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Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

FINANCIAL AND OPERATION HIGHLIGHTS

- For the six months ended 30 June 2017, the revenue of the Group amounted to RMB2,994.0 million, representing a decrease of 4.7% as compared with the same period of last year.
- For the six months ended 30 June 2017, the gross profit of the Group amounted to RMB616.6 million and the gross profit margin of the Group amounted to 20.6%, representing a decrease of 13.8% and 2.2 percentage points as compared with the same period of last year, respectively.
- For the six months ended 30 June 2017, the total comprehensive income attributable to owners of the parent amounted to RMB282.0 million, representing a decrease of 29.6% as compared with the same period of last year.
- As at 30 June 2017, the cumulative installed capacity in operation of the Group's desulfurization and denitrification concession operation increased by 2,350 MW and 2,320 MW as compared with the end of last year, respectively.
- In June 2017, the production line of regenerated catalyst of the Group was completed and put into trial production, which increased a total capacity of 10,000 m³ for regenerated catalyst.
- For the six months ended 30 June 2017, the total contract amount of the Group's overseas business was approximately RMB516 million.

The board (the “**Board**”) of directors (the “**Directors**”) of Datang Environment Industry Group Co., Ltd. (the “**Company**”) hereby announces the unaudited financial results of the Company and its subsidiaries (the “**Group**” or “**we**” or “**us**”) for the six months ended 30 June 2017 (the “**Reporting Period**”), together with the comparable figures of the same period in 2016. The financial information of the Group for the six months ended 30 June 2017 set out by the Company in this results announcement is prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting and the disclosure requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

	<i>Notes</i>	Six months ended 30 June	
		2017	2016
		Unaudited RMB'000	Audited RMB'000
Revenue	4	2,994,018	3,142,088
Cost of sales		(2,377,383)	(2,427,109)
Gross profit		616,635	714,979
Selling and distribution expenses		(23,537)	(18,211)
Administrative expenses		(125,921)	(107,483)
Other income and gains	5	26,195	23,049
Finance costs	6	(90,668)	(99,415)
Exchange gains/(loss), net		(35,005)	44
Profit before tax		367,699	512,963
Income tax expense	7	(69,961)	(74,486)
Profit for the period		297,738	438,477

		Six months ended 30 June	
		2017	2016
		Unaudited	Audited
		RMB'000	RMB'000
Notes			
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
	Exchange differences on translation of foreign operations	(32)	(431)
	Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(32)	(431)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(32)	(431)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		297,706	438,046
Profit attributable to:			
	Owners of the parent	282,000	400,487
	Non-controlling interests	15,738	37,990
		297,738	438,477
Total comprehensive income attributable to:			
	Owners of the parent	281,982	400,267
	Non-controlling interests	15,724	37,779
		297,706	438,046
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	Basic and diluted (RMB)	9	
		0.10	0.17

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

		30 June 2017	31 December 2016
	Notes	Unaudited RMB'000	Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,926,956	6,643,229
Intangible assets		111,030	110,501
Prepaid land lease payments		19,764	19,996
Available-for-sale financial investment		5,000	5,000
Deferred tax assets		30,368	24,829
Other non-current assets		98,626	115,357
Total non-current assets		7,191,744	6,918,912
CURRENT ASSETS			
Inventories		113,236	130,286
Construction contracts		120,189	237,747
Trade and bills receivables	10	6,534,120	6,375,700
Prepayments, deposits and other receivables		1,388,114	1,235,130
Restricted cash		17,669	25,151
Cash and cash equivalents		1,900,140	3,012,614
Total current assets		10,073,468	11,016,628
CURRENT LIABILITIES			
Trade and bills payables	11	5,033,907	5,766,675
Other payables and accruals		1,697,680	1,047,059
Interest-bearing bank borrowings and other loans	12	1,070,880	1,166,318
Income tax payable		33,185	42,918
Total current liabilities		7,835,652	8,022,970
NET CURRENT ASSETS		2,237,816	2,993,658
TOTAL ASSETS LESS CURRENT LIABILITIES		9,429,560	9,912,570

		30 June 2017	31 December 2016
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings and other loans	12	3,088,378	3,465,837
Other non-current liabilities		31,097	31,379
Total non-current liabilities		3,119,475	3,497,216
Net assets		6,310,085	6,415,354
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,967,542	2,967,542
Reserves		3,183,505	3,272,466
		6,151,047	6,240,008
Non-controlling interests		159,038	175,346
Total equity		6,310,085	6,415,354

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2017								
(unaudited)								
As at 1 January 2017	2,967,542	1,315,483	163,538	1,081	1,792,364	6,240,008	175,346	6,415,354
Profit for the period	-	-	-	-	282,000	282,000	15,738	297,738
Other comprehensive income	-	-	-	(18)	-	(18)	(14)	(32)
Total comprehensive income				(18)	282,000	281,982	15,724	297,706
Dividends declared to shareholders (Note 8)	-	-	-	-	(370,943)	(370,943)	-	(370,943)
Dividends declared by a subsidiary to its non-controlling interests	-	-	-	-	-	-	(32,032)	(32,032)
As at 30 June 2017	<u>2,967,542</u>	<u>1,315,483</u>	<u>163,538</u>	<u>1,063</u>	<u>1,703,421</u>	<u>6,151,047</u>	<u>159,038</u>	<u>6,310,085</u>
Six months ended 30 June 2016								
(audited)								
As at 1 January 2016	2,400,000	64,865	73,529	(12)	961,809	3,500,191	126,880	3,627,071
Profit for the period	-	-	-	-	400,487	400,487	37,990	438,477
Other comprehensive income	-	-	-	(220)	-	(220)	(211)	(431)
Total comprehensive income	-	-	-	(220)	400,487	400,267	37,779	438,046
Dividends declared to owners of the parent (Note 8)	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Dividends declared by a subsidiary to its non-controlling interests	-	-	-	-	-	-	(2,491)	(2,491)
As at 30 June 2016	<u>2,400,000</u>	<u>64,865</u>	<u>73,529</u>	<u>(232)</u>	<u>1,262,296</u>	<u>3,800,458</u>	<u>162,168</u>	<u>3,962,626</u>

* These reserve accounts comprise the consolidated reserves of RMB3,183,505,000 and RMB1,400,458,000 as at 30 June 2017 and 2016, respectively, in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2017**(Amounts expressed in thousands of RMB unless otherwise stated)*

	Six months ended 30 June	
	2017	2016
	Unaudited	Audited
	RMB'000	RMB'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(21,316)	(55,035)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,455	4,401
Purchase of items of property, plant and equipment and intangible assets	(466,473)	(427,242)
Net cash flows used in investing activities	(463,018)	(422,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	253,450	621,300
Repayments of bank borrowings and other loans	(726,347)	(636,670)
Costs of issue of shares	(32,221)	–
Dividends paid	–	(103,718)
Interest paid	(88,076)	(100,294)
Net cash flows used in financing activities	(593,194)	(219,382)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,077,528)	(697,258)
Cash and cash equivalents at the beginning of the period	3,012,614	1,443,963
Effect of foreign exchange rate changes, net	(34,946)	1,568
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,900,140	748,273

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

The interim condensed consolidated financial statements have not been audited.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements to IFRSs Cycle – 2014–2016

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

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. However, the amendments have no effect on the Group's financial position and performance as the Group has no interest in a subsidiary, a joint venture or an associate that is classified as held for sale.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

2.3 Accounting judgments and estimates

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that are applied to the annual consolidated financial statements for the year ended 31 December 2016.

3. OPERATING SEGMENT INFORMATION

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

(a) Environmental protection and energy conservation solutions

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

(b) Renewable energy engineering

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

(c) Thermal power plants engineering general contracting

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

(d) Other businesses

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

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

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

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

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

Intersegment sales and transfer are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

Six months ended 30 June 2017 (unaudited)	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power plants engineering general contracting <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
Sales to external customers	2,169,294	717,114	–	107,610	2,994,018
Intersegment sales	–	–	–	5,948	5,948
	2,169,294	717,114	–	113,558	2,999,966
<i>Reconciliation:</i>					
Elimination of intersegment sales					(5,948)
Revenue					<u>2,994,018</u>
Segment results	531,754	41,552	–	(16,253)	557,053
<i>Reconciliation:</i>					
Other income and gains					26,195
Exchange gains/(loss), net					(35,005)
Corporate and other unallocated expenses					(89,876)
Finance costs					(90,668)
Profit before tax					<u>367,699</u>
As at 30 June 2017 (unaudited)					
Segment assets	14,881,873	1,751,065	67,589	597,652	17,298,179
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(755,153)
Corporate and other unallocated assets					722,186
Total assets					<u>17,265,212</u>
Segment liabilities	6,314,486	1,572,498	30,192	495,655	8,412,831
<i>Reconciliation:</i>					
Elimination of intersegment payables					(755,153)
Corporate and other unallocated liabilities					3,297,449
Total liabilities					<u>10,955,127</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

Six months ended 30 June 2016 (audited)	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power plants engineering general contracting <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
Sales to external customers	2,212,891	888,653	–	40,544	3,142,088
Intersegment sales	–	–	–	3,531	3,531
	2,212,891	888,653	–	44,075	3,145,619
<i>Reconciliation:</i>					
Elimination of intersegment sales					(3,531)
Revenue					<u>3,142,088</u>
Segment results	629,269	58,227	–	(15,491)	672,005
<i>Reconciliation:</i>					
Other income and gains					23,049
Exchange gains/(loss), net					44
Corporate and other unallocated expenses					(82,720)
Finance costs					<u>(99,415)</u>
Profit before tax					<u>512,963</u>
As at 31 December 2016 (audited)					
Segment assets	14,163,731	1,740,823	92,779	624,281	16,621,614
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(432,182)
Corporate and other unallocated assets					<u>1,746,108</u>
Total assets					<u>17,935,540</u>
Segment liabilities	5,087,071	1,545,296	79,444	513,898	7,225,709
<i>Reconciliation:</i>					
Elimination of intersegment payables					(432,182)
Corporate and other unallocated liabilities					<u>4,726,659</u>
Total liabilities					<u>11,520,186</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

Geographical information

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

Information about major customers

Revenue of approximately RMB2,286 million for the six months ended 30 June 2017 was derived from sales of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) (“**China Datang Group**”) (for the six months ended 30 June 2016: RMB2,684 million), including sales to a group of entities which are known to be under common control.

4. REVENUE

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

An analysis of revenue are as follows:

	Six months ended 30 June	
	2017	2016
	Unaudited	Audited
	RMB'000	RMB'000
Revenue		
Revenue from sales of goods	189,944	217,435
Revenue from construction services	1,469,004	1,704,194
Revenue from desulfurization and denitrification services	1,310,019	1,176,491
Revenue from other services	25,051	43,968
	2,994,018	3,142,088

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017	2016
	Unaudited RMB'000	Audited RMB'000
Other income		
Bank interest income	3,455	4,401
Government grants	22,767	18,650
	<u>26,222</u>	<u>23,051</u>
 Gains		
Loss on disposal of items of property, plant and equipment	(27)	(2)
	<u>26,195</u>	<u>23,049</u>

6. FINANCE COSTS

An analysis of finance costs are as follows:

	Six months ended 30 June	
	2017	2016
	Unaudited RMB'000	Audited RMB'000
Interest expenses on bank borrowings and other loans	94,863	108,997
Less: interest capitalized	(4,195)	(9,582)
	<u>90,668</u>	<u>99,415</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

7. INCOME TAX EXPENSE

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2017	2016
	Unaudited	Audited
	RMB'000	RMB'000
Current		
– PRC	74,545	75,393
– other countries	955	428
Deferred	(5,539)	(1,335)
	69,961	74,486

8. DIVIDENDS

On 24 March 2017, the Board of Directors proposed to distribute the final dividend for the period from 1 April 2016 to 31 December 2016 of RMB0.125 per share (before tax) of the Company in cash to the shareholders, which was approved by the shareholders at the 2016 annual general meeting of the Company on 30 June 2017. As at 30 June 2017, the final dividend was not paid to its shareholders.

The board of directors did not recommend distribution of any interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: the Company paid the dividend of RMB100 million for the year of 2015).

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

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

The Company did not have any potential dilutive shares in issue during the periods ended 30 June 2017 and 2016. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	Six months ended 30 June	
	2017	2016
	Unaudited	Audited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations (RMB)	<u>282,000,000</u>	<u>400,487,000</u>
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic/diluted earnings per share calculations	<u>2,967,542,000</u>	<u>2,400,000,000</u>
Earnings per share		
Basic/diluted earnings per share (RMB)	<u>0.10</u>	<u>0.17</u>

10. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for EPC contracts, where payment in advance is normally required. The credit period is generally within one year.

	30 June 2017	31 December 2016
	Unaudited RMB'000	Audited RMB'000
Trade receivables	6,016,630	5,879,063
Less: provision for impairment	<u>(97,192)</u>	<u>(91,312)</u>
	5,919,438	5,787,751
Bills receivable	<u>614,682</u>	<u>587,949</u>
	<u>6,534,120</u>	<u>6,375,700</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

An aging analysis of the trade and bills receivables as at the end of the Reporting Period, based on the invoice date (or date of revenue recognition, if earlier), as follows:

	30 June 2017	31 December 2016
	Unaudited RMB'000	Audited RMB'000
Within 1 year	3,758,559	4,427,993
Between 1 and 2 years	1,663,830	1,165,106
Between 2 and 3 years	762,993	686,358
Over 3 years	445,930	187,555
	6,631,312	6,467,012
Less: provision for impairment	(97,192)	(91,312)
	6,534,120	6,375,700

11. TRADE AND BILLS PAYABLES

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

For retention money payables, included in trade payables, in respect of guarantees granted by the suppliers, the due dates usually range from six months to one year after the completion of the construction work or the preliminary acceptance of equipment.

	30 June 2017	31 December 2016
	Unaudited RMB'000	Audited RMB'000
Bills payable	11,103	36,478
Trade payables	5,022,804	5,730,197
	5,033,907	5,766,675

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

An aging analysis of trade and bills payables as at the end of the Reporting Period, based on the invoice date (or date of purchase recognition, if earlier), is as follows:

	30 June 2017	31 December 2016
	Unaudited RMB'000	Audited RMB'000
Within 1 year	2,842,973	4,231,928
Between 1 year to 2 years	1,383,519	850,803
Between 2 years to 3 years	375,237	297,885
Over 3 years	432,178	386,059
	<u>5,033,907</u>	<u>5,766,675</u>

12. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

			30 June 2017	31 December 2016
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	Unaudited RMB'000	Audited RMB'000
Current				
Bank borrowings:				
– unsecured	3.92%	2017–2018	400,000	468,450
Other loans:				
– unsecured	3.91%	2017	50,000	50,000
Current portion of long-term bank borrowings and other loans:				
Bank borrowings – unsecured	4.28%–4.41%	2017–2018	612,627	514,115
Bank borrowings – guaranteed	4.28%–4.41%	2017–2018	8,253	3,753
Other loans-secured	5.02%	2017	–	130,000
			<u>620,880</u>	<u>647,868</u>
			<u>1,070,880</u>	<u>1,166,318</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

			30 June 2017	31 December 2016
	<i>Effective</i>		Unaudited	Audited
	<i>interest rate</i>	<i>Maturity</i>	RMB'000	RMB'000
	<i>(%)</i>			
Non-Current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	4.28%–4.79%	2018–2027	2,862,425	3,292,831
Bank borrowings – guaranteed	4.28%–4.90%	2018–2026	97,873	44,926
Other loans-unsecured	4.79%	2021	128,080	128,080
			3,088,378	3,465,837
			4,159,258	4,632,155
Interest-bearing bank borrowings and other loans denominated in:				
– RMB			4,159,258	4,632,155

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	30 June 2017	31 December 2016
	Unaudited RMB'000	Audited RMB'000
Analyzed into:		
Bank borrowings repayable:		
Within one year	1,020,880	986,318
In the second year	493,867	665,297
In the third to fifth years, inclusive	1,604,872	1,575,174
Beyond five years	861,559	1,097,286
	3,981,178	4,324,075
Other loans repayable:		
Within one year	50,000	180,000
In the second year	–	–
In the third to fifth years, inclusive	128,080	128,080
Beyond five years	–	–
	178,080	308,080
	4,159,258	4,632,155

13. EVENTS AFTER THE REPORTING PERIOD

There are no significant reportable events or transactions incurred after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. INDUSTRY OVERVIEW

In recent years, the size of the environmental protection and energy conservation industry where the Company operates has increased to RMB5 trillion in 2016 from RMB2.99 trillion in 2012, with the growth rate maintaining at over 15%. Continuously driven by the introduction of the policies, such as the 13th Five-Year Plan for the Development of Energy Conservation and Environmental Protection Industries (《「十三五」節能環保產業發展規劃》), the 13th Five-Year Comprehensive Action Plan for Energy Conservation and Emission Reduction (《「十三五」節能減排綜合工作方案》), and the Water Pollution Control Action Plan (《水污染防治行動計劃》) and the Soil Pollution Control Action Plan (《土壤污染防治行動計劃》), the environmental protection and energy conservation industry accelerated its development. It is expected that China's environmental protection and energy conservation industry will keep a growth rate of around 18% during 2017 to 2020. By around 2020, the size of the environmental protection and energy conservation industry will reach approximately RMB10 trillion, and its share of the Gross Domestic Product will increase to over 10% from the existing 7%.

During the first half of 2017, the Ministry of Environmental Protection reviewed and approved in principle the 13th Five-Year Action Plan for Prevention and Treatment of Volatile Organic Compound Pollution (《「十三五」揮發性有機物污染防治工作方案》). China National Environmental Monitoring Center issued the Technical Requirements on the National Network Soil Environment Monitoring for 2017 (《2017年國家網土壤環境監測技術要求》).

II. BUSINESS OVERVIEW

1. Environmental Protection and Energy Conservation Solution Business

1.1. Environmental protection facility concession operation business

As at 30 June 2017, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 35,910MW, representing an increase of 2,350MW as compared with the end of last year, and the installed capacity for desulfurization concession operation projects under construction reached 10,000MW. The cumulative installed capacity in operation for denitrification concession operations reached 29,780MW, representing an increase of 2,320MW as compared with the end of last year, and the installed capacity for denitrification concession operation projects under construction reached 8,680MW. The installed capacity for desulfurization entrusted operation project reached 1,960MW. During January to June 2017, the Group recorded a revenue of RMB1,310.0 million from the environmental protection facility concession operation business, and the gross profit margin reached 34.0%.

1.2. Denitrification catalysts business

As at 30 June 2017, the production volume and the sales volume of the denitrification catalysts business of the Group were 16,621.49m³ and 15,689.97m³, respectively. The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business as at 30 June 2017:

(Unit: m³)

<u>Production volume</u>	<u>Sales volume</u>	<u>Delivery volume</u>	Delivery volume to customers other than China Datang Group
16,621.5	15,690.0	21,947.7	5,970.4

In June 2017, the Group's regenerated catalysts production line was completed and put into trial production, which increased a capacity of 10,000m³ for regenerated catalysts. In addition, the Group has successfully expanded into the market of sales of denitrification catalysts in non-electric industry, and has obtained a number of orders in cement industry.

1.3. Environmental protection facilities engineering business

As at 30 June 2017, the Group cumulatively undertook 515 environmental protection facilities engineering projects and had completed 391 projects, including 40 ultra-low emission projects.

The Group's dust management business continued to keep a good development momentum. During January to June 2017, the Group entered into five new contracts with a total contract value of RMB600 million, and was awarded four projects.

The following table sets forth the breakdown of the environmental protection facilities engineering business of the Group as at 30 June 2017:

Projects	Projects under construction		Projects put into operation as at 30 June 2017		Total projects in operation	
	<i>Number</i>	<i>Capacity (MW)</i>	<i>Number</i>	<i>Capacity (MW)</i>	<i>Number</i>	<i>Capacity (MW)</i>
Desulfurization	17	14,810	9	6,260	75	50,400
Denitrification	13	15,180	3	1,560	102	64,120
Dust removal	21	18,420	6	4,760	62	41,050
Ultra-low emission	25	21,890	12	7,820	40	25,850
Ash and slag handling	22	11,580	7	4,280	100	36,308
Industrial site dust management	26	38,904	5	4,680	12	14,540

1.4. Water treatment business

As at 30 June 2017, the Group entered into contracts for three new water treatment engineering, procurement and construction (“EPC”) projects, including one new water treatment island EPC project. As at 30 June 2017, the Group has four water treatment operation projects under construction, ten water engineering projects under construction, four of which are water treatment island projects.

1.5. Energy conservation business

As at 30 June 2017, the Group has six new energy conservation facility projects under construction. In respect of the energy management contract business, the Group has seven energy management contract projects under construction with a total investment of approximately RMB380 million.

2. Renewable Energy Business

As at 30 June 2017, the Group has five renewable energy projects under construction with an installed capacity of 297MW.

3. Other Businesses

The Group continued to carry out fiberglass chimney anti-corrosion projects and air-cooling system engineering general contracting projects as at 30 June 2017.

4. Overseas Business

As at 30 June 2017, the Group has four overseas projects under enforcement. During January to June 2017, the Group has one new overseas project, the 50MW Biomass Power Generation EPC Project in Thailand with a total contract amount of approximately RMB516 million.

5. Research and Development

As at 30 June 2017, the Group has 125 invention patents. The Group participated in the drafting of the four industry standards. The Group had 22 technical standards under drafting and led the drafting of one international standard as well as five national and industry standards. In April 2017, the Group developed the technology invention the Construction and Application of Denitrification Catalysts Full-life Management Platform (基於大數據的脫硝催化劑全壽命管理平台建設與應用) through independent research, which were assessed to be of international leading level by the China Electricity Council.

While paying attention to technology research and development, the Group actively promoted to transform the technology achievements. The Energy-saving Turbulence Pipe Gate High-efficient Desulfurization Technology (節能型湍流管柵高效脫硫技術) developed by the Group through independent research has been applied in 16 power plants, and 30 coal-fired power generation units with ultra-low emission projects, with a total installed capacity reaching to 18,180MW, generating significant economic and environmental benefits.

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

The following discussion should be read in conjunction with the financial information of the Group together with the accompanying notes included in this results announcement and other sections therein.

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

1. Overview

The Group's revenue decreased by 4.7% to RMB2,994.0 million for the six months ended 30 June 2017 as compared with RMB3,142.1 million for the same period in 2016. The Group's profit for the six months ended 30 June 2017 amounted to RMB297.7 million, representing a decrease of RMB140.8 million as compared with RMB438.5 million for the same period in 2016. Profit attributable to the owners of the parent amounted to RMB282.0 million for the six months ended 30 June 2017. For the six months ended 30 June 2017, the Group's cash and cash equivalents increased by 153.9% to RMB1,900.1 million as compared with RMB748.3 million for the same period in 2016. The Group's total assets decreased by 3.7% to RMB17,265.2 million as at 30 June 2017 as compared with RMB17,935.5 million as at 31 December 2016. The Group's total liabilities decreased by 4.9% to RMB10,955.1 million as at 30 June 2017 as compared with RMB11,520.2 million as at 31 December 2016. The Group's return on total assets for the six months ended 30 June 2017 was 1.7%, as compared with 3.1% for the same period in 2016.

2. Results of Operation

2.1. Revenue

The Group's revenue decreased by 4.7% to RMB2,994.0 million for the six months ended 30 June 2017 as compared with RMB3,142.1 million for the same period in 2016, primarily due to the decrease of revenue in environmental protection facilities engineering business.

2.2. Cost of sales

The Group's cost of sales decreased by 2.1% to RMB2,377.4 million for the six months ended 30 June 2017 as compared with RMB2,427.1 million for the same period in 2016. The decrease of the Group's cost of sales was due to the decrease of cost of sales along with the decrease of revenue in environmental protection facilities engineering business and the raising price of certain raw materials in environmental protection facility concession operation business.

2.3. Selling and distribution expenses

The Group's selling and distribution expenses increased by 29.1% to RMB23.5 million for the six months ended 30 June 2017 as compared with RMB18.2 million for the same period in 2016, mainly due to the Group's active market development and expansion.

2.4. Administrative expenses

The Group's administrative expenses increased by 17.1% to RMB125.9 million for the six months ended 30 June 2017 as compared with RMB107.5 million for the same period in 2016, mainly due to the increase of research and development expenditure in denitrification catalysts business.

2.5. Other income and gains

The Group's other income and gains increased by 13.4% to RMB26.2 million for the six months ended 30 June 2017 as compared with RMB23.1 million for the same period in 2016, mainly due to the increase of government subsidy in environmental protection facility concession operation business.

2.6. Finance costs

The Group's finance costs decreased by 8.8% to RMB90.7 million for the six months ended 30 June 2017 as compared with RMB99.4 million for the same period in 2016, primarily due to the Group's adjustment of debt structure.

2.7. Profit before tax

As a result of the foregoing factors, the Group's profit before tax decreased by 28.3% to RMB367.7 million for the six months ended 30 June 2017 as compared with RMB513.0 million for the same period in 2016.

2.8. Income tax expense

The Group's income tax expense was RMB70.0 million for the six months ended 30 June 2017, representing a decrease of 6.0% from RMB74.5 million for the same period in 2016.

2.9. Profit for the period

The Group's profit for the period decreased by RMB140.8 million from RMB438.5 million for the six months ended 30 June 2016 to RMB297.7 million for the six months ended 30 June 2017. For the six months ended 30 June 2017, the Group's profit for the period as a percentage of its total revenue decreased to 10.0% as compared with 14.0% for the same period in 2016.

2.10. Profit attributable to owners of the parent

The profit attributable to owners of the parent decreased by RMB118.5 million to RMB282.0 million for the six months ended 30 June 2017 as compared with RMB400.5 million for the same period in 2016.

2.11. Profit attributable to non-controlling interests

The profit attributable to non-controlling interests of the Group decreased by 58.7% to RMB15.7 million for the six months ended 30 June 2017 as compared with RMB38.0 million for the same period in 2016.

3. Results on Business Segments

The following table sets forth a breakdown of the Group's revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the six months ended 30 June 2017 and 30 June 2016, respectively, as well as the percentage of change:

	For the six months ended 30 June				
	2017		2016		Change %
	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	1,310,019	42.4	1,176,491	37.1	11.3
Denitrification catalysts	274,860	8.9	240,966	7.6	14.1
Environmental protection facilities engineering	483,795	15.7	731,453	23.1	(33.9)
Water treatment business	174,719	5.7	81,356	2.6	114.8
Energy conservation business	12,058	0.4	7,748	0.2	55.6
Total revenue of environmental protection and energy conservation solutions before elimination	2,255,451	73.1	2,238,014	70.6	0.8
Intra-segment elimination ⁽²⁾	(86,157)	—	(25,123)	—	—
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	2,169,294	70.3	2,212,891	69.8	(2.0)
External revenue of environmental protection and energy conservation solutions	2,169,294	70.3	2,212,891	69.8	(2.0)
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	717,114	23.2	888,653	28.0	(19.3)
Inter-segment elimination	—	—	—	—	—
External revenue of renewable energy engineering business	717,114	23.2	888,653	28.0	(19.3)

	For the six months ended 30 June				
	2017		2016		Change %
	Revenue RMB'000	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue RMB'000	Percentage of total revenue before elimination ⁽¹⁾ %	
Thermal power plants engineering general contracting:					
Total revenue of thermal power plants engineering general contracting	-	-	-	-	-
Inter-segment elimination	-	-	-	-	-
External revenue of thermal power plants engineering general contracting	-	-	-	-	-
Other businesses:					
Total revenue of other businesses	113,558	3.7	44,075	1.4	157.6
Inter-segment elimination ⁽³⁾	(5,948)	-	(3,531)	-	-
External revenue of other businesses	107,610	3.5	40,544	1.3	165.4
Total revenue before elimination⁽⁴⁾	3,086,123	100.0	3,170,742	100.0	(2.7)
Total intra- and inter-segment elimination⁽⁵⁾	(92,105)	-	(28,654)	-	-
Total revenue	2,994,018	-	3,142,088	-	-

Notes:

- (1) Represents the revenue of each business segment or sub-segment (before any intra- or inter-segment elimination) as a percentage of the total revenue before any intra- or inter-segment elimination.
- (2) Intra-segment elimination of revenue from sub-segments under environmental protection and energy conservation solutions segment mainly arises from the intra-segment sales between denitrification catalysts sub-segment to denitrification facilities engineering sub-segment and environmental protection facilities concession operation, respectively.
- (3) Inter-segment elimination of revenue from other businesses segment mainly arises from the inter-segment sales between other businesses segment and environmental protection and energy conservation solutions segment, respectively.
- (4) Represents the aggregate amount of the revenue of all segments/sub-segments before any intra- or inter-segment elimination.
- (5) Represents the aggregate amount of all intra- and inter-segment elimination.

The following table sets forth a breakdown of the Group's gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the six months ended 30 June 2017 and 30 June 2016, respectively, as well as the percentage of change in gross profit:

	For the six months ended 30 June				Change of gross profit %
	2017		2016		
	Gross profit ⁽¹⁾ RMB'000	Gross profit margin ⁽²⁾ %	Gross profit ⁽¹⁾ RMB'000	Gross profit margin ⁽²⁾ %	
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	445,176	34.0	463,624	39.4	(4.0)
Denitrification catalysts	101,320	36.9	131,992	54.8	(23.2)
Environmental protection facilities engineering	47,343	9.8	78,731	10.8	(39.9)
Water treatment business	14,909	8.5	9,103	11.2	63.8
Energy conservation business	1,838	15.2	1,440	18.6	27.7
Total gross profit of environmental protection and energy conservation solutions	610,586	27.1	684,890	30.6	(10.8)
Total gross profit of renewable energy engineering business	41,621	5.8	58,707	6.6	(29.1)
Total gross profit of thermal power plants engineering general contracting	-	-	-	-	-
Total gross profit of other businesses	3,886	3.4	(4,928)	(11.2)	(178.8)
Total gross profit and overall gross profit margin⁽³⁾	616,635	20.6	714,979	22.8	(13.8)

Notes:

- (1) Calculated based on the revenue of each segment or sub-segment (before any intra- or inter-segment elimination) minus the cost of sales of such segment or sub-segment (before any intra- or inter-segment elimination).
- (2) Calculated based on the gross profit of each segment or sub-segment calculated according to note (1) divided by the revenue of such segment or sub-segment (before any intra- or inter-segment elimination).
- (3) Total gross profit equals total revenue (being the revenue reflected on our consolidated statement of profit or loss and other comprehensive income) minus total cost of sales (being the cost of sales reflected on our consolidated statement of profit or loss and other comprehensive income). Overall gross profit margin equals total gross profit divided by total revenue.

4. Cash Flows

As at 30 June 2017, the Group's cash and cash equivalents increased by 153.9% to RMB1,900.1 million as compared with RMB748.3 million as at 30 June 2016. Such increase was mainly attributable to the proceeds from the initial public offering.

5. Working Capital

As at 30 June 2017, the Group's net current assets decreased by 25.2% to RMB2,237.8 million as compared with RMB2,993.7 million as at 31 December 2016, primarily due to the decrease in cash and cash equivalents for payments of newly-built environmental protection facility concession operation projects, and the increase in current liabilities for distribution of dividends for 2016 in cash.

6. Indebtedness

As at 30 June 2017, the Group's borrowings decreased by 10.2% to RMB4,159.3 million as compared with RMB4,632.2 million as at 31 December 2016.

7. Capital Expenditure

The Group's capital expenditure increased by 315.3% to RMB696.9 million for the six months ended 30 June 2017 as compared with RMB167.8 million for the six months ended 30 June 2016. Capital expenditure mainly comprises construction cost of newly-built environmental protection facility concession operation projects and cost of ultra-low emission refurbishment projects.

8. Net Gearing Ratio

As at 30 June 2017, the Group's net gearing ratio (net debt (total borrowings minus cash and cash equivalents) divided by the sum of net debt and total equity) was 26.4%, representing an increase of 6.2 percentage points as compared with 20.2% as at 31 December 2016, which was mainly due to the decrease in cash and cash equivalents.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and energy conservation policies

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

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group, and will continue to enter into more such transactions in the future. For the six months ended 30 June 2017, the total value of products and services provided by the Group to China Datang Group (other than concession operations) was approximately RMB977.6 million, representing approximately 32.7% of the total revenue of the Group. For the six months ended 30 June 2017, the total value of the services provided by the Group to China Datang Group under the concession operations (desulfurization and denitrification) was approximately RMB1,308.1 million, representing approximately 43.7% of the total revenue of the Group. The Group has been actively expanding its client base. In particular, it has achieved remarkable progress in expanding overseas business.

Liquidity risks

The Group had negative operating cash flows for the six months ended 30 June 2017. The Group's ability to generate adequate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to collect receivables in order to improve operating cash flow. In addition, the Group has been proactively seeking finance to support the development and expansion of its business. As at 30 June 2017, the Group had available bank facilities of RMB7.28 billion.

Industry risks

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

Risks on overseas business

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

V. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

In the second half of 2017, adhering to the core philosophy of “value-based thinking and benefit-oriented”, the Group will stabilize its business operation and ensure the stable and sustainable development of the Group through efforts in the following three key aspects:

1. The Group will continue enhancing the delicacy management of environmental protection facility concession operation, denitrification catalysts and engineering projects through improving the efficiency of cost control to effectively offset the impacts caused by the increase in price of major raw materials to maintain a reasonable gross profit margin for each business segment;
2. The Group will expand the overseas markets in the *Belt and Road Initiative* countries firmly, commence the construction of contracting projects and enter into contracts for bid winning projects as soon as possible, and strive to achieve a breakthrough in overseas investment projects; and
3. The Group will devote more efforts to technology research and development, and introduce industry-leading technologies with extensive market prospects when appropriate to ensure the Group's leading position in the industry in terms of technology and to develop new sources of economic growth.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and did not conduct any acts which deviated from such provisions.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors, supervisors of the Company (the “**Supervisors**”) and relevant employees of the Company (as defined in the Model Code). According to the specific enquiries of the Directors and Supervisors, each Director and Supervisor confirmed that he/she had strictly complied with the standard set out in the Model Code during the Reporting Period.

DIVIDEND DISTRIBUTION PLAN FOR THE SIX MONTHS ENDED 30 JUNE 2017

According to the resolution of the Board passed on 21 August 2017, the Board did not recommend to distribute any interim dividend to shareholders for the six months ended 30 June 2017.

MATERIAL LITIGATION OR ARBITRATION EVENTS

As at 30 June 2017, the Group was not involved in any material litigation or arbitration event. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Group.

CHANGES IN ACCOUNTING POLICIES

There was no change in accounting policies of the Company during the Reporting Period, except for the adoption of new accounting standards effective as of 1 January 2017.

For details, please refer to Note 2 to the financial statements in this results announcement.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

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

As at 30 June 2017, the Company's total amount of proceeds used was HK\$860.3 million, and the remaining net balance of proceeds was approximately HK\$1,172.0 million.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2017, the Group had no material acquisition or disposal.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MAJOR INVESTMENTS

For the six months ended 30 June 2017, the Group did not hold any significant investment and has not executed any agreement in respect of material acquisitions, investments or capital asset and did not have any other future plans relating to material acquisitions, investments or capital asset as at the date of this announcement. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

REVIEW OF INTERIM RESULTS ANNOUNCEMENT

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2017.

The Audit Committee has not expressed any dissent concerning the financial statements in this results announcement.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There was no other important event affecting the Group which has taken place since 30 June 2017 and up to the date of this results announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

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

Beijing, PRC, 21 August 2017

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

* For identification purposes only