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Datang Environment Industry Group Co., Ltd.*
大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL AND OPERATION HIGHLIGHTS

- For the six months ended 30 June 2020, the revenue of the Group amounted to RMB2,867.9 million, representing an increase of 18.6% as compared with the same period of last year.
- For the six months ended 30 June 2020, the gross profit of the Group amounted to RMB424.5 million and the gross profit margin of the Group amounted to 14.8%, representing a decrease in gross profit margin of 6.4 percentage points as compared with the same period of last year.
- For the six months ended 30 June 2020, the total comprehensive income attributable to owners of the parent amounted to RMB50.3 million, representing a decrease of 44.0% 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 2020.

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 2020 (the “**Reporting Period**”), together with the comparable figures of the same period in 2019. The financial information of the Group for the six months ended 30 June 2020 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 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

		2020 Unaudited RMB'000	2019 Unaudited RMB'000
	Notes		
Revenue	4	2,867,941	2,418,489
Cost of sales		<u>(2,443,412)</u>	<u>(1,906,557)</u>
Gross profit		424,529	511,932
Selling and distribution expenses		(10,046)	(17,666)
Administrative expenses		(193,474)	(295,172)
Other income and losses	5	56,614	46,202
Other expenses	6	(98,865)	–
Finance costs	7	(137,170)	(119,521)
Impairment losses on financial and contract assets		<u>(8,394)</u>	<u>(4,219)</u>
Profit before tax		33,194	121,556
Income tax expense	8	<u>(29,005)</u>	<u>(30,279)</u>
PROFIT FOR THE PERIOD		<u><u>4,189</u></u>	<u><u>91,277</u></u>

	2020	2019
<i>Notes</i>	Unaudited RMB'000	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	<u>(736)</u>	<u>(621)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(736)</u>	<u>(621)</u>
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	1,730	(2,224)
Income tax effect	<u>(260)</u>	<u>334</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>1,470</u>	<u>(1,890)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>734</u>	<u>(2,511)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>4,923</u>	<u>88,766</u>

		2020 Unaudited RMB'000	2019 Unaudited RMB'000
	<i>Notes</i>		
Profit attributable to:			
Owners of the parent		50,299	89,880
Non-controlling interests		<u>(46,110)</u>	<u>1,397</u>
		<u>4,189</u>	<u>91,277</u>
Total comprehensive income attributable to:			
Owners of the parent		51,357	87,642
Non-controlling interests		<u>(46,434)</u>	<u>1,124</u>
		<u>4,923</u>	<u>88,766</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>RMB</i>)	10	<u>0.02</u>	<u>0.03</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

		30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	7,320,038	7,617,283
Right-of-use assets		343,329	356,043
Intangible assets		235,588	238,333
Equity investments designated at fair value through other comprehensive income		9,388	7,658
Deferred tax assets		68,640	70,086
Other non-current assets		382,205	422,254
Total non-current assets		8,359,188	8,711,657
CURRENT ASSETS			
Inventories		189,742	169,920
Trade, bills receivables and contract assets	12	9,791,491	9,425,082
Prepayments, other receivables and other assets	13	1,162,503	1,241,554
Restricted cash	14	24,171	42,179
Cash and cash equivalents	14	1,299,267	1,580,367
Total current assets		12,467,174	12,459,102

		30 June 2020	31 December 2019
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	15	5,166,295	4,989,275
Other payables and accruals		1,959,636	1,852,722
Provisions	16	101,306	–
Interest-bearing bank borrowings and other loans	17	3,211,041	3,723,311
Income tax payable		10,945	9,471
Total current liabilities		10,449,223	10,574,779
NET CURRENT ASSETS		2,017,951	1,884,323
TOTAL ASSETS LESS CURRENT LIABILITIES		10,377,139	10,595,980
NON-CURRENT LIABILITIES			
Provisions	16	1,800	4,579
Interest-bearing bank borrowings and other loans	17	3,203,260	3,322,567
Other non-current liabilities		35,363	34,953
Total non-current liabilities		3,240,423	3,362,099
Net assets		7,136,716	7,233,881
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,967,542	2,967,542
Reserves		3,998,155	4,047,101
		6,965,697	7,014,643
Non-controlling interests		171,019	219,238
Total equity		7,136,716	7,233,881

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the parent								
				Fair value reserve of financial assets at fair value					
	Share capital	Capital reserve*	Statutory surplus reserve*	through other comprehensive income*	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 2019 (audited)	2,967,542	1,315,483	368,312	2,260	(7)	2,361,053	7,014,643	219,238	7,233,881
Profit for the period	-	-	-	-	-	50,299	50,299	(46,110)	4,189
Other comprehensive income for the period:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	1,470	-	-	1,470	-	1,470
Exchange difference on translation of foreign operations	-	-	-	-	(412)	-	(412)	(324)	(736)
Total comprehensive income for the period	-	-	-	1,470	(412)	50,299	51,357	(46,434)	4,923
Final 2019 dividends declared	-	-	-	-	-	(100,303)	(100,303)	-	(100,303)
Dividends declared by a subsidiary to its non-controlling interests	-	-	-	-	-	-	-	(1,785)	(1,785)
At 30 June 2020 (unaudited)	<u>2,967,542</u>	<u>1,315,483</u>	<u>368,312</u>	<u>3,730</u>	<u>(419)</u>	<u>2,311,049</u>	<u>6,965,697</u>	<u>171,019</u>	<u>7,136,716</u>

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	2,967,542	1,315,483	350,104	1,846	(317)	2,486,749	7,121,407	197,915
Profit for the period	-	-	-	-	-	89,880	89,880	1,397
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)	-
Exchange difference on translation of foreign operations	-	-	-	-	(348)	-	(348)	(273)
Total comprehensive income for the period	-	-	-	(1,890)	(348)	89,880	87,642	1,124
Final 2018 dividends declared	-	-	-	-	-	(326,430)	(326,430)	-
Dividends paid by a subsidiary to its non-controlling interests	-	-	-	-	-	-	-	(5,355)
At 30 June 2019 (unaudited)	<u>2,967,542</u>	<u>1,315,483</u>	<u>350,104</u>	<u>(44)</u>	<u>(665)</u>	<u>2,250,199</u>	<u>6,882,619</u>	<u>193,684</u>

* These reserve accounts comprise the consolidated reserves of RMB3,998,155,000 and RMB3,915,077,000 as at 30 June 2020 and 2019, respectively, in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2020**(Amounts expressed in thousands of RMB unless otherwise stated)*

	2020 Unaudited RMB'000	2019 Unaudited RMB'000
NET CASH FLOWS GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	628,682	(673,764)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,304	11,268
Purchase of items of property, plant and equipment and intangible assets	(146,022)	(502,231)
Proceeds from disposal of items of property, plant and equipment	23	–
Receipt of government grants for property, plant and equipment	805	1,858
Decrease in time deposit	–	35,000
Net cash flows used in investing activities	(142,890)	(454,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	2,074,125	3,219,230
Repayments of bank borrowings and other loans	(3,713,921)	(2,094,949)
Proceeds from issue of bonds	999,813	–
Share issue expenses	–	(643)
Principal portion of lease payments	(1,030)	(4,984)
Dividends paid to non-controlling interests	(5,000)	(5,355)
Interest paid	(120,637)	(119,447)
Net cash flows (used in)/generated from financing activities	(766,650)	993,852
NET DECREASE IN CASH AND CASH EQUIVALENTS	(280,858)	(134,017)
Cash and cash equivalents at the beginning of the period	1,580,367	1,677,724
Effect of foreign exchange rate changes, net	(242)	37
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,299,267	1,543,744

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (together the “**Group**”) are involved in the following principal activities: 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 is presented in thousands of Renminbi (“**RMB**”), unless otherwise stated.

The interim condensed consolidated financial information has not been audited.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”).

The interim condensed consolidated financial information does 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 for the year ended 31 December 2019.

2.2 Changes in accounting policies and disclosures

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 2019, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 3: *Definition of a Business*

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continuing to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform*

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

Amendments to IFRS 16: Covid-19-Related Rent Concessions (early adopted)

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information as the Group did not receive any Covid-19-related rent concessions.

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

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, 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 2019.

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; 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (Continued)

(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, non-lease-related 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 (other than lease liabilities) for daily operation purpose, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

Six months ended 30 June 2020 (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 (note 4)					
Sales to external customers	2,058,306	752,011	-	57,624	2,867,941
Intersegment sales	-	-	-	10,974	10,974
	<u>2,058,306</u>	<u>752,011</u>	<u>-</u>	<u>68,598</u>	<u>2,878,915</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(10,974)
Revenue					<u>2,867,941</u>
Segment results	325,607	6,839	(659)	(2,424)	329,363
<i>Reconciliation:</i>					
Other income and losses					56,614
Other expenses					(98,865)
Finance costs (other than interest on lease liabilities)					(130,302)
Corporate and other unallocated expenses					(123,616)
Profit before tax					<u>33,194</u>
As at 30 June 2020 (unaudited)					
Segment assets	17,404,110	1,813,953	102,198	250,400	19,570,661
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,414,112)
Corporate and other unallocated assets					2,669,813
Total assets					<u>20,826,362</u>
Segment liabilities	11,713,636	1,698,428	121,980	149,882	13,683,926
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,414,112)
Corporate and other unallocated liabilities					1,419,832
Total liabilities					<u>13,689,646</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(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 (note 4)					
Sales to external customers	2,294,597	36,591	30,382	56,919	2,418,489
Intersegment sales	31	–	–	14,069	14,100
	<u>2,294,628</u>	<u>36,591</u>	<u>30,382</u>	<u>70,988</u>	<u>2,432,589</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(14,100)
Revenue					<u>2,418,489</u>
Segment results	319,015	(11)	1,466	(48,561)	271,909
<i>Reconciliation:</i>					
Other income and losses					46,202
Finance costs (other than interest on lease liabilities)					(112,093)
Corporate and other unallocated expenses					(84,462)
Profit before tax					<u>121,556</u>
As at 31 December 2019 (audited)					
Segment assets	17,639,061	1,802,470	131,392	275,483	19,848,406
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,153,989)
Corporate and other unallocated assets					2,476,342
Total assets					<u>21,170,759</u>
Segment liabilities	10,792,731	1,740,899	197,187	163,235	12,894,052
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,153,989)
Corporate and other unallocated liabilities					2,196,815
Total liabilities					<u>13,936,878</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(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 RMB2,610 million for the six months ended 30 June 2020 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 2019: RMB2,284 million).

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Revenue from contracts with customers	2,867,941	2,417,546
Revenue from other sources		
– Gross rental income	–	943
	<u>2,867,941</u>	<u>2,418,489</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

Disaggregated revenue information for revenue from contracts with customers:

Segments	Six months ended 30 June 2020 (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
Types of goods or service					
Sale of industrial products	148,822	-	-	16,261	165,083
Construction services	380,554	752,011	-	41,363	1,173,928
Desulfurization and denitrification services	1,528,930	-	-	-	1,528,930
Total revenue from contracts with customers	<u>2,058,306</u>	<u>752,011</u>	<u>-</u>	<u>57,624</u>	<u>2,867,941</u>
Timing of revenue recognition					
Goods transferred at a point in time	148,822	-	-	16,261	165,083
Services transferred over time	1,909,484	752,011	-	41,363	2,702,858
Total revenue from contracts with customers	<u>2,058,306</u>	<u>752,011</u>	<u>-</u>	<u>57,624</u>	<u>2,867,941</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

Segments	Six months ended 30 June 2019 (unaudited)				Total RMB'000
	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	
Types of goods or service					
Sale of industrial products	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	<u>2,294,597</u>	<u>36,591</u>	<u>30,382</u>	<u>55,976</u>	<u>2,417,546</u>
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	<u>2,294,597</u>	<u>36,591</u>	<u>30,382</u>	<u>55,976</u>	<u>2,417,546</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(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:

Segments	Six months ended 30 June 2020 (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
Revenue from contracts with customers					
External customers	2,058,306	752,011	–	57,624	2,867,941
Intersegment sales	–	–	–	10,974	10,974
	2,058,306	752,011	–	68,598	2,878,915
Intersegment adjustments and eliminations	–	–	–	(10,974)	(10,974)
Total revenue from contracts with customers	<u>2,058,306</u>	<u>752,011</u>	<u>–</u>	<u>57,624</u>	<u>2,867,941</u>
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
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	<u>2,294,597</u>	<u>36,591</u>	<u>30,382</u>	<u>55,976</u>	<u>2,417,546</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

5. OTHER INCOME AND LOSSES

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Other income		
Interest income	5,404	11,268
Government grants	48,205	35,134
Exchange gains	3,075	—
	<u>56,684</u>	<u>46,402</u>
Other losses, net		
Loss on disposal of items of property, plant and equipment	(70)	—
Exchange losses	—	(200)
	<u>(70)</u>	<u>(200)</u>
	<u><u>56,614</u></u>	<u><u>46,202</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

6. OTHER EXPENSES

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
Arbitration losses (<i>Note</i>)	98,865	–

Note: In November 2016, China Datang Technologies & Engineering Co., Ltd. (“**Technologies & Engineering Company**”), a subsidiary of the Company, and two other third parties have entered into arrangement with Datang Xinjiang Clean Energy Co., Ltd., (“**Datang Xinjiang**”) to construct a wind farm on a land owned by Datang Xinjiang. As required by the arrangement, Technologies & Engineering Company purchased 33 wind turbines from Jiangsu Jiuding Tiandi Wind Power Co., Ltd. (“**Jiuding Tiandi Wind Power**”). In March 2017, Jiuding Tiandi Wind Power received a notice from Datang Xinjiang that the construction of the wind farm may be suspended. After a series of negotiation between the parties, Jiuding Tiandi Wind Power brought an arbitration proceeding against Technologies & Engineering Company in December 2018. In June 2020, the arbitration authority ruled that Technologies & Engineering Company shall compensate Jiuding Tiandi Wind Power for economic losses in an aggregate amount of RMB98,865,000 (the “**Ruling**”).

On 21 June 2020, Technologies & Engineering Company submitted an application to the local court (the “**Court**”) to overrule the Ruling. On 6 July 2020, the application has been duly accepted by the Court. The application is still in the stage of internal discussion and process approval of the court. The outcomes cannot be determined at present and it is not probable that the court will overrule the Ruling, so full provision has been recognised by the Group for this matter.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest on lease liability	6,868	7,428
Interest expenses on bank borrowings and other loans	135,087	125,369
Less: interest capitalised	(4,785)	(13,276)
	<u>137,170</u>	<u>119,521</u>

8. 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 charged to the profit or loss are as follows:

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Current	27,819	47,954
Deferred	1,186	(17,675)
	<u>29,005</u>	<u>30,279</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DIVIDENDS

On 28 March 2020, the board of Directors of the Company (the “**Board**”) proposed to distribute the final dividend for the year ended 31 December 2019 of RMB0.0338 per share (before tax) amounted to RMB100 million in cash to the shareholders, which was approved by the shareholders of the Company at the 2019 Annual General Meeting on 18 June 2020. As at 30 June 2020, 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 2020 (for the six months ended 30 June 2019: nil).

10. 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 2020 and 2019, respectively.

The Company did not have any potential dilutive shares in issue during the six months ended 30 June 2020 and 2019. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations (RMB)	<u>50,299,000</u>	<u>89,880,000</u>
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic/diluted earnings per share calculations (share)	<u>2,967,542,000</u>	<u>2,967,542,000</u>
Earnings per share		
Basic/diluted earnings per share (RMB)	<u>0.02</u>	<u>0.03</u>

11. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of RMB33,036,000 (for the six months ended 30 June 2019: RMB259,721,000).

Plant and equipment with a book value of RMB93,000 (for the six months ended 30 June 2019: nil) were disposed of by the Group during the six months ended 30 June 2020, resulting in a loss of RMB70,000 (for the six months ended 30 June 2019: nil), which is included in “other income and losses” in the interim condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

12. TRADE, BILLS RECEIVABLES AND CONTRACT ASSETS

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Trade receivables	8,114,040	8,033,142
Less: provision for impairment	<u>(243,290)</u>	<u>(234,844)</u>
	7,870,750	7,798,298
Bills receivable	<u>930,110</u>	<u>742,945</u>
Contract assets arising from construction services	996,050	889,309
Less: provision for impairment	<u>(5,419)</u>	<u>(5,470)</u>
	<u>990,631</u>	<u>883,839</u>
	<u>9,791,491</u>	<u>9,425,082</u>

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Within 1 year	5,117,366	4,404,897
Between 1 and 2 years	1,344,074	1,751,826
Between 2 and 3 years	667,888	750,711
Over 3 years	1,914,822	1,868,653
	<hr/>	<hr/>
	9,044,150	8,776,087
Less: provision for impairment	(243,290)	(234,844)
	<hr/>	<hr/>
	8,800,860	8,541,243
	<hr/> <hr/>	<hr/> <hr/>

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Due from related parties:		
– Prepayments	375,999	486,772
– Other receivables	144,179	144,189
	520,178	630,961
Prepayments	186,641	149,910
Deposits	24,114	27,648
Other receivables	35,117	42,683
Other current assets	406,116	400,015
	1,172,166	1,251,217
Less: provision for impairment	(9,663)	(9,663)
	1,162,503	1,241,554

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Cash and bank balances	1,323,438	1,622,546
Less: restricted cash (<i>Note</i>)	(24,171)	(42,179)
	<hr/>	<hr/>
Cash and cash equivalents	<u>1,299,267</u>	<u>1,580,367</u>
Cash and bank balances denominated in:		
– RMB	1,309,507	1,604,065
– Hong Kong dollars	7,270	7,130
– Indian rupees	<u>6,661</u>	<u>11,351</u>
	<u>1,323,438</u>	<u>1,622,546</u>

Note: Restricted cash mainly represented deposits held for issued bills payable, performance obligations for engineering services, and property maintenance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

15. TRADE AND BILLS PAYABLES

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

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Bills payable	114,366	194,432
Trade payables	5,051,929	4,794,843
	<u>5,166,295</u>	<u>4,989,275</u>

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 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Within 1 year	2,624,844	2,589,256
1 year to 2 years	987,899	870,173
2 years to 3 years	420,177	452,260
More than 3 years	1,133,375	1,077,586
	<u>5,166,295</u>	<u>4,989,275</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

16. PROVISIONS

	Warranties RMB'000	Arbitration losses RMB'000	Total RMB'000
At 1 January 2020	4,579	–	4,579
Additional provision (Note)	–	98,865	98,865
Amounts utilised during the period	<u>(338)</u>	<u>–</u>	<u>(338)</u>
At 30 June 2020	4,241	98,865	103,106
Portion classified as current liabilities	<u>(2,441)</u>	<u>(98,865)</u>	<u>(101,306)</u>
Non-current portion	<u>1,800</u>	<u>–</u>	<u>1,800</u>

Note: Please refer to Note 6 for details of Arbitration losses.

17. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate (%)	Maturity	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Current				
Bank borrowings:				
– unsecured	3.32%–4.57%	2020–2021	1,170,565	2,288,499
Other loans:				
– unsecured	4.70%	2020	30,000	330,000
– secured (Note a)	5.00%	2020	70,000	70,000
– short-term bonds (Note b)	2.00%–2.60%	2020–2021	<u>1,000,000</u>	<u>–</u>
			<u>2,270,565</u>	<u>2,688,499</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Effective interest rate (%)	Maturity	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Current portion of long-term bank borrowings and other loans:				
Bank borrowings – unsecured	4.37%–6.62%	2020–2021	504,274	657,671
Bank borrowings – secured (<i>Note c</i>)	5.23%	2020	–	26,170
Bank borrowings – guaranteed (<i>Note d</i>)	4.28%–4.90%	2020–2021	26,253	23,253
Other loans – unsecured	4.75%–5.15%	2020–2021	31,090	30,500
Other loans – secured (<i>Note e</i>)	5.70%	2020–2021	347,900	265,000
Other loans – lease liabilities	4.41%	2020–2021	30,959	32,218
			940,476	1,034,812
			3,211,041	3,723,311

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Effective interest rate (%)	Maturity	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	3.25%–6.62%	2022–2028	2,092,093	2,030,491
Bank borrowings – secured (<i>Note c</i>)	5.23%	2020	–	73,830
Bank borrowings – guaranteed (<i>Note d</i>)	4.28%–4.90%	2021–2026	42,404	60,367
Other loans – unsecured	4.75%–5.15%	2021–2023	152,191	167,885
Other loans – secured (<i>Note e</i>)	5.70%	2021	–	79,750
Other loans – lease liabilities	4.41%	2021–2038	317,042	310,784
Other loans – bonds	3.65%	2024	599,530	599,460
			<u>3,203,260</u>	<u>3,322,567</u>
			<u>6,414,301</u>	<u>7,045,878</u>
Interest-bearing bank borrowings and other loans denominated in – RMB				
			<u>6,414,301</u>	<u>7,045,878</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

Note a: The above secured other loans are secured by trade and bills receivables with a net carrying value of RMB126,272,000 (31 December 2019: RMB126,272,000).

Note b: On 24 March 2020 and 20 April 2020, the Company issued two tranches of short-term bonds with a par value of RMB100 amounting to RMB500 million each. The bonds had an annual effective interest rate of 2.00% and 2.60%. The two issued short-term bonds will mature in August 2020 and January 2021, respectively.

Note c: The above secured bank borrowings are secured by future receivables. They were repaid in March 2020 in advance, which should be repaid in 2024 according to the contract.

Note d: The above secured bank borrowings were guaranteed by the Company for certain subsidiaries.

Note e: The above secured other loans are secured by buildings and other infrastructure with a net carrying value of RMB148,549,000 (31 December 2019: RMB152,531,000).

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

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year	1,701,092	2,995,593
In the second year	510,169	640,121
In the third to fifth years, inclusive	1,437,305	1,216,339
Beyond five years	187,023	308,228
	<u>3,835,589</u>	<u>5,160,281</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Other loans repayable:		
Within one year	1,509,949	727,718
In the second year	169,855	263,067
In the third to fifth years, inclusive	692,434	697,103
Beyond five years	206,474	197,709
	<u>2,578,712</u>	<u>1,885,597</u>
	<u>6,414,301</u>	<u>7,045,878</u>

18. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Contracted, but not provided for		
Buildings	186,095	261,698
Plant and machinery	459,712	617,742
Equity investments (Note)	20,000	–
	<u>665,807</u>	<u>879,440</u>

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Note: On 25 May 2020, the Company entered into a Capital Increase Agreement with the shareholders of China Datang Overseas Electric Technology and O&M Co., Ltd. (“**Datang Overseas Technology**”) to increase the capital of Datang Overseas Technology by RMB20 million which will be contributed by each shareholder based on the existing shareholding. Upon completion of the capital increase, the registered capital of Datang Overseas Technology increased to RMB250 million and the shareholding percentage of the Company in Datang Overseas Technology remains at 10%. The capital was injected by cash on 30 July 2020.

19. 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 2020 and 2019. All transactions with related parties were conducted at prices and terms mutually agreed by the parties involved.

(a) Significant related party transactions

	Six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
Sales of goods and rendering of services to China Datang Group		
Environmental protection and energy conservation solutions	1,860,064	2,209,672
Renewable energy engineering	749,295	10,935
Thermal power engineering	—	30,382
Others	986	33,410
	<u>2,610,345</u>	<u>2,284,399</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Purchases of goods and receiving of services from China Datang Group		
Water supply and electricity supply	368,186	356,303
Ancillary services under the concession operations	73,004	45,127
Logistics services	7,185	5,796
Wind power electricity and other products	549,662	38,516
	<u>998,037</u>	<u>445,742</u>
Purchase of assets from subsidiaries of China Datang Group		
Purchase of assets	<u>–</u>	<u>7</u>
Loans from subsidiaries of China Datang Group (Note a)		
China Datang Finance Co., Ltd. (“Datang Finance”)	500,000	1,300,000
Datang Financial Lease Co., Ltd. (“Datang Financial Lease”)	–	85,000
Datang Commercial Factoring Co., Ltd. (“Datang Commercial Factoring”)	<u>–</u>	<u>30,000</u>
	<u>500,000</u>	<u>1,415,000</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Interest expense on loans from subsidiaries of China Datang Group		
Datang Finance	6,176	4,654
Datang Financial Lease	11,044	8,200
Datang Commercial Factoring	1,769	2,915
	<u>18,989</u>	<u>15,769</u>
Interest income from subsidiaries of China Datang Group		
Datang Finance	<u>4,483</u>	<u>3,431</u>

Note a:

Loans from subsidiaries of China Datang Group	31 December 2019	Proceeds	Repayment	30 June 2020	Duration	Effective interest rate (%)	Type
Datang Finance	356,300	500,000	802,900	53,400	13/9/2017 –26/12/2023	3.92–5.15	Unsecured
Datang Financial Lease	350,000	–	–	350,000	1/11/2018 –16/5/2021	5.70	Secured
Datang Financial Lease	44,005	–	12,204	31,801	25/10/2019 –24/10/2021	4.75	Unsecured
Datang Commercial Factoring	70,000	–	–	70,000	30/8/2019 –10/9/2020	5.00	Secured
	<u>820,305</u>	<u>500,000</u>	<u>815,104</u>	<u>505,201</u>			

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(Amounts expressed in thousands of RMB unless otherwise stated)

(b) Outstanding balances with related parties

The outstanding balances with related parties at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 Unaudited RMB'000	31 December 2019 Audited RMB'000
Cash and cash equivalents		
Datang Finance	<u>1,211,197</u>	<u>1,478,236</u>
Trade, bills receivables and contract assets		
China Datang Group	<u>8,076,936</u>	<u>7,441,214</u>
Prepayments, other receivables and other assets		
China Datang Group	<u>520,178</u>	<u>630,961</u>
Other non-current assets		
China Datang Group	<u>26,449</u>	<u>61,887</u>
Interest-bearing bank borrowings and other loans (other than lease liabilities)		
Datang Finance	53,400	356,300
Datang Financial Lease	381,801	394,005
Datang Commercial Factoring	<u>70,000</u>	<u>70,000</u>
	<u>505,201</u>	<u>820,305</u>
Trade and bills payables		
China Datang Group	<u>992,230</u>	<u>706,488</u>
Other payables and accruals		
China Datang Group	<u>479,739</u>	<u>810,974</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(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 People’s Bank of China.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Short term employee benefits	4,894	4,432
Post-employment benefits	238	303
	<hr/>	<hr/>
Total compensation paid to key management personnel	5,132	4,735
	<hr/>	<hr/>

(e) Property Leases

As a lessee, the group leases buildings for desulfurization and denitrification facilities from Datang Financial Lease and some power plants from China Datang Group, with a general lease term of 20 years. No new lease was entered during the period ended 30 June 2020 (2019: Nil). The related right-of-use assets and liabilities recorded in the interim condensed consolidated statement of financial position, payment of lease liabilities and the related expenses recognised during the period are as follows.

	30 June	31 December
	2020	2019
	Unaudited	Audited
	RMB'000	RMB'000
Right-of-use assets	321,220	333,168
	<hr/>	<hr/>
Lease liabilities	343,889	338,497
	<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Depreciation charge	<u>11,948</u>	<u>12,606</u>
Interest expense	<u>6,812</u>	<u>7,428</u>
Payments	<u>1,420</u>	<u>4,984</u>

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 2020 (Unaudited)		31 December 2019 (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	<u>26,449</u>	<u>25,110</u>	<u>56,819</u>	<u>55,337</u>
Financial liabilities				
Long term interest-bearing loans and borrowings (other than lease liabilities)	<u>2,886,218</u>	<u>2,853,095</u>	<u>3,011,783</u>	<u>2,977,534</u>

Management has assessed that the fair values of cash and cash equivalents, restricted cash, 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, and 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

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 2020 and 31 December 2019, 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 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.
- 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 changes in fair value as a result of the Group's own non-performance risks for interest-bearing bank borrowings and other loans as at 30 June 2020 and 31 December 2019 were assessed to be insignificant.
- The fair values of the bills receivables which are measured at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using the one-year bank loan interest rate published by the People's Bank of China.
- The fair values of the unlisted equity investments have been measured based on valuation multiples, including enterprise value ("EV") to sales ("EV/sales") multiple, EV to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and EV to earnings before interest and taxes ("EV/EBIT") multiple of comparable companies, adjusted by a discount for lack of marketability.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

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. Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Input	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Multiples: EV/Sales, EV/EBITDA and EV/EBIT of peers (Note)	EV/Sales: 2.8x EV/EBITDA: 10.0x EV/EBIT: 16.5x (31 December 2019: EV/sales 2.8x)	10% (31 December 2019: 10%) increase/decrease in multiples would result in increase/decrease in fair value by 7% (31 December 2019: 4%)
		Discount for lack of marketability	25% (31 December 2019: 25%)	10% (31 December 2019: 10%) increase/decrease in discount would result in decrease/increase in fair value by 3% (31 December 2019: 3%)

Note: Management took the average valuation derived from these three multiples as the fair value of the unlisted equity investments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

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) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2020 (unaudited)				
Equity investments designated at fair value through other comprehensive income	–	–	9,388	9,388
Trade and bills receivables	–	930,110	–	930,110
	<u>–</u>	<u>930,110</u>	<u>–</u>	<u>930,110</u>
As at 31 December 2019 (audited)				
Equity investments designated at fair value through other comprehensive income	–	–	7,658	7,658
Trade and bills receivables	–	742,945	–	742,945
	<u>–</u>	<u>742,945</u>	<u>–</u>	<u>742,945</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

Fair value hierarchy (Continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	7,658	7,171
Total gains/(losses) recognised in other comprehensive income	<u>1,730</u>	<u>(2,224)</u>
At 30 June	<u>9,388</u>	<u>4,947</u>

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

21. IMPACT OF Covid-19

The novel coronavirus (Covid-19) outbreak has spread across the PRC since early January 2020, the prevention and control of Covid-19 has been ongoing nationwide.

According to the current situation, the main impacts of the Covid-19 on the Group are as follows:

- i. Due to the decrease of power generation, revenue from desulfurization and denitrification services representing a decrease of RMB121 million as compared with the same period of last year;
- ii. Some EPC projects were in suspension which result in the revenue from construction services had a decrease of RMB133 million compared with the same period of last year.

The Group will monitor the developments of Covid-19 situation closely, assess and react actively to its impact on the financial position and operating results of the Group. As of the report date, this assessment is still under way.

22. EVENTS AFTER THE REPORTING PERIOD

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

23. 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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

As an environmental protection and energy conservation solution provider, the principal business of the Group includes environmental protection facility concession operation, the manufacture and sale of denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business. Customers of the Group spread over 30 provinces, autonomous regions and municipal cities in the PRC as well as 8 countries.

I. INDUSTRY OVERVIEW

1. Endeavor to protect our blue skies, clear waters and clean lands and comprehensively deploy key environmental protection tasks

The 2020 Government Work Report requires that, in 2020, the energy consumption per unit of gross domestic product and the emission of major pollutants will continue to decline, and efforts will be made to fulfill the goals and tasks of the 13th Five-Year Plan. We will endeavor to protect our blue skies, clear waters, and clean lands, and meet the goals for the critical battle of pollution prevention and control. We will advance well-coordinated environmental conservation in the Yangtze Economic Belt. An overall plan will be formulated for ecological protection and high-quality development in the Yellow River basin. Priority will be placed on curbing pollution in a law-based, scientific, and targeted way. We will ensure more effective protection of ecosystems and the environment. We will intensify efforts to control air pollution in key areas. We will step up the construction of sewage and garbage treatment facilities and move ahead with the sorting of household waste. The relocation and transformation of producers of hazardous chemical products will be accelerated. We will boost the development of energy-saving and environmental protection industries. We will carry out major projects for protecting and restoring key ecosystems to promote ecological conservation. We will invest more funds raised through special bonds to support modern agricultural facilities, safe drinking water projects, and the improvement of living environments. This will promote steady improvements in rural living and working conditions.

2. Build a scientific evaluation index system to continuously promote the construction of ecological civilization

On 28 February 2020, the National Development and Reform Commission formulated and released the “Beautiful China Construction Evaluation Index System and Implementation Plan”, which is oriented to the vision of “basically realizing the goal of beautiful China” in 2035. According to the requirements of reflecting universality, stage and different regional characteristics, the Company focuses on the aspects of good ecological environment and clean living environment, and develops an evaluation system for five indicators, including fresh air, clean water and soil safety, good ecology and clean living environment. It is proposed that the Ministry of Natural Resources, the Ministry of Ecological Environment, the Ministry of Housing and Urban Rural Development, the Ministry of Water Resources, the Ministry of Agriculture and Rural Affairs, and the State Forestry and Administration, according to their work responsibilities, put forward the expected goals of Beautiful China Construction in 2025, 2030 and 2035, and reasonably achieve the regional goals in accordance with local science.

3. Continuously improve the financing environment and increase the financial support in key areas

The requirements of national financial work meeting held on 30 December 2019 was pointed out that the financial policy in 2020 will focus on supporting the three major battles and promoting the realization of the phased objectives of pollution prevention and control. Since February 2020, various ministries and commissions have issued a number of documents aiming at ensuring and improving the financial investment in the field of environmental protection. In the fields of soil pollution prevention and control, sewage treatment, power generation with incinerated waste, ecological protection and restoration of river basin, solid waste and hazardous waste treatment, various supporting measures have been proposed, such as the establishment of pollution prevention and control fund, the improvement of charging standard mechanism, and the pilot REITs supporting policies will be issued to provide corresponding policy support for the smooth development of environmental protection projects in local key areas.

All in all, 2020 is the closing year of the development stage of the 13th Five-Year Plan, and also a phased assessment year for the three major environmental protection battles. With the impact of the backlog of stock projects brought by the new epidemic situation in the first half of the year, it is expected that the central and local environmental protection market projects will be released in the second half of this year, and the Company has a good market prospect. It is expected that the development stage of the “14th Five Year Plan” is not only the 14th Five-Year Plan period of the PRC’s economic and social development, but also a critical period for the success of the crucial task of pollution prevention and control and the continuous promotion of the construction of a beautiful China. According to the existing policy expectation, in the process of promoting the national economic development, the state will accelerate the transformation and upgrading of economic structure, further play the role of ecological environment protection, and continue to expand the energy conservation and environmental protection industry. With the continuous improvement of environmental protection policies and market-oriented system, the environmental protection market direction of traditional electric power field will develop in depth, and the market space of non-electric field will be further expanded. The Company will realize high-quality, sustainable and healthy development by virtue of years of experience accumulated in the field of environmental governance.

II. BUSINESS OVERVIEW

1. Environmental Protection and Energy Conservation Solution Business

Environmental protection facility concession operation business

As of 30 June 2020, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 47,300MW and the installed capacity for desulfurization concession operation projects under construction reached 3,320MW. The cumulative installed capacity in operation for denitrification concession operations reached 37,890MW, and the installed capacity for denitrification concession operation projects under construction reached 3,320MW. The installed capacity for desulfurization entrusted operation project reached 1,960MW.

During January to June 2020, the Group was devoted to optimizing the operation and energy consumption diagnosis, intensifying 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 2020, the production volume and the sales volume of the denitrification catalysts business of the Group were 17,331.5m³ and 19,693.4m³, respectively. The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business during January to June 2020:

(Unit: m³)

Production volume	Sales volume	Delivery volume
17,331.5	19,693.4	14,254.7

During January to June 2020, the Group sold 9,967.1m³ of catalyst to customers other than China Datang Group, among which, 3,029.6m³ of catalyst was sold to overseas customers and 1,561.0m³ of catalyst was sold to customers from non-electric industry such as glass and alumina sectors.

In addition, during January to June 2020, the Group conducted business in relation to integrated use of an aggregate of 3,204.3m³ 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 2020:

Projects	Bid winning projects		Projects put into operation		Projects under construction	
	<i>Number</i>	<i>Capacity (MW)</i>	<i>Number</i>	<i>Capacity (MW)</i>	<i>Number</i>	<i>Capacity (MW)</i>
Desulfurization	1	119	0	0	10	5,959
Denitrification	1	119	2	2,600	13	11,189
Dust removal	1	119	2	1,400	10	7,419
Ultra-low emission	1	119	0	0	1	119
Industrial site dust treatment	3	2,360	4	4,560	6	11,240

Water treatment business

During January to June 2020, the Group entered into contracts for 2 new water engineering projects. As at 30 June 2020, the Group has four water treatment operation projects, 3 of which have been put into operation, and 1 is under construction; 14 water engineering projects are under construction, 5 of which are water treatment island projects.

Energy conservation business

As at 30 June 2020, the Group has five energy conservation engineering projects under construction with a total contract value of RMB156 million; the Group has ten energy management contract project under execution with a total investment of RMB340.2 million.

2. Renewable Energy Business

Affected by the COVID-19, during January to June 2020, the Group has not entered into renewable energy projects contracts. As at 30 June 2020, the Group has a total of 5 renewable energy projects under construction with an installed capacity of 580MW.

3. Thermal Power Engineering Business

From January to June 2020, the Group has yet to commence the thermal power engineering business.

4. Other Businesses

During January to June 2020, the Group continued to carry out air-cooling system EPC business, and as at 30 June 2020, the Group has two projects under construction with an installed capacity of 1,200MW.

5. Overseas Business

In the first half of 2020, the Group focused on dust desulfurization and denitrification of environmental protection markets in India and actively develops renewable energy markets such as biomass power stations in Southeast Asia. Due to the impact of worldwide COVID-19, during January to June 2020, the Group has not signed newly overseas project. As at 30 June 2020, the Group has 5 overseas projects under execution.

6. Research and Development

The ISO international standard “Guidelines for Wastewater Treatment and Reuse of Thermal Power Plants” jointly applied by the Group and Nanjing University has been approved on 30 March 2020. As at 30 June 2020, the Group has completed and issued and implemented 26 different technical standards. The Group has 42 technical standards under preparation.

During January to June 2020, the Group obtained a total of 37 utility model patents and 8 invention patents. As at 30 June 2020, the Group has obtained a total of 1,113 utility model patents and 133 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 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 announcement, unless otherwise specified herein, (i) all discussion about total revenue, total gross profit and overall gross profit margin are based on the amounts after all intra- and inter-segment elimination among the segments/sub-segments (being the figures reflected in our consolidated statement of profit or loss and other comprehensive income), and (ii) all discussion about the revenue, gross profit and gross profit margin of business segments and sub-segments are based on the amounts before any intra- or inter-segment elimination of such segment or sub-segment.

1. Overview

The Group's revenue increased by 18.6% to RMB2,867.9 million for the six months ended 30 June 2020 as compared with RMB2,418.5 million for the same period in 2019. The Group's profit for the six months ended 30 June 2020 amounted to RMB4.2 million, representing a decrease of RMB87.1 million as compared with RMB91.3 million for the same period in 2019. Profit attributable to the owners of the parent amounted to RMB50.3 million for the six months ended 30 June 2020. As at 30 June 2020, the Group's cash and cash equivalents decreased by 17.8% to RMB1,299.3 million as compared with RMB1,580.4 million as at 31 December 2019. The Group's total assets decreased by 1.6% to RMB20,826.4 million as at 30 June 2020 as compared with RMB21,170.8 million as at 31 December 2019. The Group's total liabilities decreased by 1.8% to RMB13,689.6 million as at 30 June 2020 as compared with RMB13,936.9 million as at 31 December 2019. The Group's return on total assets for the six months ended 30 June 2020 was 0.02%, as compared with 0.4% for the same period in 2019.

2. Results of Operation

Revenue

The Group's revenue increased by 18.6% to RMB2,867.9 million for the six months ended 30 June 2020 as compared with RMB2,418.5 million for the same period in 2019 primarily due to the increase in revenue of renewable energy engineering business.

Cost of sales

The Group's cost of sales increased by 28.2% to RMB2,443.4 million for the six months ended 30 June 2020 as compared with RMB1,906.6 million for the same period in 2019. The increase of the Group's cost of sales was due to the increase in costs along with the increase in revenue of renewable energy engineering projects.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by 43.5% to RMB10.0 million for the six months ended 30 June 2020 as compared with RMB17.7 million for the same period in 2019, mainly due to conservation of selling and distribution expenses through delicacy management of the Group.

Administrative expenses

The Group's administrative expenses decreased by 34.5% to RMB193.5 million for the six months ended 30 June 2020 as compared with RMB295.2 million for the same period in 2019, mainly due to the provision of impairment losses for buildings and other infrastructure and machinery of the Group's environmental protection and energy saving solutions business in the same period in 2019, and no similar situations occurred in 2020.

Other income and losses

The Group's other income and losses increased by 22.5% to RMB56.6 million for the six months ended 30 June 2020 as compared with RMB46.2 million for the same period in 2019.

Other expenses

The Group's other expenses increased to RMB98.9 million for the six months ended 30 June 2020 as compared with the same period in 2019, mainly due to the arbitration disputes between China Datang Technologies & Engineering Co., Ltd. ("**Technologies & Engineering Company**"), a subsidiary of the Company and being the general construction contractor, Datang Xinjiang Clean Energy Co., Ltd. ("**Datang Xinjiang**"), its proprietor, and Jiangsu Jiuding Tiandi Wind Power Co., Ltd. ("**Jiuding Tiandi Wind Power**"), its main equipment supplier.

Technologies & Engineering Company received the arbitration award (the "**Award**") dated 8 June 2020. Pursuant to the Award, Technologies & Engineering Company shall compensate Jiuding Tiandi Wind Power for economic losses in an aggregate amount of RMB98,865,000 (the "**Arbitration Decision**"). Please refer to the announcement of the Company dated 18 June 2020 for the details of the Award.

Technologies & Engineering Company submitted an application to the local court to overrule the Arbitration Decision. Currently, the application has been duly accepted by the court and is in the stage of internal discussion and process approval of the court. The outcomes cannot be determined at present and it is not probable that the court will overrule the Arbitration Decision, so full provision has been recognised by the Group for this matter.

Finance costs

The Group's finance costs increased by 14.8% to RMB137.2 million for the six months ended 30 June 2020 as compared with RMB119.5 million for the same period in 2019, due to the increase in debt scale of the Group in the first half of 2020 as compared with the same period of last year arising from the issuance of ultra-short term financing bonds and the issuance of corporate bonds at the end of last year, leading to the increase in finance costs, amid the decrease in bank borrowings and balance of other loans for the end of the period.

Profit before tax

As a result of the foregoing factors, the Group's profit before tax decreased by 72.7% to RMB33.2 million for the six months ended 30 June 2020 as compared with RMB121.6 million for the same period in 2019.

Income tax expense

The Group's income tax expense was RMB29.0 million for the six months ended 30 June 2020, representing a decrease of 4.3% from RMB30.3 million for the same period in 2019.

Profit for the period

The Group's profit for the Reporting Period decreased by RMB87.1 million from RMB91.3 million for the six months ended 30 June 2019 to RMB4.2 million for the six months ended 30 June 2020. For the six months ended 30 June 2020, the Group's profit for the Reporting Period as a percentage of its total revenue decreased to 0.1% as compared with 3.8% for the same period in 2019.

Profit attributable to owners of the parent

The profit attributable to owners of the parent decreased by RMB39.6 million to RMB50.3 million for the six months ended 30 June 2020 as compared with RMB89.9 million for the same period in 2019.

Profit attributable to non-controlling interests

The profit attributable to non-controlling interests decreased by 3,392.9% to RMB-46.1 million for the six months ended 30 June 2020 as compared with RMB1.4 million for the same period in 2019.

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 2020 and 30 June 2019, respectively, as well as the percentage of change:

	For the six months ended 30 June				
	2020		2019		
	Revenue	Percentage of total revenue before elimination ⁽¹⁾	Revenue	Percentage of total revenue before elimination ⁽¹⁾	Change
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Environmental Protection and Energy					
Conservation Solutions:					
Environmental protection facilities					
concession operation	1,528,930	52.3	1,478,829	58.9	3.4
Denitrification catalysts	193,667	6.6	207,336	8.3	(6.6)
Environmental protection facilities					
engineering	307,463	10.5	511,077	20.4	(39.8)
Water treatment business	48,272	1.7	153,371	6.1	(68.5)
Energy conservation business	26,064	0.8	20,593	0.8	26.6
Total revenue of environmental protection	2,104,396	71.9	2,371,206	94.5	(11.3)
Intra-segment elimination ⁽²⁾	(46,090)		(76,578)		
Total revenue of environmental protection					
and energy conservation solutions after					
intra-segment elimination	2,058,306		2,294,628		(10.3)
Inter-segment elimination ⁽³⁾	–		(31)		
External revenue of environmental					
protection and energy conservation					
solutions	2,058,306		2,294,597		(10.3)

	For the six months ended 30 June				
	2020		2019		Change
	Revenue	Percentage of	Revenue	Percentage of	
	<i>RMB'000</i>	total revenue before elimination ⁽¹⁾ %	<i>RMB'000</i>	total revenue before elimination ⁽¹⁾ %	%
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	752,011	25.8	36,591	1.5	1,955.2
Inter-segment elimination	—	—	—	—	—
External revenue of renewable energy engineering business	752,011		36,591		1,955.2
Thermal Power Engineering:					
Total revenue of thermal power engineering	—	—	30,382	1.2	(100.0)
Inter-segment elimination	—	—	—	—	—
External revenue of thermal power engineering	—		30,382		(100.0)
Other Businesses:					
Total revenue of other businesses	68,598	2.3	70,988	2.8	(3.4)
Inter-segment elimination ⁽⁴⁾	(10,974)	—	(14,069)	—	—
External revenue of other businesses	57,624		56,919		1.2
Total revenue before intra- and inter-segment elimination⁽⁵⁾	2,925,005	100.0	2,509,167	100.0	16.6
Total intra- and inter-segment elimination⁽⁶⁾	(57,064)		(90,678)		
Total revenue	2,867,941		2,418,489		18.6

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 2020 and 30 June 2019, respectively, as well as the percentage of change in gross profit:

	For the six months ended 30 June				
	2020		2019		Change of gross profit %
	Gross profit ⁽¹⁾ <i>RMB'000</i>	Gross profit margin ⁽²⁾ %	Gross profit ⁽¹⁾ <i>RMB'000</i>	Gross profit margin ⁽²⁾ %	
Environmental Protection and Energy					
Conservation Solutions:					
Environmental protection facilities					
concession operation	336,038	22.0	400,702	27.1	(16.1)
Denitrification catalysts	56,851	29.4	51,491	24.8	10.4
Environmental protection facilities					
engineering	(1,410)	(0.5)	70,700	13.8	(102.0)
Water treatment business	(584)	(1.2)	24,251	15.8	(102.4)
Energy conservation business	6,769	26.0	(631)	(3.1)	(1,172.7)
Total gross profit of environmental protection and energy conservation solutions	397,664	18.9	546,513	23.0	(27.2)
Total gross profit of renewable energy engineering	6,839	0.9	2	–	341,850.0
Total gross profit of thermal power engineering	(659)	–	1,466	4.8	(145.0)
Total gross profit of other businesses	11,769	17.2	(28,434)	(40.1)	(141.4)
Total gross profit and gross profit margin⁽³⁾	424,529	14.8	511,932	21.2	(17.1)

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 2020, the Group's cash and cash equivalents decreased by 17.8% to RMB1,299.3 million as compared with RMB1,580.4 million as at 31 December 2019. Such decrease was mainly attributable to the increase in the cash flow used in financing activities of the Group.

5. Working Capital

As at 30 June 2020, the Group's net current assets increased by 7.1% to RMB2,018.0 million as compared with RMB1,884.3 million as at 31 December 2019, primarily due to the increase of receivables, and the decrease of interest-bearing bank borrowings and other loans.

6. Indebtedness

As at 30 June 2020, the Group's borrowings decreased by 9.0% to RMB6,414.3 million as compared with RMB7,045.9 million as at 31 December 2019.

7. Capital Expenditure

The Group's capital expenditure decreased by 85.9% to RMB38.0 million for the six months ended 30 June 2020 as compared with RMB269.9 million for the six months ended 30 June 2019. 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 2020, 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 41.7%, representing a decrease of 1.3 percentage points as compared with 43.0% as at 31 December 2019, which was mainly due to the decrease in the total amount of borrowings arising from the decrease in the demand for working capital during the current period and the maturity of part of the debt.

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 the PRC's electric power industry, has participated in the formulation of various industrial policies and standards, which allows it to catch the latest industry trends and respond in a timely fashion.

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group, and will continue to enter into such transactions in the future. During January to June 2020, the total value of products and services provided by the Group to China Datang Group (other than concession operations) was approximately RMB1.16 billion, representing approximately 40.4% of the total revenue of the Group. During January to June 2020, the total value of the services provided by the Group to China Datang Group under the concession operations (desulfurization and denitrification) was approximately RMB1.45 billion, representing approximately 50.5% of the total revenue of the Group. The Group has been actively expanding its client base, for example, during January to June 2020, the Group entered into contracts in the amount of RMB0.232 billion with clients other than China Datang Group, representing 36.9% of the total of contracts entered into during January to June 2020.

Cash flow risks

The Group had positive operating cash flows for the six months ended 30 June 2020. 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 2020, the Group had available bank facilities of RMB20.062 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 2020, we had 1,085 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 2020 by their functions:

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	315	29.03%
Engineering and technical personnel	201	18.53%
Sales personnel	99	9.12%
Research and development personnel	356	32.82%
Administrative and management personnel	79	7.28%
Manufacture personnel	20	1.84%
Others	15	1.38%
Total	1,085	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 4 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. Taking the road of high-quality development and draw up the blueprint of “14th Five-Year” Plan

The Group will strive to open up a new path for high-quality development in the new era by taking the opportunity of the “14th Five-Year” Plan. The Group will continue to strengthen and optimize the environmental protection facilities concession operation, strictly control the consumption of bulk materials, optimize the daily equipment maintenance, continuously optimize the inventory and strive to seize the increment; the Group will expand and strengthen the denitrification catalyst business, accelerate the capacity expansion of the recycling and disposal facilities for honeycomb catalysts and spent catalysts and strengthen the research and development and manufacturing of new products; the Group will enhance and optimize the engineering business, optimize the engineering management model, provide professional management services for infrastructure projects, and take the road to transform into new energy and smart energy enterprises.

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

The Group will implement the Three-Year Plan and the “Double Hundred Actions” for Reform of State-owned Enterprises, and push forward the implementation of key reform tasks based on the bottleneck in the development of each business segment and the “syndrome-based medicine”, and build a market-oriented management mechanism comprehensively. The Group will innovate the management model for engineering projects, establish a full-cycle management mechanism for projects, and improve the project execution capability in an all-round manner. The Group will deepen the reform of the scientific research system and mechanism, and establish the scientific and technological innovation management system and new technology transformation mechanism in line with high-quality development.

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 consolidate the market position of the existing engineering businesses such as flue gas treatment, water treatment and coal yard closure, seize the existing market share, polish its core business and improve its profitability; the Group will focus on green industry, continue to explore new business such as new energy, smart energy and municipal pollution treatment, accelerate transformation and upgrade, and establish new competitive advantages in the market. In terms of overseas market, the Group will take the direction of developing environmental protection and renewable energy, being guided by the ideas of “five stability, four steps and three strengthens”, transform towards the integration of investment, construction and operation, and promote the high-quality 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, being guided by industrialized technology research and development, to continuously enhance the research and development and innovation, accelerate the transformation and implementation of new technologies, and create a series of new services and new products by 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 businesses, 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.

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 2020

According to the resolution of the Board passed on 28 August 2020, the Board did not recommend to distribute any interim dividend to shareholders of the Company for the six months ended 30 June 2020.

MATERIAL LITIGATION OR ARBITRATION EVENTS

In November 2016, Technologies & Engineering Company, a subsidiary of the Company, and two other third parties have entered into arrangement with Datang Xinjiang to construct a wind farm on a land owned by Datang Xinjiang. As required by the arrangement, Technologies & Engineering Company purchased 33 wind turbines from Jiuding Tiandi Wind Power. In March 2017, Jiuding Tiandi Wind Power received a notice from Datang Xinjiang that the construction of the wind form may be suspended. After a series of negotiation between the parties, Jiuding Tiandi Wind Power brought an arbitration proceeding against Technologies & Engineering Company in December 2018. In June 2020, the arbitration authority ruled that Technologies & Engineering Company shall compensate Jiuding Tiandi Wind Power for economic losses in an aggregate amount of RMB98,865,000.

On 21 June 2020, Technologies & Engineering Company submitted application to the local court to overrule the Arbitration Decision. Currently, the application has been duly accepted by the court and is in the stage of internal discussion and process approval of the court.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 for the six months ended 30 June 2020 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 2020 (HK\$ million)	Unutilised net proceeds up to 30 June 2020 (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	1,219.5	0.0	–
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 financial 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	10.7	90.9	December 2020
Total	2,032.3	1,941.4	90.9	

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2020, the Group had no material acquisition or disposal.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MAJOR INVESTMENTS

For the six months ended 30 June 2020, 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 2020.

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 2020 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 2020 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 2020

As of the date of this announcement, the non-executive Directors are Mr. Jin Yaohua, Mr. Hou Guoli, Mr. Liu Quancheng, Mr. Liu Ruixiang and Mr. Li Zhenyu; the executive Director is Mr. Wang Yanwen; and the independent non-executive Directors are Mr. Ye Xiang, Mr. Mao Zhuanjian and Mr. Gao Jiexiang.

* For identification purposes only