	61.8	2.0
Total	**1,400.5**	**100.0**	3,124.6	100.0

Cost of sales

Cost of sales for the energy conservation solutions business decreased by approximately RMB1,668.1 million or 59.3%, from approximately RMB2,812.9 million for 2015 to approximately RMB1,144.8 million for 2016. Such decrease was consistent with the decrease in revenue from this business segment.

Gross profit and gross profit margins

As a result of the foregoing reasons, gross profit attributable to the energy conservation solutions business decreased by approximately RMB56.0 million, or 18.0%, from approximately RMB311.7 million for 2015 to approximately RMB255.7 million for 2016. Gross profit margin for this business increased from 10.0% to 18.3%, mainly attributable to the increased gross profit margin of steam turbine flow passage retrofitting and maintenance, energy management contract, general contracting for power stations and boiler comprehensive utilization and retrofitting.

The following table sets out the changes in gross profit margins for the business lines comprising the Group's energy conservation solutions business for the year ended 31 December 2016 as compared with the year ended 31 December 2015:

	2016	2015
	(%)	*(%)*
Plasma-assisted coal ignition and combustion stabilization	**23.6**	36.2
Steam turbine flow passage retrofitting and maintenance	**74.6**	57.6
EMC	**30.0**	14.7
Waste heat recovery	**(35.0)**	–
General contracting for power stations	**15.1**	5.8
Boiler comprehensive utilization and retrofitting	**16.5**	(5.6)

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 RMB578.8 million, or 6.7%, from approximately RMB8,617.6 million for 2015 to approximately RMB8,038.8 million for 2016. The decrease in the revenue attributable to the wind power products and services business was mainly attributable to the slight decrease in number of wind turbines of the Group which completed testing during the year.

Cost of sales

Cost of sales attributable to the wind power products and services business decreased by approximately RMB692.9 million or 10.3%, from approximately RMB6,737.4 million for 2015 to approximately RMB6,044.5 million for 2016, which was mainly attributable to the decrease of purchase price of domestic bulk materials during the year.

Gross profit and gross profit margin

As a result of the foregoing reasons, gross profit attributable to the wind power products and services business increased by approximately RMB114.1 million or 6.1%, from RMB1,880.2 million for 2015 to RMB1,994.3 million for 2016. Gross profit margin for this business increased from 21.8% for 2015 to 24.8% for 2016 was primarily due to the scientifically effective decrease in costs during the course of raising quality and services for WTG products.

Solar power products and services (Discontinued operation)

Revenues

Revenue attributable to the solar power products and services business decreased by approximately RMB488.9 million or 71.4%, from approximately RMB684.3 million in 2015 to approximately RMB195.4 million in 2016. The decrease was mainly due to a significant decrease in revenue from the Group's shutdown of production lines in solar power products manufacturing business.

Cost of sales

Cost of sales attributable to the solar power products and services business decreased by approximately RMB675.0 million or 78.0%, from approximately RMB865.2 million in 2015 to approximately RMB190.2 million in 2016. Such a downward trend was consistent with the decrease in revenue from the above business segment.

Gross profit

As a result of the foregoing reasons, the solar power products and services business of the Group recorded a gross profit of approximately RMB5.2 million for the year ended 31 December 2016, as compared with the gross loss of approximately RMB180.9 million for the corresponding period of 2015.

Liquidity and Source of Capital

In 2016, 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 2016 and 2015, and the cash and cash equivalents as at 31 December 2016 and 2015, respectively:

	2016	2015
	(RMB million)	*(RMB million)*
Net cash generated from operating activities	**1,518.3**	4,905.8
Net cash generated from/(used in) investing activities	**2,703.3**	(757.3)
Net cash used in financing activities	**(2,174.0)**	(4,272.2)
Cash and cash equivalents as at 31 December	**4,382.7**	2,325.5

Net cash generated from operating activities

Net cash generated from the Group's operating activities for 2016 was approximately RMB1,518.3 million, as compared to the net cash generated from the Group's operating activities of approximately RMB4,905.8 million for 2015, was mainly due to the increase of the Group's receivables during the year.

Net cash generated from/(used in) investing activities

Net cash generated from the Group's investing activities for 2016 was approximately RMB2,703.3 million, as compared to the net cash used in the Group's investing activities of approximately RMB757.3 million for 2015. The increase of the net cash generated from the Group's investing activities was mainly attributable to the proceeds from disposal of desulfurization and denitrification assets in 2016.

Net cash used in financing activities

Net cash used in the Group's financing activities for 2016 was approximately RMB2,174.0 million, as compared to the net cash used in the Group's financing activities of approximately RMB4,272.2 million for 2015, primarily due to the Group's new private placement bonds of RMB1,387 million during the year.

Working Capital

As at 31 December 2016, the Group's cash and cash equivalents were approximately RMB4,382.7 million, representing an increase of approximately RMB2,057.2 million, as compared to RMB2,325.5 million for the same period of 2015. As at 31 December 2016, the Group had total unutilised bank facilities of approximately RMB17,534.0 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 62.6% as at 31 December 2015 to 53.8% as at 31 December 2016.

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 RMB2,722.2 million as at 31 December 2016, which decreased by approximately RMB770.2 million, or 22.1%, from approximately RMB3,492.4 million as at 31 December 2015. The decrease was primarily attributed to the decrease in inventories for the WTG finished products and photovoltaic raw materials, work-in-progress and finished products.

Trade and bills receivables

Trade and bills receivables increased by approximately RMB123.9 million or 0.9% from approximately RMB13,912.7 million as at 31 December 2015 to approximately RMB14,036.6 million as at 31 December 2016.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables decreased by approximately RMB26.9 million or 1%, from approximately RMB2,419.8 million as at 31 December 2015 to approximately RMB2,392.9 million as at 31 December 2016. The decrease was primarily attributable to a decrease in inventory procurement for the Group's wind power products and services business and prepayments relating to construction contracts for the Group's environmental protection business.

Trade and bills payables

Trade and bills payables decreased by RMB2,199.9 million or 17% from approximately RMB13,021.7 million as at 31 December 2015 to approximately RMB10,821.8 million as at 31 December 2016, which was primarily attributable to a decrease in sales volume for the year of the Group causing a reduction in the procurement of raw materials required for the production of WTG equipment, thus a decrease in payables.

Indebtedness

The following table sets forth the Group's borrowings as at 31 December 2016 and 2015:

	As at 31 December 2016 *(RMB million)*	As at 31 December 2015 *(RMB million)*
Long-term interest bearing borrowings		
Bank loans:		
Secured	**202.3**	928.3
Unsecured	**337.6**	881.7
Other loans	**605.1**	54.6
Private placement notes (unsecured)	**2,441.4**	996.9
Corporate bonds	**2,843.2**	2,838.5
Sub-total	**6,429.6**	5,700.0
Less: Current portion of long-term borrowings	**(1,314.0)**	(907.3)
Total	**5,115.6**	4,792.7
Short-term interest bearing borrowings		
Bank loans:		
Secured	**520.0**	553.0
Unsecured	**6,044.0**	8,610.0
Other loans		
Guodian (unsecured)	**600.0**	300.0
Related parties under Guodian		
Secured		
Unsecured	**–**	379.4
Private placement notes (unsecured)		
Current portion of long-term borrowings	**1,314.0**	907.3
Total	**8,478.0**	10,749.7
Total indebtedness	**13,593.6**	15,542.4

As at 31 December 2016, the Group's total indebtedness decreased by approximately 12.5% from approximately RMB15,542.4 million as at 31 December 2015 to approximately RMB13,593.6 million. The decrease was mainly because the financing amount was reduced in 2016. The proportion of short-term indebtedness to overall indebtedness increased from approximately 69.2% as at 31 December 2015 to approximately 73.0% as at 31 December 2016, which was mainly due to changes in the structure of long-term borrowings and short-term borrowings as the current portion of long-term borrowings for the year increased.

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 2016 and 31 December 2015 respectively:

	As at 31 December 2016 *(RMB million)*	As at 31 December 2015 *(RMB million)*
Less than 1 year or on demand	**1,314.0**	907.3
More than 1 year but less than 2 years	**1,365.3**	380.5
More than 2 years but less than 5 years	**2,170.7**	2,728.3
More than 5 years	**1,579.6**	1,683.9
Total	**6,429.6**	5,700.0

The effective interest rate of the Group (determined by dividing total interest expenses for 2016 by the average of the sums of outstanding borrowings and other interest bearing payables as at 1 January 2016 and 31 December 2016) decreased from approximately 4.6% in 2015 to approximately 4.3% in 2016. 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 2016 primarily consisted of bid and performance guarantees provided by the Group.

Material investments

On 25 January 2016, the Group entered into an Investment Agreement with Guodian Shandong Electric Power Co., Ltd.("**Guodian Shandong**"), Shandong Ludian Energy Development Co., Ltd*("**Shandong Ludian**") and and Shandong Tuoneng Group Co., Ltd*("**Shandong Tuoneng**"), pursuant to which, the parties will make contributions to establish a JV Company which will be in charge of the investment in and construction of 2x1,000MW power generator units of Guodian Boxing Power Plant. On 24 June 2016, the Group entered into a supplemental agreement with Guodian Shandong, Shandong Ludian, Shandong Tuoneng and Shandong Boxing Xinda Construction Investment Development Co., Ltd.*. Pursuant to the Investment Agreement and the Supplemental Investment Agreement, the registered capital of the JV Company will be RMB1.6 billion and the Company will contribute RMB448 million, representing 28% of the registered capital.

In 2016, the Group's completed investments amounted to a total of RMB322.42 million. Of which, equity investments amounted to RMB89.60 million, which was the first capital contribution to establish a JV Company to invest and construct 2x1,000 MW power generator units of Guodian Boxing Power Plant. Infrastructure investments amounted to RMB8.26 million, which was used to pay the levy/lease and land-related taxes of wind power plant test construction by United Power in Chaganhua, Chifeng, Inner Mogolia. Technological reform investments amounted to RMB224.56 million and mainly technological upgrade and reform for SO_2 and NOx emission reductions concession projects were carried out.

Disposals or deemed disposals

On 5 February 2016, Longyuan Environment (a wholly-owned subsidiary of the Company) entered into a transfer agreement with each of the 27 subsidiaries of Guodian Group respectively to transfer certain desulfurization and denitrification assets.

On 3 May 2016, the Company entered into a cooperation framework agreement with Zhonghuan with a view to forging cooperation for the restructuring and equity transfer of GD Solar. On 1 July 2016, the Group and Zhonghuan entered into a sale and purchase agreement, pursuant to which, the Group disposed of 90% equity interest in GD Solar at a consideration of RMB658.93 million, and Zhonghuan would allot and issue 85,132,840 shares to the Group at the issue price of RMB7.74 per Consideration Share in satisfaction of its payment of consideration. Upon completion of the transaction, Zhonghuan will hold 90% equity interest in GD Solar and the Group will continue to hold 10% equity interest in GD Solar.

On 2 November 2016, Longyuan Environment (a wholly-owned subsidiary of the Group) disposed of 51% equity interest in its subsidiary Beijing Longyuan Environmental Engineering Co., Ltd.* (北京龍源環保工程有限公司) ("**Beijing Longyuan**") in a public listing process through China Beijing Equity Exchange at a consideration of RMB384.98 million. On 13 January 2017, both parties entered into a sale and purchase agreement. Upon completion of the sale and purchase agreement, Beijing Longyuan was no longer a subsidiary of the Group.

On 11 November 2016, United Power (a subsidiary of the Group) and China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) (a subsidiary of Guodian Group) entered into a sale and purchase agreement, pursuant to which, United Power disposed the entire equity interest in its wholly-owned subsidiary Guodian United Power Technology (Changchun) Co., Ltd.* (國電聯合動力技術(長春)有限公司) ("**Changchun Company**") at a consideration of RMB291.27 million. Upon completion of the sale and purchase agreement, Changchun Company will no longer be a subsidiary of the Group.

On 28 December 2016, United Power and Zhuji City Guo He Gong Ying Equity Investment Partnership (Limited Partnership)* (諸暨市國核工盈股權投資合夥企業(有限合夥))entered into a sale and purchase agreement, pursuant to which, United Power disposed of 85.8% equity interest in its subsidiary Guodian United Power Technology (Yixing) Co., Ltd.* (國電聯合動力技術(宜興)有限公司) ("**Yixing Company**") at a consideration of RMB256.23 million. Upon completion of the sale and purchase agreement, Yixing Company will no longer be 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 its bank deposit and cash in-hand, trade and bills receivables, deposits, prepayments and other receivables and other non-current assets. The Group has an internal credit policy to monitor its exposure to its counterparty credit risk on an ongoing basis.

A substantial part of all of the Group's cash is deposited in state-owned or state-controlled PRC banking institutions. Directors of the Company therefore consider counterparty risks with PRC banks 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. 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 the irregularity in its cash flow. The Group enforced regular settlement of receivables while ensuring sound operations, thereby significantly increasing 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 and long-term bonds and introducing financial leasing. Since 31 December 2015, it has issued a total of RMB2.4 billion private placement bonds. 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, Euros or Hong Kong dollars. In 2016, the Group recorded an exchange gain of RMB23.8 million, mainly because the Company's subsidiary, Guodian United Power Technology (Lianyungang) Co., Ltd. had amounts due from overseas projects which were priced in United States dollars and there had been an appreciation in the United States dollar. The Directors of the Company consider that the Group's exchange rate risk to be 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 currencies 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 prevent the Group from satisfying 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 changes in regulations.

Business prospects for 2017

Going forward, the Group shall face both opportunities and challenges in 2017. On the one hand, with the national regulation on the development of coal power, new energy saving and green low-carbon environmental protection industry has become the focus of national development. During the "**Thirteenth Five-Year**" plan period, the size of cogeneration units and flexible transformation of conventional coal power were approximately 133 million KW and 86 million KW respectively. Stock markets such as ultra low and ultra-ultra low emission technology, water saving and wastewater zero emission technology, which rely upon old power plant technology transformation, present tremendous favorable development potential. National polices targeting physical manufacturing industries, such as "Innovation-Entrepreneurship", "Made in China 2025", "Convergence of Informatization and Industrialization" and "Internet +" present enormous business opportunities. With the steady implementation of the development strategies of "One Belt, One Road" and "Go Global", the overseas market will become a new strategic highland of the Company.

On the other hand, as domestic economic growth continues to slow down and power overcapacity becomes increasingly prominent, thermal power enterprises are entering the winter season with shrinking market size and rising cost pressure, all of these will transfer to the relevant energy saving and environmental protection industries. At present, the Industry "4.0" age is coming. The Company's current research and development of new technologies and expansion on core businesses are yet to be sufficient, there is an urgent need to enhance the ability of technological innovation, relying on which to build the first-mover advantage and nurture a new strategic supporting point for future development, so as to improve the quality and efficiency of development.

To leverage on the favourable policies of the Chinese government, the Group intends to implement the following work in 2017 for its continuous development.

Accelerating structural optimization, promoting transition and upgrade

The Group plans to promote structural adjustment, optimizing the volume of stock and increment. It will accelerate downsizing, and with environmental protection, energy saving, general contracting for power stations, new energy products manufacturing services and operations, electronic informatization of electricity power and other sectors as the focus, to vigorously develop strategic emerging business. Through structural adjustment, the Group aims to solve the problem of unbalanced and uncoordinated business structure, and optimize the industrial layout and business mix, reducing ineffective and low-end supply and expanding effective and middle-to-high-end supply. It will promote the flow and optimization of elements, improving the efficiency of the allocation of elements, so as to promote the transformation and upgrade of the enterprise as a whole.

Strengthening technological innovation and institutional innovation

The Group intents to enhance the ability of independent innovation and self-development, through continuous technological innovation and nurturing high-tech capabilities, with a focus on the promotion of science and technology projects such as ultra low and ultra-ultra low emissions, water saving and wastewater zero emission, integration of coal-fired units reducing the coal consumption rate in power supply, nuclear power conventional island DCS applications, to form new advantages for enterprise transformation and development. It will optimize the organizational structure and management and control model, construct a "six-in-one" talent retention incentive system supported by incentives for chief engineers, internal trainers, distinguished experts and special talents, so as to stimulate the enthusiasm of key staff; and roll out pilot profit-sharing incentive schemes for professional managers and positions so as to release inherent motivation for enterprise development.

Integrating strengths, striving to expand the internal and external markets

The Group will explore the marketing system and reform of management and control model. The Group will experiment with the construction of regional channels to establish a sharing system of marketing information and resources within the company's system, in order to put together its high-quality resources to achieve the breakthrough in core customers and quality projects outside the system. In line with the national strategy of "One Belt, One Road", the Group will strengthen overseas business investment and coordination efforts, with the company in Hong Kong as a pioneer, to promote the development of international business.

Strengthening centralized management and control, effectively avoiding operational risks

The Group insists on further increasing its efficiency by improving its centralized management, so as to effectively avoid operational risks. In 2017, the Group will continue to strengthen centralized management and control of investment, procurement, finance and other aspects, and optimize business processes, with an aim to form an operating system featuring orderly convergence, efficient collaboration, upstream and downstream coordination and checks and balances. Through the improvement of the audit system, standardization of the management and control processes, strengthening of the financial base, promotion of corporate governance in accordance with the law and a series of other work, it can further strengthen its management and control capabilities, and enhance the efficiency of management and control.

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 2016.

DIVIDEND

The Board recommends not to distribute dividends for the year ended 31 December 2016.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In 2016, 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 ("**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 2016.

AUDITORS

KPMG and Union Power Certified Public Accountants (Special General Partnership) were appointed as the Company's international and PRC auditors, respectively, for the year ended 31 December 2016. The consolidated financial statements for the year ended 31 December 2016 of the Group prepared in accordance with the International Financial Reporting Standards have been audited by KPMG. KPMG has been appointed by the Company since the date of the Company's listing.

AUDIT COMMITTEE

The Group has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules. The Audit Committee is responsible for, inter alia, proposing to the Board regarding the appointment, reappointment and removal of external independent auditors, and monitoring the work of these auditors. The Audit Committee consists of Mr. FAN Ren Da Anthony (independent non-executive Director), Mr. SHEN Xiaoliu (independent non-executive Director) and Mr. ZHANG Wenjian (non-executive Director). The 2016 annual results of the Group and the financial statements for the year ended 31 December 2016, prepared in accordance with the International Financial Reporting Standards, have been reviewed by the Audit Committee of the Company.

MATERIAL LITIGATION AND ARBITRATION

During the year ended 31 December 2016, the Company was not involved in any material litigation or arbitration.

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 "**Exchange**") at http://www.hkexnews.hk and the Company's website at http://www.01296.hk, respectively.

The Company's 2016 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 the Exchange in due course.

By order of the Board
Guodian Technology & Environment Group Corporation Limited
Mr. YANG Guang
Chairman

Beijing, China, 30 March 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Yang Guang, Mr. Chen Dongqing and Mr. Tang Chaoxiong; the non-executive Directors are Mr. Wang Zhongqu, Mr. Zhang Wenjian, Mr. Feng Shuchen and Mr. Yan Andrew Y.; and the independent non-executive Directors are Mr. Shen Xiaoliu, Mr. Qu Jiuhui, Mr. Xie Qiuye and Mr. Fan Ren Da Anthony.