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 2019

FINANCIAL AND OPERATION HIGHLIGHTS

- For the six months ended 30 June 2019, the revenue of the Group amounted to RMB2,418.5 million, representing a decrease of 9.4% as compared with the same period of last year.

- For the six months ended 30 June 2019, the gross profit of the Group amounted to RMB511.9 million and the gross profit margin of the Group amounted to 21.2%, representing an increase in gross profit margin of 0.1 percentage points as compared with the same period of last year.

- For the six months ended 30 June 2019, the total comprehensive income attributable to owners of the parent amounted to RMB87.6 million, representing a decrease of 70.1% as compared with the same period of last year.

- The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2019.

The board (the "**Board**") of directors (the "**Directors**") of Datang Environment Industry Group Co., Ltd. (the "**Company**") hereby announces the unaudited interim financial results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**us**") for the six months ended 30 June 2019 (the "**Reporting Period**"), together with the comparable figures of the same period in 2018. The financial information of the Group for the six months ended 30 June 2019 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 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

	Notes	**2019 Unaudited** ***RMB'000***	2018 Unaudited *RMB'000*
Revenue	4	**2,418,489**	2,668,530
Cost of sales		**(1,906,557)**	(2,105,590)
Gross profit		**511,932**	562,940
Selling and distribution expenses		**(17,666)**	(20,530)
Administrative expenses		**(295,172)**	(110,087)
Other income and gains	5	**46,202**	36,825
Finance costs	6	**(119,521)**	(91,787)
Impairment losses on financial and contract assets		**(4,219)**	(5,233)
Profit before tax		**121,556**	372,128
Income tax expense	7	**(30,279)**	(67,728)
PROFIT FOR THE PERIOD		**91,277**	304,400

	Notes	**2019** **Unaudited** ***RMB'000***	2018 Unaudited *RMB'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(621)**	(3,690)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(621)**	(3,690)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(2,224)**	329
Income tax effect		**334**	(49)
		(1,890)	280
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(1,890)**	280
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(2,511)**	(3,410)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**88,766**	300,990

	Notes	**2019** **Unaudited** ***RMB'000***	2018 Unaudited *RMB'000*
Profit attributable to:			
Owners of the parent		**89,880**	295,226
Non-controlling interests		**1,397**	9,174
		91,277	304,400
Total comprehensive income attributable to:			
Owners of the parent		**87,642**	293,440
Non-controlling interests		**1,124**	7,550
		88,766	300,990
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	9	**0.03**	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

	Notes	**30 June 2019 Unaudited** ***RMB'000***	31 December 2018 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**7,582,453**	7,675,153
Right-of-use assets		**376,588**	–
Intangible assets		**212,435**	208,615
Prepaid land lease payments		**–**	19,066
Equity investments designated at fair value through other comprehensive income		**4,947**	7,171
Deferred tax assets		**63,404**	45,395
Other non-current assets		**333,441**	331,608
Total non-current assets		**8,573,268**	8,287,008
CURRENT ASSETS			
Inventories		**170,136**	153,520
Contract assets		**1,029,187**	982,436
Trade and bills receivables	11	**8,424,931**	8,398,505
Prepayments, other receivables and other assets	12	**997,363**	888,860
Restricted cash	13	**26,021**	36,928
Time deposit	13	**–**	35,000
Cash and cash equivalents	13	**1,543,744**	1,677,724
Total current assets		**12,191,382**	12,172,973

	Notes	**30 June 2019 Unaudited** ***RMB'000***	31 December 2018 Audited *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	14	**5,138,299**	6,481,262
Other payables and accruals		**2,072,072**	1,663,401
Interest-bearing bank borrowings and other loans	15	**3,277,685**	2,023,848
Income tax payable		**7,757**	27,110
Total current liabilities		**10,495,813**	10,195,621
NET CURRENT ASSETS		**1,695,569**	1,977,352
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,268,837**	10,264,360
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings and other loans	15	**3,153,898**	2,906,048
Other non-current liabilities		**38,636**	38,990
Total non-current liabilities		**3,192,534**	2,945,038
Net assets		**7,076,303**	7,319,322
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,967,542**	2,967,542
Reserves		**3,915,077**	4,153,865
		6,882,619	7,121,407
Non-controlling interests		**193,684**	197,915
Total equity		**7,076,303**	7,319,322

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018 (audited)	2,967,542	1,315,483	350,104	1,846	(317)	2,486,749	7,121,407	197,915	7,319,322
Profit for the period	–	–	–	–	–	89,880	89,880	1,397	91,277
Other comprehensive income for the period:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	(1,890)	–	–	(1,890)	–	(1,890)
Exchange difference on translation of foreign operations	–	–	–	–	(348)	–	(348)	(273)	(621)
Total comprehensive income for the period	–	–	–	(1,890)	(348)	89,880	87,642	1,124	88,766
Final 2018 dividends declared	–	–	–	–	–	(326,430)	(326,430)	–	(326,430)
Dividends paid by a subsidiary to its non-controlling interests	–	–	–	–	–	–	–	(5,355)	(5,355)
At 30 June 2019 (unaudited)	2,967,542	1,315,483	350,104	(44)	(665)	2,250,199	6,882,619	193,684	7,076,303

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	2,967,542	1,315,483	278,050	(478)	560	2,177,847	6,739,004	184,318	6,923,322
Profit for the period	–	–	–	–	–	295,226	295,226	9,174	304,400
Other comprehensive income for the period:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	280	–	–	280	–	280
Exchange difference on translation of foreign operations	–	–	–	–	(2,066)	–	(2,066)	(1,624)	(3,690)
Total comprehensive income for the period	–	–	–	280	(2,066)	295,226	293,440	7,550	300,990
Final 2017 dividends declared	–	–	–	–	–	(385,780)	(385,780)	–	(385,780)
Dividends paid by a subsidiary to its non-controlling interests	–	–	–	–	–	–	–	(2,202)	(2,202)
At 30 June 2018 (unaudited)	2,967,542	1,315,483	278,050	(198)	(1,506)	2,087,293	6,646,664	189,666	6,836,330

* These reserve accounts comprise the consolidated reserves of RMB3,915,077,000 and RMB3,679,122,000 as at 30 June 2019 and 2018, respectively, in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019
(Amounts expressed in thousands of RMB unless otherwise stated)

	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
CASH FLOWS USED IN OPERATING ACTIVITIES	**(673,764)**	(10,485)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**11,268**	7,705
Purchase of items of property, plant and equipment and intangible assets	**(502,231)**	(331,698)
Receipt of government grants for property, plant and equipment	**1,858**	–
Decrease/(increase) in time deposit	**35,000**	(35,000)
Net cash flows used in investing activities	**(454,105)**	(358,993)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	**3,219,230**	1,747,236
Repayments of bank borrowings and other loans	**(2,094,949)**	(1,276,446)
Share issue expenses	**(643)**	(7,890)
Principal portion of lease payments	**(4,984)**	–
Dividends paid to non-controlling interests	**(5,355)**	(2,490)
Interest paid	**(119,447)**	(99,761)
Net cash flows from financing activities	**993,852**	360,649
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(134,017)**	(8,829)
Cash and cash equivalents at the beginning of the period	**1,677,724**	1,666,080
Effect of foreign exchange rate changes, net	**37**	(5,350)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,543,744**	1,651,901

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019
(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 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: environmental protection facilities concession operation, the manufacture and sale of denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.

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

The interim condensed consolidated financial information are presented in thousands of Renminbi ("**RMB**"), unless otherwise stated.

The interim condensed consolidated financial information have not been audited.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* ("**IAS 34**").

The interim condensed consolidated financial information 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 consolidated financial statements as at 31 December 2018.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Other than as explained below regarding the impact of International Financial Reporting Standard ("**IFRS**") 16 *Leases*, IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* and *Annual Improvements to IFRSs 2015–2017 Cycle*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC Interpretation 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for certain items of buildings and other infrastructure. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank borrowings and other loans.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

(Amounts expressed in thousands of RMB unless otherwise stated)

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	389,194
Decrease in prepaid land lease payments	(19,066)
Increase in total assets	370,128
Liabilities	
Increase in interest-bearing bank borrowings and other loans	371,814
Decrease in trade and bills payables	(1,686)
Increase in total liabilities	370,128
Decrease in retained earnings	–

(Amounts expressed in thousands of RMB unless otherwise stated)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	51,123
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	464,700
Other adjustments	1,686
Lease commitments as at 1 January 2019 under IFRS16	517,509
Weighted average incremental borrowing rate as at 1 January 2019	4.41%
Lease liabilities as at 1 January 2019	371,814

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease buildings and other infrastructure for additional terms of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

(Amounts expressed in thousands of RMB unless otherwise stated)

The Group included the renewal period as part of the lease term for leases of buildings and other infrastructure due to the significance of these assets to its operations. There will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank borrowings and other loans'), and the movement during the period are as follow:

	Right-of-use assets	
	Buildings and other infrastructure	**Lease liabilities**
	RMB'000	*RMB'000*
As at 1 January 2019	**389,194**	**371,814**
Depreciation charge	(12,606)	–
Interest expense	–	7,428
Payments	–	(4,984)
As at 30 June 2019	**376,588**	**374,258**

IFRIC 23 Uncertainty over Income Tax Treatment

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

Amendments under Annual Improvements to IFRSs 2015–2017 Cycle

IFRS 3 *Business Combinations*: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

IAS 12 *Income Taxes*: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

IAS 23 *Borrowing Costs*: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2.3 Accounting judgments and estimates

The preparation of the interim condensed consolidated financial information 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 information, except for the significant accounting judgements and estimates in relative to new accounting policies application mentioned above, 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 2018.

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

(b) Renewable energy engineering

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

(c) Thermal power engineering

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

(d) Other businesses

Other businesses 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, other receivables and other assets, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

(Amounts expressed in thousands of RMB unless otherwise stated)

Six months ended 30 June 2019 (unaudited)	**Environmental protection and energy conservation solutions** *RMB'000*	**Renewable energy engineering** *RMB'000*	**Thermal power engineering** *RMB'000*	**Other businesses** *RMB'000*	**Total** *RMB'000*
Segment revenue					
Sales to external customers	2,294,597	36,591	30,382	56,919	2,418,489
Intersegment sales	31	–	–	14,069	14,100
	2,294,628	36,591	30,382	70,988	2,432,589
Reconciliation:					
Elimination of intersegment sales					(14,100)
Revenue					2,418,489
Segment results	326,443	(11)	1,466	(48,561)	279,337
Reconciliation:					
Other income and gains					46,202
Corporate and other unallocated expenses					(84,462)
Finance costs					(119,521)
Profit before tax					121,556
As at 30 June 2019 (unaudited)					
Segment assets	17,338,421	1,480,835	89,212	567,533	19,476,001
Reconciliation:					
Elimination of intersegment receivables					(947,569)
Corporate and other unallocated assets					2,236,218
Total assets					20,764,650
Segment liabilities	8,683,564	1,293,882	153,874	759,007	10,890,327
Reconciliation:					
Elimination of intersegment payables					(947,569)
Corporate and other unallocated liabilities					3,745,589
Total liabilities					13,688,347

(Amounts expressed in thousands of RMB unless otherwise stated)

Six months ended 30 June 2018 (unaudited)	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment revenue					
Sales to external customers	2,320,585	124,299	153,810	69,836	2,668,530
Intersegment sales	14,879	–	–	26,334	41,213
	2,335,464	124,299	153,810	96,170	2,709,743
Reconciliation:					
Elimination of intersegment sales					(41,213)
Revenue					2,668,530
Segment results	516,743	10,284	8,319	(42,537)	492,809
Reconciliation:					
Other income and gains					36,825
Corporate and other unallocated expenses					(65,719)
Finance costs					(91,787)
Profit before tax					372,128
As at 31 December 2018 (audited)					
Segment assets	16,655,926	1,905,751	154,122	652,381	19,368,180
Reconciliation:					
Elimination of intersegment receivables					(882,220)
Corporate and other unallocated assets					1,974,021
Total assets					20,459,981
Segment liabilities	8,118,872	1,931,100	206,970	579,394	10,836,336
Reconciliation:					
Elimination of intersegment payables					(882,220)
Corporate and other unallocated liabilities					3,186,543
Total liabilities					13,140,659

(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 the PRC. Therefore, no geographical information is presented.

Information about major customers

Revenue of approximately RMB2,284 million for the six months ended 30 June 2019 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 2018: RMB2,426 million).

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of goods	**138,853**	163,205
Construction services	**799,864**	969,875
Desulfurization and denitrification services	**1,478,829**	1,535,346
	2,417,546	2,668,426
Revenue from other sources		
Gross rental income	**943**	104
	2,418,489	2,668,530

(Amounts expressed in thousands of RMB unless otherwise stated)

Disaggregated revenue information for revenue from contracts with customers:

	Six months ended 30 June 2019 (unaudited)				
Segments	**Environmental protection and energy conservation solutions** *RMB'000*	**Renewable energy engineering** *RMB'000*	**Thermal power engineering** *RMB'000*	**Other businesses** *RMB'000*	**Total** *RMB'000*
Type of goods or service					
Sales of goods	**130,727**	**–**	**–**	**8,126**	**138,853**
Construction services	**685,041**	**36,591**	**30,382**	**47,850**	**799,864**
Desulfurization and denitrification services	**1,478,829**	**–**	**–**	**–**	**1,478,829**
Total revenue from contracts with customers	**2,294,597**	**36,591**	**30,382**	**55,976**	**2,417,546**
Timing of revenue recognition					
Goods transferred at a point in time	**130,727**	**–**	**–**	**8,126**	**138,853**
Services transferred over time	**2,163,870**	**36,591**	**30,382**	**47,850**	**2,278,693**
Total revenue from contracts with customers	**2,294,597**	**36,591**	**30,382**	**55,976**	**2,417,546**

	Six months ended 30 June 2018 (unaudited)				
Segments	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Type of goods or service					
Sales of goods	154,762	–	–	8,443	163,205
Construction services	630,477	124,299	153,810	61,289	969,875
Desulfurization and denitrification services	1,535,346	–	–	–	1,535,346
Total revenue from contracts with customers	2,320,585	124,299	153,810	69,732	2,668,426
Timing of revenue recognition					
Goods transferred at a point in time	154,762	–	–	8,443	163,205
Services transferred over time	2,165,823	124,299	153,810	61,289	2,505,221
Total revenue from contracts with customers	2,320,585	124,299	153,810	69,732	2,668,426

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	Six months ended 30 June 2019 (unaudited)				
Segments	**Environmental protection and energy conservation solutions**	**Renewable energy engineering**	**Thermal power engineering**	**Other businesses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from contracts with customers					
External customers	**2,294,597**	**36,591**	**30,382**	**55,976**	**2,417,546**
Intersegment sales	**31**	**–**	**–**	**14,069**	**14,100**
	2,294,628	**36,591**	**30,382**	**70,045**	**2,431,646**
Intersegment adjustments and eliminations	**(31)**	**–**	**–**	**(14,069)**	**(14,100)**
Total revenue from contracts with customers	**2,294,597**	**36,591**	**30,382**	**55,976**	**2,417,546**

	Six months ended 30 June 2018 (unaudited)				
Segments	Environmental protection and energy conservation solutions	Renewable energy engineering	Thermal power engineering	Other businesses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers					
External customers	2,320,585	124,299	153,810	69,732	2,668,426
Intersegment sales	14,879	–	–	26,334	41,213
	2,335,464	124,299	153,810	96,066	2,709,639
Intersegment adjustments and eliminations	(14,879)	–	–	(26,334)	(41,213)
Total revenue from contracts with customers	2,320,585	124,299	153,810	69,732	2,668,426

(Amounts expressed in thousands of RMB unless otherwise stated)

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Other income		
Bank interest income	**11,268**	7,705
Government grants	**35,134**	34,452
	46,402	42,157
Other losses, net		
Exchange losses	**(200)**	(5,332)
	46,202	36,825

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest expenses on bank borrowings and other loans	**132,797**	99,940
Less: interest capitalized	**(13,276)**	(8,153)
	119,521	91,787

(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 as follows:

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current	**47,954**	69,196
Deferred	**(17,675)**	(1,468)
	30,279	67,728

8. DIVIDENDS

On 26 April 2019, the board of Directors of the Company (the "**Board**") proposed to distribute the final dividend for the year ended 31 December 2018 of RMB0.11 per share (before tax) amounted to RMB326.4 million in cash to the shareholders, which was approved by the shareholders of the Company at the 2018 annual general meeting on 27 June 2019. As at 30 June 2019, the final dividend has not been paid to the shareholders of the Company.

The Board did not recommend any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

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 in issue for six months ended 30 June 2019 and 2018, respectively.

(Amounts expressed in thousands of RMB unless otherwise stated)

The Company did not have any potential dilutive shares in issue during the six months ended 30 June 2019 and 2018. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations *(RMB)*	**89,880,000**	295,226,000
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic/diluted earnings per share calculations *(share)*	**2,967,542,000**	2,967,542,000
Earnings per share		
Basic/diluted earnings per share *(RMB)*	**0.03**	0.10

10. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of RMB259,721,000 (for the six months ended 30 June 2018: RMB224,967,000).

There was no item of property, plant and equipment disposed of by the Group during the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB2,050, resulting in a loss of RMB103, which is included in "other income and gains" in the interim condensed consolidated statement of profit or loss and other comprehensive income).

(Amounts expressed in thousands of RMB unless otherwise stated)

During the six months ended 30 June 2019, an impairment loss of RMB111,802,000 (for the six months ended 30 June 2018: Nil) was recognised for buildings and other infrastructure and machinery of environmental protection and energy conservation solutions segment as a result of technical innovation during the period. The Group's management assessed the recoverable amounts of those assets by fair values less cost of disposals model and recognised above impairment loss.

11. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables	**8,077,806**	8,070,157
Less: provision for impairment	**(169,190)**	(164,885)
	7,908,616	7,905,272
Bills receivable	**516,315**	493,233
	8,424,931	8,398,505

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within one year. Trade receivables are non-interest-bearing.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 1 year	**5,239,091**	5,148,887
Between 1 and 2 years	**909,432**	940,826
Between 2 and 3 years	**693,213**	1,225,560
Over 3 years	**1,752,385**	1,248,117
	8,594,121	8,563,390
Less: provision for impairment	**(169,190)**	(164,885)
	8,424,931	8,398,505

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Due from related parties	**267,569**	290,542
Prepayments	**298,688**	205,188
Deposits	**26,869**	29,855
Other receivables	**38,013**	45,199
Other current assets	**377,267**	329,119
	1,008,406	899,903
Less: provision for impairment	**(11,043)**	(11,043)
	997,363	888,860

(Amounts expressed in thousands of RMB unless otherwise stated)

13. CASH AND CASH EQUIVALENTS, TIME DEPOSIT AND RESTRICTED CASH

	30 June 2019 Unaudited ***RMB'000***	31 December 2018 Audited *RMB'000*
Cash and bank balances	**1,569,765**	1,749,652
Less: restricted cash*	**(26,021)**	(36,928)
Less: time deposit**	**–**	(35,000)
Cash and cash equivalents	**1,543,744**	1,677,724
Cash and bank balances denominated in:		
– RMB	**1,562,640**	1,738,364
– Hong Kong dollars	**6,999**	7,619
– Indian rupees	**126**	3,669
	1,569,765	1,749,652

* As at 30 June 2019 and 31 December 2018, restricted cash mainly represented deposits held for issued notes payable and letters of credit.

** As at 31 December 2018, the Group had time deposit amounting to RMB35 million at an annual interest rate of 1.95% with one year term which was due on 12 June 2019.

(Amounts expressed in thousands of RMB unless otherwise stated)

14. TRADE AND BILLS PAYABLES

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

	30 June 2019 Unaudited ***RMB'000***	31 December 2018 Audited *RMB'000*
Bills payable	**145,628**	227,910
Trade payables	**4,992,671**	6,253,352
	5,138,299	6,481,262

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

	30 June 2019 Unaudited ***RMB'000***	31 December 2018 Audited *RMB'000*
Within 1 year	**3,225,197**	4,273,450
1 year to 2 years	**553,250**	705,233
2 years to 3 years	**373,262**	698,311
More than 3 years	**986,590**	804,268
	5,138,299	6,481,262

(Amounts expressed in thousands of RMB unless otherwise stated)

15. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate *(%)*	**Maturity**	**30 June 2019 Unaudited** ***RMB'000***	31 December 2018 Audited *RMB'000*
Current				
Bank borrowings:				
– unsecured	4.09%–5.66%	2019–2020	**2,144,240**	1,061,087
Other loans:				
– unsecured	4.13%–7.50%	2019	**259,136**	259,136
– secured	7.50%	2019	**70,000**	100,000
			329,136	359,136
Current portion of long-term bank borrowings and other loans:				
Bank borrowings – unsecured	4.28%–5.23%	2019–2020	**734,676**	579,962
Bank borrowings – guaranteed	4.28%–4.90%	2019–2020	**16,253**	14,963
Other loans – unsecured	5.15%	2019–2020	**5,800**	8,700
Other loans – lease liabilities	4.41%	2019–2020	**47,580**	–
			804,309	603,625
			3,277,685	2,023,848

(Amounts expressed in thousands of RMB unless otherwise stated)

	Effective interest rate *(%)*	Maturity	**30 June 2019 Unaudited** ***RMB'000***	31 December 2018 Audited *RMB'000*
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	4.28%–6.62%	2020–2028	**2,210,983**	2,364,598
Bank borrowings – guaranteed	4.28%–4.90%	2021–2026	**73,157**	83,620
Other loans – unsecured	4.79%–5.15%	2020–2023	**201,480**	457,830
Other loans – secured	5.70%	2020–2021	**341,600**	–
Other loans – lease liabilities	4.41%	2020–2038	**326,678**	–
			3,153,898	2,906,048
			6,431,583	4,929,896

Interest-bearing bank borrowings and other loans denominated in		
– RMB	**6,431,583**	4,929,896

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	30 June 2019 Unaudited *RMB'000*	31 December 2018 Audited *RMB'000*
Analyzed into:		
Bank borrowings repayable:		
Within one year	**2,895,169**	1,656,012
In the second year	**551,487**	673,463
In the third to fifth years, inclusive	**1,329,356**	1,306,766
Beyond five years	**403,297**	467,989
	5,179,309	4,104,230
Other loans repayable:		
Within one year	**382,516**	367,836
In the second year	**428,566**	309,250
In the third to fifth years, inclusive	**231,499**	145,480
Beyond five years	**209,693**	3,100
	1,252,274	825,666
	6,431,583	4,929,896

(Amounts expressed in thousands of RMB unless otherwise stated)

16. CAPITAL COMMITMENTS

The Group had the following capital commitments for property, plant and equipment at the end of the reporting periods:

	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Contracted, but not provided for	**1,455,088**	1,446,348

17. RELATED PARTY TRANSACTIONS

The Group is part of China Datang and had significant transactions with China Datang Group.

In addition to the related party transactions disclosed elsewhere in the financial information, the following is a summary of the significant related party transactions entered into the ordinary course of business between the Group and its related parties during the six months ended 30 June 2019 and 2018. All transactions with related parties were conducted at prices and terms mutually agreed by the parties involved.

(Amounts expressed in thousands of RMB unless otherwise stated)

(a) Significant related party transactions

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Sales of goods and rendering of services to China Datang Group		
Environmental protection and energy conservation solutions	**2,209,672**	2,174,814
Renewable energy engineering	**10,935**	124,299
Thermal power engineering	**30,382**	78,604
Others	**33,410**	48,738
	2,284,399	2,426,455
Purchases of goods and receiving of services from China Datang Group		
Water supply and electricity supply	**356,303**	395,528
Ancillary services under the concession operations	**45,127**	41,107
Logistics services	**5,796**	2,967
Property lease *(e)*	**–**	15,530
Wind power electricity and other products	**38,516**	798
	445,742	455,930
Purchase of assets from subsidiaries of China Datang Group		
Purchase of assets	**7**	7

(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Loans from subsidiaries of China Datang Group		
China Datang Finance Co., Ltd. ("**Datang Finance**") *(Note a)*	**1,300,000**	835,000
Datang Financial Lease Co., Ltd. ("**Datang Financial Lease**") *(Note a)*	**85,000**	–
Datang Commercial Factoring Co., Ltd. ("**Datang Commercial Factoring**") *(Note a)*	**30,000**	–
	1,415,000	835,000
Interest expense on loans from subsidiaries of China Datang Group		
Datang Finance	**4,654**	3,177
Datang Financial Lease	**8,200**	–
Datang Commercial Factoring	**2,915**	–
	15,769	3,177
Interest income from subsidiaries of China Datang Group		
Datang Finance	**3,431**	3,380

(Amounts expressed in thousands of RMB unless otherwise stated)

Note a:

Loans from subsidiaries of China Datang Group	31 December 2018	Proceeds	Repayment	30 June 2019	Duration	Effective interest rate *(%)*	Type
Datang Finance	335,000	1,300,000	1,305,800	329,200	13/9/2017–26/12/2023	4.35–5.22	Unsecured
Datang Financial Lease	265,000	85,000	–	350,000	1/11/2018–16/5/2021	5.70	Secured
Datang Commercial Factoring	100,000	30,000	60,000	70,000	19/9/2018–18/9/2019	7.50	Secured
Datang Commercial Factoring	9,136	–	–	9,136	13/11/2018–13/11/2019	7.50	Unsecured
	709,136	1,415,000	1,365,800	758,336			

China Datang Capital Group Holding Co., Ltd. ("**Datang Capital**") and the Company entered into a financial services agreement ("**Agreement**") on 14 June 2018. Financial services provided by Datang Capital to the Group under the Agreement include financial leasing and commercial factoring service.

Pricing Policy: Datang Capital has undertaken to provide the aforementioned financial services to the Group based on the following pricing principles:

(a) financial leasing – the rent paid by the Group to Datang Capital includes (i) procurement costs and (ii) interest. The relevant interest is determined based on the benchmark interest rates for borrowings as implemented by the People's Bank of China ("**PBOC**");

(Amounts expressed in thousands of RMB unless otherwise stated)

(b) commercial factoring service – the comprehensive interest rate relating to the commercial factoring services provided by Datang Capital to the Group shall be based on fair and reasonable market pricing and normal commercial terms. In particular, the rate shall not be higher than the interest rate level provided by independent third parties to the Group for the same type of service during the same period or the interest rate of the same type of service provided by Datang Capital to third parties with same credit rating.

The above services are provided by Datang Financial Lease and Datang Commercial Factoring, the subsidiaries of Datang Capital, respectively.

(b) Outstanding balances with related parties

The outstanding balances with related parties at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Cash and cash equivalents		
Datang Finance	**789,090**	1,440,898
Trade and bills receivables		
China Datang Group	**6,613,027**	5,919,857
Prepayments, other receivables and other assets		
China Datang Group	**267,569**	290,542
Other non-current assets		
China Datang Group	**93,540**	94,124

(Amounts expressed in thousands of RMB unless otherwise stated)

	30 June 2019 Unaudited ***RMB'000***	31 December 2018 Audited *RMB'000*
Contract assets		
China Datang Group	**786,628**	769,674
Interest-bearing bank borrowings and other loans		
Datang Finance	**329,200**	335,000
Datang Financial Lease	**350,000**	265,000
Datang Commercial Factoring	**79,136**	109,136
China Datang Group *(Note b)*	**371,316**	–
	1,129,652	709,136

Note b: The Group has initially applied IFRS 16 at 1 January 2019 and recognized leased liabilities of RMB371.32 million as at 30 June 2019.

	30 June 2019 Unaudited ***RMB'000***	31 December 2018 Audited *RMB'000*
Trade and bills payables		
China Datang Group	**610,403**	684,701
Other payables and accruals		
China Datang Group	**391,868**	592,784

(c) Transactions with other government-related entities in the PRC

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government and numerous government authorities and agencies (collectively referred to as "**government-related entities**"). China Datang, the parent and ultimate holding company of the Company, is a PRC state-owned enterprise and these government-related entities are also considered as related parties of the Group in this respect.

Apart from transactions with China Datang Group mentioned above, the Group also conducts some business activities with other government-related entities in the ordinary course of business. These transactions are carried out at terms similar to those that would be entered into with non-government-related entities.

The Group prices its services and products based on the commercial negotiations. The Group has also established its approval process for sales of goods, provision of services, purchase of products and receiving of services and its financing policy for borrowings. Such approval process and financing policy do not depend on whether the counterparties are government-related entities or not.

Having considered the possibility for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial Information, the Directors are of the opinion that further information about the following transactions that are collectively significant is required for disclosure:

– ***Deposits and borrowings***

Except for the cash and cash equivalents deposited in Datang Finance and Wing Lung Bank in Hong Kong, the Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these financial institutions in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the PBOC.

(Amounts expressed in thousands of RMB unless otherwise stated)

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Short term employee benefits	**4,432**	3,476
Post-employment benefits	**303**	180
Total compensation paid to key management personnel	**4,735**	3,656

(e) As at 31 December 2018, the Group entered into lease agreements with China Datang Group and the operating lease commitment is RMB50.92 million.

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods, it recognized depreciation expense of RMB12.61 million from right-of-use assets, interest expense of RMB7.43 million from lease liabilities. It also paid RMB4.98 million under lease agreements during current period.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018. There have been no changes in the risk management system or in any risk management policies since 31 December 2018.

(Amounts expressed in thousands of RMB unless otherwise stated)

Compared to the last year end, there was no material change in the status of market risk and credit risk.

(b) Liquidity risk

Compared to 31 December 2018, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except for the net increase in short-term interest-bearing bank borrowings and other loans amounting of RMB1,253.84 million and the net increase in long-term interest-bearing bank borrowings and other loans amounting of RMB481.98 million, respectively.

(c) Fair value

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values and those carried at fair value, are as follows:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Carrying amounts	**Fair values**	Carrying amounts	Fair values
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Financial assets				
Financial assets included in other non-current assets	**93,066**	**93,756**	93,429	94,099
Financial liabilities				
Long term interest-bearing bank borrowings and other loans *(Note 15)*	**3,153,898**	**3,126,321**	2,906,048	2,874,731

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposit, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank borrowings and other loans, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value disclosure of financial instruments. The corporate finance team reports directly to management. As at 30 June 2019 and 31 December 2018, the corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of the non-current portion of interest-bearing bank borrowings and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks for interest-bearing bank borrowings and other loans as at 30 June 2019 and 31 December 2018 were assessed to be insignificant.

- The fair values of the financial assets included in other non-current assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value of approximately RMB495,000, using less favourable assumptions, and an increase in fair value of approximately RMB495,000,, using more favourable assumptions.

(Amounts expressed in thousands of RMB unless otherwise stated)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2019:

	Valuation technique	Significant unobservable input	Input	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/SALES multiple of peers	30 June 2019: 2.1x (31 December 2018: 2.9x)	10% (31 December 2018: 10%) increase/decrease in multiple would result in increase/ decrease in fair value by 4% (31 December 2018: 6%)
		Discount for lack of marketability	30 June 2019: 25% (31 December 2018: 25%)	10% (31 December 2018: 10%) increase/decrease in discount would result in decrease/ increase in fair value by 3% (31 December 2018: 3%)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2019 (unaudited)				
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**4,947**	**4,947**

(Amounts expressed in thousands of RMB unless otherwise stated)

Assets for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2019 (unaudited)				
Financial assets included in other non-current assets	**–**	**93,756**	**–**	**93,756**
As at 31 December 2018 (audited)				
Financial assets included in other non-current assets	–	94,099	–	94,099

(Amounts expressed in thousands of RMB unless otherwise stated)

Liabilities for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2019 (unaudited)				
Long term interest bearing bank borrowings and other loans	**–**	**3,126,321**	**–**	**3,126,321**
As at 31 December 2018 (audited)				
Long term interest bearing bank borrowings and other loans	–	2,874,731	–	2,874,731

19. EVENTS AFTER THE REPORTING PERIOD

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

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 28 August 2019.

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, the manufacture and sale of denitrification catalysts business, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business. Customers of the Group spread over 30 provinces, autonomous regions and municipal cities in the PRC as well as six countries.

I. INDUSTRY OVERVIEW

1. Consolidate the results of keeping our skies blue and promote environmental protection treatment in key scopes

The 2019 Government Work Report requires that, in respect of environmental protection of atmosphere, the government shall consolidate the results of keeping our skies blue, the emission of sulphur dioxide and nitrogen oxide shall decrease by 3% for the year, and PM2.5 concentrations continue to fall in key regions. The government shall accelerate the ultra-low emission upgrade of thermal power and steel industry, and implement sewage discharge standard transformation for severely polluted industry; continue to launch air pollution control initiatives in Beijing-Tianjin-Hebei region and its surrounding area, Yangtze River Delta and Fen-Wei Plain, and strengthen the treatment of three major sources of pollution, including industry, coal and motor vehicles. The government shall also carry out clean heating in northern China to ensure people can have a warm winter. In respect of water pollution, the government will continue efforts to prevent and control water and soil pollution, such that chemical oxygen demand and ammonia nitrogen emissions would be cut by 2%; speed up to clean up black, malodorous water bodies, and promote comprehensive treatment in key river basins and nearshore sea areas. In respect of solid waste in cities, the government shall strengthen the disposal of solid waste and urban garbage sorting. As main bodies of pollution prevention and control, enterprises shall fulfill environmental protection obligations in compliance with the laws.

2. Promote the ultra-low emission in steel industry and accelerate the ultra-low emission upgrade

On 28 April 2019, Opinions on Promoting the Implementation of Ultra-low Emission in the Steel Industry was jointly published by the Ministry of Ecology and Environment, NDRC, the MIIT, the Ministry of Finance and the Ministry of Transport, proposing that the average emission standard per hour on steel sintering machine head, particulate matter of sintering and pelletizing, sulphur dioxide and nitrogen oxide shall not be higher than 10mg/m³, 35 mg/m³ and 50 mg/m³, respectively, which is far stricter than the American and European standards, and specifying that around 60% of steel production enterprises in key areas shall complete the renovation by the end of 2020, and over 80% of such enterprises shall complete the renovation by the end of 2025.

3. Pollution control enters a key period to enhance the supervision in key areas for a new stage

To keep our skies blue, the Ministry of Ecology and Environment has started to enhance the supervision in key areas such as Beijing-Tianjin-Hebei region for three consecutive years since 2018. On 8 May 2019, Making China's Skies Blue Again in 2019–2020, the enhanced supervision for a new stage, was duly launched. The Ministry of Ecology and Environment sent nearly 300 working groups to 39 key cities including Beijing-Tianjin-Hebei region and its surrounding area and Fen-Wei Plain to enhance supervision for a year, continued to enhance the supervision imposing higher requirements on the environmental protection treatment of industrial enterprises, and brought new market opportunities to the third party treatment enterprise of environmental pollution.

4. There is a long-term benefit for macro-policy environment with a clearer target of investment and financing policies in the environmental protection industry

During the collective learning of the Political Bureau of the Central Committee of the CPC on 22 February 2019, it was specified that the government shall provide accurate financial services for the green development system in the course of supply-side reform in the financial industry. Recently, NDRC, People's Bank of China and other ministries jointly published the Guide Directory for the Green Industry (2019) to provide a clearer industry standard for developing the national green development system. In the meantime, NDRC and the Ministry of Technology published the Guidance of Establishment of a Market-oriented System for Green Technological Innovation to provide a normative document for forming the green industry with high technology as the orientation and improving the self-development competitiveness for a long term. The issue of incentive policies is beneficial for encouraging enterprises to speed up technological innovation, and mobilizing the investment enthusiasm of social capital, in order to effectively promote the industry development and provide guarantee for pollution prevention and control.

Therefore, 2019 is a crucial year for winning the battle for pollution prevention and control. Currently, China's ultra-low emission standard in the electric power industry is at the most stringent level in the world, and there is still room for improvement for ultra-low emission standards in other environmental protection industries. The battle of Making China's Skies Blue Again has been comprehensively conducted and the environmental pollution treatment of atmosphere will have a deeper and wider development since the central government has provided clear and standardized policies for the future development of environmental protection industry after the successive publication of relevant national policies and regulations in respect of the environmental protection.

II. BUSINESS OVERVIEW

1. Environmental Protection and Energy Conservation Solution Business

Environmental protection facility concession operation business

As at 30 June 2019, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 36,610MW and the installed capacity for desulfurization concession operation projects under construction reached 12,000MW. The cumulative installed capacity in operation for denitrification concession operations reached 30,480MW, and the installed capacity for denitrification concession operation projects under construction reached 10,680MW. The installed capacity for desulfurization entrusted operation project reached 1,960MW.

During January to June 2019, the Group was devoted to optimizing the operation and energy consumption diagnosis, intensified the indicator management and control and first-rate benchmarking, and realizing the consecutive reduction of electricity consumption and limestone consumption. The Group also sped up the application of new technologies, such as the renovation of energy conservation for slurry circulation pumps and the intelligent control technology of denitrification and ammonia injection, with decrease in 19–25% of the electricity consumption rate of circulation pumps and reduction of 10% of ammonia injection volume.

Denitrification catalysts business

During January to June 2019, the production volume and the sales volume of the denitrification catalysts business of the Group were 15,384.9m³ and 11,498.2m³, respectively. The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business during January to June 2019:

(Unit: m³)

Production volume	Sales volume	Delivery volume
15,384.9	11,498.2	16,017.2

During January to June 2019, the Group sold 7,740.9m³ of catalyst to customers other than China Datang Group, among which, 2,026.3m³ of catalyst was sold to overseas customers and 1,758.0m³ of catalyst was sold to customers from non-electric industry such as glass and alumina sectors.

In addition, during January to June 2019, the Group conducted business in relation to integrated use of an aggregate of 2,092.7m³ of spent denitrification catalysts.

Environmental protection facilities engineering business

The following table sets forth the breakdown of the environmental protection facilities engineering business in the power industry of the Group as at 30 June 2019:

Projects	**Bid winning projects**		**Projects put into operation**		**Projects under construction**	
	Number	*Capacity (MW)*	*Number*	*Capacity (MW)*	*Number*	*Capacity (MW)*
Desulfurization	1	600	0	0	10	10,660
Denitrification	0	0	0	0	12	15,380
Dust removal	0	0	0	0	15	17,260
Ultra-low emission	0	0	0	0	6	7,140
Industrial site dust treatment	3	5,830	3	9,300	34	57,765

In the first half of 2019, the Group and customers from non-power industry entered into two environmental protection facilities engineering contracts, including project of coal power aluminum desulfurization and project of denitrification in coke oven of coking plant. The breakdown of environmental protection facilities in the non-power industry of the Company as at 30 June 2019 is set out in the following table:

Non-power project	**Bid winning projects**	
	Number	*Contract amount (RMB million)*
Desulfurization	1	228.37
Denitrification	1	293.34

Water treatment business

During January to June 2019, the Group entered into contracts for four new water engineering projects. As at 30 June 2019, the Group has four water treatment operation projects, two of which have been put into operation, and the other two are under construction; 23 water engineering projects are under construction, five of which are water treatment island projects.

The project of "Research and Application of Key Technologies of Intelligent Water Treatment in Thermal Power Plants" was awarded the First Prize of Water Treatment Technology Innovation in Power Industry.

Energy conservation business

As at 30 June 2019, the Group has five energy conservation engineering projects under construction with a total contract value of RMB156 million; the Group has one energy management contract project under execution with a total investment of RMB163 million.

2. Renewable Energy Business

During January to June 2019, the Group entered into contracts for 2 new renewable energy projects, with a total installed capacity of 120MW. As at 30 June 2019, the Group has a total of 8 renewable energy projects under construction with an installed capacity of 830MW.

3. Thermal Power Engineering Business

As at 30 June 2019, the Group has one project under construction with an installed capacity of 600MW.

4. Other Businesses

During January to June 2019, the Group continued to carry out air-cooling system EPC projects, and as at 30 June 2019, the Group has two projects under construction with an installed capacity of 1,200MW.

5. Overseas Business

In the first half of 2019, the Group focused on the major business, including environmental protection markets in Southeast Asia and dust desulfurization and denitrification. During January to June 2019, the Group newly signed 1 overseas project, namely 800MW coal-fired power generating units desulfurization project in India. As at 30 June 2019, the Group has four overseas projects under execution.

6. Research and Development

Technical guidelines for the evaluation of energy savings of thermal power plants, the first ISO standard of domestic power generation guided and prepared by the Group, was officially issued and implemented in March 2019. The Group has completed and issued and implemented 21 different technical standards. Currently, the Group has 35 technical standards under preparation.

During January to June 2019, the Group obtained a total of 63 utility model patents and 16 invention patents. The Group has obtained a total of 1,016 utility model patents and 116 invention patents.

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 9.4% to RMB2,418.5 million for the six months ended 30 June 2019 as compared with RMB2,668.5 million for the same period in 2018. The Group's profit for the six months ended 30 June 2019 amounted to RMB91.3 million, representing a decrease of RMB213.1 million as compared with RMB304.4 million for the same period in 2018. Profit attributable to the owners of the parent amounted to RMB89.9 million for the six months ended 30 June 2019. As at 30 June 2019, the Group's cash and cash equivalents decreased by 8.0% to RMB1,543.7 million as compared with RMB1,677.7 million as at 31 December 2018. The Group's total assets increased by 1.5% to RMB20,764.7 million as at 30 June 2019 as compared with RMB20,460.0 million as at 31 December 2018. The Group's total liabilities increased by 4.2% to RMB13,688.3 million as at 30 June 2019 as compared with RMB13,140.7 million as at 31 December 2018. The Group's return on total assets for the six months ended 30 June 2019 was 0.4%, as compared with 1.7% for the same period in 2018.

2. Results of Operation

Revenue

The Group's revenue decreased by 9.4% to RMB2,418.5 million for the six months ended 30 June 2019 as compared with RMB2,668.5 million for the same period in 2018, primarily due to decrease in revenue of renewable energy engineering business and thermal power engineering projects.

Cost of sales

The Group's cost of sales decreased by 9.5% to RMB1,906.6 million for the six months ended 30 June 2019 as compared with RMB2,105.6 million for the same period in 2018. The decrease of the Group's cost of sales was due to decrease in costs along with the decrease in revenue of renewable energy engineering projects and thermal power engineering projects.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by 13.7% to RMB17.7 million for the six months ended 30 June 2019 as compared with RMB20.5 million for the same period in 2018, mainly due to conservation of selling and distribution expenses through delicacy management.

Administrative expenses

The Group's administrative expenses increased by 168.1% to RMB295.2 million for the six months ended 30 June 2019 as compared with RMB110.1 million for the same period in 2018, mainly due to provision of impairment for buildings and other infrastructure and machineries accrued resulting from technological renovation.

Other income and gains

The Group's other income and gains increased by 25.5% to RMB46.2 million for the six months ended 30 June 2019 as compared with RMB36.8 million for the same period in 2018, mainly due to increase in bank interests income and decrease in exchange losses.

Finance costs

The Group's finance costs increased by 30.2% to RMB119.5 million for the six months ended 30 June 2019 as compared with RMB91.8 million for the same period in 2018, primarily due to increase in bank borrowings and other loans, leading to increase in interests expenses.

Profit before tax

As a result of the foregoing factors, the Group's profit before tax decreased by 67.3% to RMB121.6 million for the six months ended 30 June 2019 as compared with RMB372.1 million for the same period in 2018.

Income tax expense

The Group's income tax expense was RMB30.3 million for the six months ended 30 June 2019, representing a decrease of 55.2% from RMB67.7 million for the same period in 2018.

Profit for the period

The Group's profit for the period decreased by RMB213.1 million from RMB304.4 million for the six months ended 30 June 2018 to RMB91.3 million for the six months ended 30 June 2019. For the six months ended 30 June 2019, the Group's profit for the period as a percentage of its total revenue decreased to 3.8% as compared with 11.4% for the same period in 2018.

Profit attributable to owners of the parent

The profit attributable to owners of the parent decreased by RMB205.3 million to RMB89.9 million for the six months ended 30 June 2019 as compared with RMB295.2 million for the same period in 2018.

Profit attributable to non-controlling interests

The profit attributable to non-controlling interests decreased by 84.8% to RMB1.4 million for the six months ended 30 June 2019 as compared with RMB9.2 million for the same period in 2018.

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 2019 and 30 June 2018, respectively, as well as the percentage of change:

	For the six months ended 30 June				
	2019		2018		
	Revenue	**Percentage of total revenue before elimination[1]**	Revenue	Percentage of total revenue before elimination[1]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**1,478,829**	**58.9**	1,535,346	55.0	(3.7)
Denitrification catalysts	**207,336**	**8.3**	235,357	8.4	(11.9)
Environmental protection facilities engineering	**511,077**	**20.4**	506,779	18.2	0.8
Water treatment business	**153,371**	**6.1**	83,093	3.0	84.6
Energy conservation business	**20,593**	**0.8**	56,378	2.0	(63.5)
Total revenue of environmental protection and energy conservation solutions before elimination	**2,371,206**	**94.5**	2,416,953	86.6	(1.9)
Intra-segment elimination[2]	**(76,578)**		(81,489)		
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	**2,294,628**		2,335,464		(1.7)
Inter-segment elimination[3]	**(31)**		(14,879)		
External revenue of environmental protection and energy conservation solutions	**2,294,597**		2,320,585		(1.1)
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	**36,591**	**1.5**	124,299	4.5	(70.6)
Inter-segment elimination	**–**		–		

	For the six months ended 30 June				
	2019		2018		
	Revenue	**Percentage of total revenue before elimination[1]**	Revenue	Percentage of total revenue before elimination[1]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
External revenue of renewable energy engineering business	**36,591**		124,299		(70.6)
Thermal Power Engineering:					
Total revenue of thermal power engineering	**30,382**	**1.2**	153,810	5.5	(80.2)
Inter-segment elimination	**–**		–		
External revenue of thermal power engineering	**30,382**		153,810		(80.2)
Other Businesses:					
Total revenue of other businesses	**70,988**	**2.8**	96,170	3.4	(26.2)
Inter-segment elimination[4]	**(14,069)**		(26,334)		
External revenue of other businesses	**56,919**		69,836		(18.5)
Total revenue before intra- and inter-segment elimination [5]	**2,509,167**	**100.0**	2,791,232	100.0	(10.1)
Total intra- and intersegment elimination[6]	**(90,678)**		(122,702)		
Total revenue	**2,418,489**		2,668,530		(9.4)

Notes:

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

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

(3) Inter-segment elimination of revenue from environmental protection and energy conservation solutions segment mainly arises from the inter-segment sales to other businesses segments made by the sub-segments within environmental protection and energy conservation solutions segment, mainly including the inter-segment sales from ash and slag handling facilities engineering sub-segment to other businesses segment and the inter-segment sales from bulk materials transportation sub-segment to other businesses segment.

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

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

(6) 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 2019 and 30 June 2018, respectively, as well as the percentage of change in gross profit:

	For the six months ended 30 June				
	2019		2018		
	Gross profit[1]	**Gross profit margin[2]**	Gross profit[1]	Gross profit margin[2]	Change of gross profit
	RMB'000	*%*	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**400,702**	**27.1**	448,702	29.2	(10.7)
Denitrification catalysts	**51,491**	**24.8**	46,768	19.9	10.1
Environmental protection facilities engineering	**70,700**	**13.8**	63,028	12.4	12.2
Water treatment business	**24,251**	**15.8**	9,916	11.9	144.6
Energy conservation business	**(631)**	**(3.1)**	5,934	10.5	(110.6)
Total gross profit of environmental protection and energy conservation solutions	**546,513**	**23.0**	574,348	23.8	(4.8)
Total gross profit of renewable energy engineering	**2**	**–**	10,473	8.4	(100.0)
Total gross profit of thermal power engineering	**1,466**	**4.8**	8,319	5.4	(82.4)
Total gross profit of other businesses	**(28,434)**	**(40.1)**	(21,595)	(22.5)	31.7
Total gross profit and gross profit margin[3]	**511,932**	**21.2**	562,940	21.1	(9.1)

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 2019, the Group's cash and cash equivalents decreased by 8.0% to RMB1,543.7 million as compared with RMB1,677.7 million as at 31 December 2018. Such decrease was mainly attributable to the decrease in the cash inflow generated from operating activities of the Group in the first half of 2019.

5. Working Capital

As at 30 June 2019, the Group's net current assets decreased by 14.3% to RMB1,695.6 million as compared with RMB1,977.4 million as at 31 December 2018, primarily due to the outstanding payment of dividend payables, resulting in increase in current liabilities.

6. Indebtedness

As at 30 June 2019, the Group's borrowings increased by 30.5% to RMB6,431.6 million as compared with RMB4,926.9 million as at 31 December 2018.

7. Capital Expenditure

The Group's capital expenditure decreased by 14.9% to RMB269.9 million for the six months ended 30 June 2019 as compared with RMB317.0 million for the six months ended 30 June 2018. Capital expenditure mainly comprises the construction costs of concession projects for newly developed environmental protection facilities and water treatment facilities projects.

8. Net Gearing Ratio

As at 30 June 2019, 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 40.9%, representing an increase of 10.1 percentage points as compared with 30.8% as at 31 December 2018, which was mainly due to increase in short-term borrowings for the assurance of the engineering and construction progress of environmental protection facilities.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and energy conservation policies

The Group provides substantially all of its products and services in the PRC, and the development of its business is greatly dependent on the environmental protection policies of the PRC. Environmental protection industry is one of the major industries that benefit from the constant support of the PRC government. The market demand for the Group's environmental protection and energy conservation products and services and the revenue generated therefrom are directly affected by the environmental protection policies of the PRC. However, if there is any adverse change in energy conservation policies, 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 it is unlikely for the PRC government to revise such environmental protection policies to an adverse effect or to withdraw any resources invested in the environmental protection industry. Moreover, the Group, as a trendsetter and leader of the environmental protection and energy conservation for China's power industry, has participated in the formulation of various industrial policies and standards, which allows it to catch the latest industry trends and respond in a timely fashion.

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group, and will continue to enter into such transactions in the future. During January to June 2019, the total value of products and services provided by the Group to China Datang Group (other than concession operations) was approximately RMB0.81 billion, representing approximately 33.4% of the total revenue of the Group. During January to June 2019, the total value of the services provided by the Group to China Datang Group under the concession operations (desulfurization and denitrification) was approximately RMB1.48 billion, representing approximately 61.1% of the total revenue of the Group. The Group has been actively expanding its client base, for example, during January to June 2019, the Group entered into contracts in the amount of RMB1.17 billion with clients other than China Datang Group with a decrease of 6.4% as compared with that during January to June 2018.

Cash flow risks

The Group had negative operating cash flows for the six months ended 30 June 2019. The Group cannot assure that its operating cash flows for any future period will be positive. The Group's ability to generate 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 adopt various measures to collect receivables in order to significantly 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 2019, the Group had available bank facilities of RMB13.23 billion.

Industry risks

Macroeconomic environment of the PRC will influence the development of the environmental protection industry. If economic growth of the PRC slows down or experiences a downward trend, the environmental industry of the PRC will be adversely affected. 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. At present, 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 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 personnel and business operations, lack of understanding of the local business environment, financial and management system or legal system, volatility in currency exchange rates, cultural differences, changes in political, regulatory or economic environments in the foreign countries or other regions, as well as the risk of barriers. If the Group fails to manage the above risks effectively, its overseas expansion may be hindered, which may in turn result in a material and adverse effect on its business prospects, results of operations and financial condition. The management of the Group is of the view that, the PRC government has been actively establishing friendly diplomatic relations with the Belt and Road Initiative countries and improving the overseas investment atmosphere. The Group has extensive project experience in some countries, for instance India and Thailand, which can serve as examples for its future overseas development, and the Group has established rather mature risk management and internal control systems to mitigate risks on overseas business to the greatest extent possible.

V. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, we had 1,137 employees, substantially all of whom were based in the PRC. The Group has individually established labor union branches. Currently, the Group has entered into employment agreements with all employees, in which the position, duties, remuneration, employment benefits, training, confidentiality obligations relating to trade secrets and grounds for termination are specified pursuant to the PRC Labor Law and other relevant regulations.

The table below sets forth the number of employees as at 30 June 2019 by their functions:

Function	**Number of employees**	**Percentage of the total number of employees**
Concession operation management personnel	294	25.86%
Engineering and technical personnel	224	19.70%
Sales personnel	110	9.67%
Research and development personnel	374	32.89%
Administrative and management personnel	96	8.44%
Manufacture personnel	22	1.93%
Others	17	1.50%
Total	1,137	100.00%

According to the development requirements, the Company further established and improved the overall responsibility management system and the whole staff performance evaluation system on the basis of clear position objectives. In order to inspire the potential and work enthusiasm of employees, to fully embody the incentive and constraint behavior, and to lay a solid foundation for the career orderly development of all the employees, the Company divides the specific task in development planning into each department and position, objectively and accurately evaluates the job targets completing performance of employees by building position performance targets and performance standard, and realizes awards and punishments according to the score that is formed by evaluation results quantification.

The remuneration package of our employees includes salaries, bonuses and allowances. Our employees also receive welfare benefits, including medical care, housing subsidies, retirement and other benefits. We carry out employee performance appraisals, establish diversified and dynamic appraisal mechanisms. The department heads' salaries and remunerations will be adjusted corresponding to the results of their performance appraisals. Pursuant to applicable PRC regulations, we have contributed to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing funds for our employees.

In order to attract and retain high-quality employees and further improve their knowledge, skill level and professional attainments, we place a strong emphasis on the training of our employees. We offer in-service education, training and other opportunities to our managers and employees to improve their professional skills and knowledge.

During the Reporting Period, the Group provided 8 training programs on business management, professional techniques and production skills, with 100% employees attending the trainings.

The Group complies with the Labor Law of the PRC and the Labor Contract Law of the PRC in all material respects and makes contributions to social insurance and housing provident fund for our employees according to the above laws, among which the social insurance includes basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

VI. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

Encountering complexity of and constant changes in the industry and development environment, the Group will focus on four aspects as follows:

1. Continuing promoting high quality development and further advancing the profitability

The Group will actively respond to the adverse situation of the shrinking market of environmental protection business in the power industry, insist on high quality development with new development concepts of innovation, coordination, environmental friendly, opening-up and sharing. In respect of environmental protection facilities concession operation, denitrification catalysts business and other major business, the Group will comprehensively improve the management capacity, technological standards and core competitiveness, implement in-depth cost control, broaden sources and reduce expenditure as well as reduce costs and increase efficiency, intensify the capacity on exploring the external market and further advance the profitability.

In particular, in respect of environmental protection facility business, the Group will optimise management system, and strengthen project selection and source control. For the purpose of enhancement of cost control and management and improvement of profitability, the Group will devote greater efforts to the application of new technologies and products, and carry out in-depth project design optimization and on-site construction re-optimization.

2. Taking full advantage of the "Double Hundred Actions" of reform to strengthen reform and innovation of system and mechanism

Seizing the opportunity of the "Double Hundred Actions" of reform, the Group will focus on developing typically reformed enterprises which firmly insist on the leadership of the Party, and possess strong state-owned capital functions, scientific and improved governance, flexible and efficient operating mechanism, and leading innovation and competitiveness by comprehensively stimulating its internal energy, enhancing the management efficiency and further strengthening the core competitiveness through the allocation of marketized personnel, improvement of corporate governance system and reform of mixed ownership.

3. **Adhering to the strategy of "going out" to explore the external market of China Datang Group**

   In terms of domestic market, the Group will continue to strengthen market exploration on environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment and other professional fields, and pay special attention to power industry and petroleum and petrochemical, iron and steel, metallurgy and other non-electric industries as key fields for market development. In terms of overseas market, the Group will focus on core businesses such as exhaust gas environmental protection, and actively explore core markets in India, Vietnam, etc. to steadily promote the development of overseas business.

4. **Adhering to technology and innovation-driven development to further improve technical output capacity**

   The Group will grasp new opportunities arising from the development of science and technology to continuously enhance the research and development and innovation, and create a series of new services and new products by combining advanced technology and relying on technological innovation. In respect of environmental protection facilities concession operation, the Group will proactively optimize and upgrade technology to effectively reduce the operating cost; in respect of denitrification catalysts business, the Group will speed up the development of new products including synergistic denitrification and dehydration catalysts, medium and low temperature denitrification catalysts, and promote the application of new technologies such as utilization of waste flat denitrification catalysts, and the disposal of waste corrugated plate denitrification catalyst; in respect of other business, the Group will focus on the development and introduction of water saving, waste water zero discharge, comprehensive treatment of flue gas, soil remediation, energy conservation and other technologies. The Group will explore new markets to improve its profitability by means of digestion, absorption and re-innovation of current technologies.

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 2019

According to the resolution of the Board passed on 28 August 2019, the Board did not recommend to distribute any interim dividend to shareholders of the Company for the six months ended 30 June 2019.

MATERIAL LITIGATION OR ARBITRATION EVENTS

As at 30 June 2019, 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.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2019, 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 overallotment option, after deducting the underwriting fees and relevant expenses, amounted to approximately HK$2,032.3 million, which will be used in the ways stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 3 November 2016 (the "**Prospectus**").

The use of net proceeds from the initial public offering up to 30 June 2019 is set out as follows:

	Use of net proceeds as disclosed in the Prospectus *(HK$ million)*	Actual use of net proceeds up to 30 June 2019 *(HK$ million)*	Unutilised net proceeds up to 30 June 2019 *(HK$ million)*	Expected time of full utilization of remaining balance
To finance the capital expenditures for expanding the desulfurization and denitrification concession operations	1,219.5	1,179.1	40.4	December 2019
To develop new sources of growth in the revenue and profit, including but not limited to EMC business for coal-fired power plants, water treatment business, and providing customers with overall solution plans of ultralow emissions	304.8	304.8	0.0	–
To repay some of the existing bank loans in order to lower the financial costs and improve the leverage ratio	203.2	203.2	0.0	–
For working capital and other general corporate purposes	203.2	203.2	0.0	–
For research and development expenditures	101.6	8.1	93.5	December 2019
Total	2,032.3	1,898.4	133.9	

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2019, the Group had no material acquisition or disposal.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MAJOR INVESTMENTS

For the six months ended 30 June 2019, 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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

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 2019 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 2019 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, the PRC, 28 August 2019

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

* *For identification purposes only*