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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL AND OPERATION HIGHLIGHTS

- For the year ended 31 December 2020, the revenue of the Group amounted to RMB6,821.1 million, representing an increase of 6.3% as compared with last year.

- For the year ended 31 December 2020, the gross profit of the Group amounted to RMB1,168.3 million, representing an increase of 8.2% as compared with last year; the gross profit margin of the Group was 17.1%, representing an increase of 0.3 percentage points as compared with last year.

- For the year ended 31 December 2020, the total comprehensive income attributable to owners of the parent amounted to RMB303.3 million, representing an increase of 38.1% as compared with last year.

- For the year ended 31 December 2020, the Group continued to be the largest desulfurization and denitrification concession operator and the largest manufacturer of denitrification catalysts in the PRC.

- The Board proposed to distribute the final dividend of RMB0.0446 per Share (before tax) for the year ended 31 December 2020.

The board (the "**Board**") of directors (the "**Directors**") of Datang Environment Industry Group Co., Ltd. (the "**Company**") hereby announces the financial results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**us**") for the year ended 31 December 2020, together with the comparable figures of 2019. The financial data of the Group for the year ended 31 December 2020 set out by the Company in this results announcement is based on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements under the Hong Kong Companies Ordinance.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	4	**6,821,071**	6,414,621
Cost of sales		**(5,652,769)**	(5,334,656)
Gross profit		**1,168,302**	1,079,965
Selling and distribution expenses		**(23,041)**	(36,898)
Administrative expenses		**(483,796)**	(549,695)
Other income and losses	4	**82,240**	132,290
Other expenses	5	**(106,603)**	–
Finance costs	6	**(270,291)**	(252,841)
Impairment losses on financial and contract assets, net		**(44,153)**	(69,678)
Profit before tax		**322,658**	303,143
Income tax expense	7	**(111,298)**	(57,766)
PROFIT FOR THE YEAR		**211,360**	245,377
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,107)**	553
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(1,107)**	553

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
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		**1,256**	487
Income tax effect		**(189)**	(73)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**1,067**	414
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(40)**	967
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**211,320**	246,344
Profit attributable to:			
Owners of the parent		**302,872**	218,942
Non-controlling interests		**(91,512)**	26,435
		211,360	245,377
Total comprehensive income attributable to:			
Owners of the parent		**303,319**	219,666
Non-controlling interests		**(91,999)**	26,678
		211,320	246,344
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	9	**0.10**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**7,294,595**	7,617,283
Intangible assets		**273,478**	238,333
Right-of-use assets		**329,146**	356,043
Equity investments designated at fair value through other comprehensive income		**28,914**	7,658
Deferred tax assets		**46,191**	70,086
Other non-current assets		**429,632**	422,254
Total non-current assets		**8,401,956**	8,711,657
CURRENT ASSETS			
Inventories		**190,609**	169,920
Contract assets		**735,407**	883,839
Trade and bills receivables	10	**8,628,443**	8,541,243
Prepayments, other receivables and other assets		**624,977**	1,241,554
Restricted cash		**67,727**	42,179
Cash and cash equivalents		**1,531,739**	1,580,367
Total current assets		**11,778,902**	12,459,102

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	11	**4,904,475**	4,989,275
Other payables and accruals		**1,789,559**	1,852,722
Provisions		**6,320**	–
Interest-bearing bank borrowings and other loans	12	**3,192,305**	3,723,311
Income tax payable		**34,945**	9,471
Total current liabilities		**9,927,604**	10,574,779
NET CURRENT ASSETS		**1,851,298**	1,884,323
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,253,254**	10,595,980
NON-CURRENT LIABILITIES			
Provisions		**1,000**	4,579
Interest-bearing bank borrowings and other loans	12	**2,878,584**	3,322,567
Other non-current liabilities		**34,392**	34,953
Total non-current liabilities		**2,913,976**	3,362,099
Net assets		**7,339,278**	7,233,881
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	**2,967,542**	2,967,542
Reserves		**4,250,117**	4,047,101
		7,217,659	7,014,643
Non-controlling interests		**121,619**	219,238
Total equity		**7,339,278**	7,233,881

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus reserve* *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2020	**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 year	-	-	-	-	-	302,872	302,872	(91,512)	211,360
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	1,067	-	-	1,067	-	1,067
Exchange difference on translation of foreign operations	-	-	-	-	(620)	-	(620)	(487)	(1,107)
Total comprehensive income for the year	-	-	-	1,067	(620)	302,872	303,319	(91,999)	211,320
Appropriation to statutory surplus reserve	-	-	38,169	-	-	(38,169)	-	-	-
Final 2019 dividend declared *(Note 8)*	-	-	-	-	-	(100,303)	(100,303)	-	(100,303)
Dividends declared by a subsidiary to its non-controlling shareholders	-	-	-	-	-	-	-	(5,620)	(5,620)
At 31 December 2020	2,967,542	1,315,483	406,481	3,327	(627)	2,525,453	7,217,659	121,619	7,339,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus reserve* *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	2,967,542	1,315,483	350,104	1,846	(317)	2,486,749	7,121,407	197,915	7,319,322
Profit for the year	–	–	–	–	–	218,942	218,942	26,435	245,377
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	414	–	–	414	–	414
Exchange difference on translation of foreign operation	–	–	–	–	310	–	310	243	553
Total comprehensive income for the year	–	–	–	414	310	218,942	219,666	26,678	246,344
Appropriation to statutory surplus reserve	–	–	18,208	–	–	(18,208)	–	–	–
Final 2018 dividend declared *(Note 8)*	–	–	–	–	–	(326,430)	(326,430)	–	(326,430)
Dividends declared by a subsidiary to its non-controlling shareholders	–	–	–	–	–	–	–	(5,355)	(5,355)
At 31 December 2019	2,967,542	1,315,483	368,312	2,260	(7)	2,361,053	7,014,643	219,238	7,233,881

* These reserves accounts comprise the consolidated reserves of RMB4,250,117,000 (31 December 2019: RMB4,047,101,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

		2020	2019
		RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**322,658**	303,143
Adjustments for:			
Finance costs		**270,291**	259,141
Interest income		**(11,965)**	(11,073)
Depreciation of property, plant and equipment		**527,638**	490,646
Amortisation of intangible assets		**17,048**	13,873
Depreciation of right-of-use assets		**24,460**	24,522
Amortisation of other non-current assets		**217,775**	248,064
Loss on disposal of items of property, plant and equipment	4	**145**	177
Amortisation of government grants		**(1,872)**	(1,872)
Impairment loss on trade receivables, net	10	**43,781**	69,959
Impairment loss on other receivables, net		**(120)**	(1,380)
Impairment loss on property, plant and equipment		**40,861**	113,263
Impairment loss on contract assets, net		**492**	1,099
Increase in inventories		**(20,689)**	(16,400)
Decrease in contract assets		**147,940**	97,498
Increase in trade and bills receivables		**(140,197)**	(207,855)
Decrease/(Increase) in prepayments, other receivables and other assets		**624,734**	(314,825)
Increase in restricted cash		**(25,548)**	(5,251)
Decrease in trade and bills payables		**(84,800)**	(1,474,902)
(Decrease)/increase in other payables and accruals		**(50,832)**	328,514
Cash generated from operations		**1,901,800**	(83,659)
Income tax paid		**(63,001)**	(99,566)
Net cash flows generated from/(used in) operating activities		**1,838,799**	(183,225)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**11,965**	11,073
Purchase of items of property, plant and equipment, intangible assets and other non-current assets	**(602,205)**	(1,095,971)
Capital contribution in equity investments designated at fair value through other comprehensive income	**(20,000)**	–
Proceeds from disposal of items of property, plant and equipment	**24**	10
Decrease in a time deposit	**–**	35,000
Receipt of government grants for property, plant and equipment	**1,311**	3,955
Net cash flows used in investing activities	**(608,905)**	(1,045,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	**5,391,506**	6,297,711
Repayments of bank borrowings and other loans	**(6,349,798)**	(4,530,491)
Principal portion of lease payments	**(20,882)**	(20,183)
Share issue expenses	**–**	(641)
Dividends paid to shareholders	**(20,627)**	(329,476)
Dividends paid to non-controlling interests	**(9,580)**	(5,355)
Interest paid	**(267,269)**	(278,123)
Net cash flows (used in)/from financing activities	**(1,276,650)**	1,133,442
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(46,756)**	(95,716)
Cash and cash equivalents at beginning of year	**1,580,367**	1,677,724
Effect of foreign exchange rate changes, net	**(1,872)**	(1,641)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,531,739**	1,580,367

1. CORPORATE AND GROUP 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 was 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**") since 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 facility concession operation, the manufacture and sale of denitrification catalysts, environmental protection facility 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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name#	Place of incorporation/ registration	Issued and fully paid-up capital/registered capital	Percentage of equity attributable to the Company (%) Direct	Indirect	Principal activities
China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) ("**Technologies & Engineering Company**")	Beijing, the PRC	RMB180,000,000	56.00	–	Development of environmental protection technology and provision of engineering services in the PRC
Datang Nanjing Environmental Protection Technology Co., Ltd. (大唐南京環保科技有限責任公司)	Nanjing, the PRC	RMB124,630,000	92.11	–	Development and sale of catalysts; and provision of testing services in the PRC
Beijing Datang Hengtong Science & Technology Co., Ltd. (北京大唐恒通科技有限公司)	Beijing, the PRC	RMB42,000,000	100.00	–	Development of environmental protection technology and provision of engineering services in the PRC
Jiangsu Nanjing Thermal Electricity Engineering Design Institute Co., Ltd. (江蘇南京熱電工程設計院有限責任公司)	Nanjing, the PRC	RMB50,000,000	100.00	–	Provision of engineering design services in the PRC
Datang Technologies & Engineering India Private Limited (大唐科技工程印度有限公司)	Mumbai, India	Rupees 1,000,000	–	100.00	Provision of engineering services in India
Datang Beijing Energy Saving & Technology Co., Ltd. (大唐(北京)節能技術有限公司)	Beijing, the PRC	RMB10,000,000	65.00	–	Provision of project management, engineering and technology services in the PRC

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Company name#	Place of incorporation/ registration	Issued and fully paid-up capital/registered capital	Percentage of equity attributable to the Company *(%)* Direct	Indirect	Principal activities
Datang Beijing Water Engineering & Technology Co., Ltd. (大唐(北京)水務工程技術有限公司)	Beijing, the PRC	RMB187,976,000	100.00	–	Provision of technology services and water engineering services in the PRC
Zhejiang Datang Tiandi Environmental Technology Co., Ltd. (浙江大唐天地環保科技有限公司)	Ningbo, the PRC	RMB60,000,000	65.00	–	Development of pollution improvement environmental protection technology and provision of technology services in the PRC
Datang (Beijing) Energy Management Co., Ltd. (大唐(北京)能源管理有限公司)	Beijing, the PRC	RMB150,000,000	100.00	–	Provision of engineering services; and energy saving technology promotion services in the PRC

\# The names of these companies referred to in this report represent management's best effort at translating the Chinese names of the companies, as no English names have been registered. The above companies are all limited companies.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis, except for certain trade and bills receivables and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2020. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interests; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 continue 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group as the Group did not receive any covid-19-related rent concessions.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework* [2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	*Interest Rate Benchmark Refa-Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [3]
Amendments to IAS 1 and IFRS practice Statements 2	*Disclosure of Accounting Policies* [3]
Amendments to IAS 8	*Definition of Accounting Estimates* [3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use* [2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract* [2]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 require an entity to disclose its material accounting policy information rather than its significant accounting policies. To help entities to apply the amendments to IAS 1, the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to illustrate how an entity can judge whether accounting policy information is material to its financial statements. The IASB added guidance and examples to IFRS Practice Statement 2 to help an entity apply the four-step materiality process to accounting policy information. An entity shall apply the amendments to IAS 1 for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 introduce a new definition of accounting estimates. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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 segments 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 desulfurisation and denitrification facility 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, desulfurisation, 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 facility engineering and energy management contracting ("**EMC**").

3. OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Renewable energy engineering

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

(c) Thermal power engineering

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

(d) Other businesses

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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 other income and losses, other expenses, 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.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment liabilities exclude unallocated interest-bearing bank borrowings and other loans (other than lease liabilities) for daily operation purposes and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2020	**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	**4,878,775**	**1,851,317**	**1,135**	**89,844**	**6,821,071**
Intersegment sales	**–**	**–**	**–**	**27,426**	**27,426**
	4,878,775	**1,851,317**	**1,135**	**117,270**	**6,848,497**
Reconciliation:					
Elimination of intersegment sales					**(27,426)**
Revenue					**6,821,071**
Segment results	**817,672**	**(67,592)**	**(546)**	**6,864**	**756,398**
Reconciliation:					
Other income and losses					**82,240**
Other expenses					**(106,603)**
Finance costs (other than interest on lease liabilities)					**(256,624)**
Corporate and other unallocated expenses					**(152,753)**
Profit before tax					**322,658**

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020	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 assets	**16,869,285**	**1,880,096**	**34,307**	**243,953**	**19,027,641**
Reconciliation:					
Elimination of intersegment receivables					**(1,655,898)**
					17,371,743
Unallocated intangible assets					**26,494**
Unallocated deferred tax assets					**26,532**
Unallocated prepayments, other receivables and other assets					**599,243**
Restricted cash, cash and cash equivalents					**1,599,466**
Other unallocated head office and corporate assets					**557,380**
Total assets					**20,180,858**
Segment liabilities	**9,964,595**	**1,790,837**	**82,234**	**148,481**	**11,986,147**
Reconciliation:					
Elimination of intersegment payables					**(1,655,898)**
					10,330,249

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020	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*
Unallocated interest-bearing bank borrowings and other loans (other than lease liabilities)					**2,006,186**
Other unallocated head office and corporate liabilities					**505,145**
Total liabilities					**12,841,580**
Other segment information					
Impairment of property, plant and equipment	**40,861**	**–**	**–**	**–**	**40,861**
Impairment of trade receivables	**26,311**	**18,090**	**–**	**(620)**	**43,781**
Impairment of contract assets	**(155)**	**635**	**–**	**12**	**492**
Impairment of financial assets included in prepayments,other receivables and other assets	**–**	**–**	**–**	**(120)**	**(120)**
Impairment losses recognised in profit or loss, net	**67,017**	**18,725**	**–**	**(728)**	**85,014**
Depreciation and amortisation	**770,669**	**63**	**56**	**16,133**	**786,921**
Capital expenditure*	**437,493**	**–**	**–**	**2,265**	**439,758**

* Capital expenditure consists of additions to property, plant and equipment, and intangible assets.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	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	5,385,382	763,880	113,597	151,762	6,414,621
Intersegment sales	155	–	–	19,147	19,302
	5,385,537	763,880	113,597	170,909	6,433,923
Reconciliation:					
Elimination of intersegment sales					(19,302)
Revenue					6,414,621
Segment results	654,139	3,599	1,159	(59,884)	599,013
Reconciliation:					
Other income and losses					132,290
Finance costs (other than interest on lease liabilities)					(238,351)
Corporate and other unallocated expenses					(189,809)
Profit before tax					303,143

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	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 assets	17,639,061	1,802,470	131,392	275,483	19,848,406
Reconciliation:					
Elimination of intersegment receivables					(1,153,989)
					18,694,417
Unallocated intangible assets					32,424
Unallocated deferred tax assets					34,774
Unallocated prepayments, other receivables and other assets					474,054
Restricted cash, cash and cash equivalents					1,622,546
Other unallocated head office and corporate assets					312,544
Total assets					21,170,759
Segment liabilities	10,792,731	1,740,899	197,187	163,235	12,894,052
Reconciliation:					
Elimination of intersegment payables					(1,153,989)
					11,740,063

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	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*
Unallocated interest-bearing bank borrowings and other loans (other than lease liabilities)					2,065,524
Other unallocated head office and corporate liabilities					131,291
Total liabilities					13,936,878
Other segment information					
Impairment of property, plant and equipment	113,263	–	–	–	113,263
Impairment of trade receivables	48,463	21,903	–	(407)	69,959
Impairment of contract assets	1,319	(183)	–	(37)	1,099
Impairment of financial assets included in prepayments,other receivables and other assets	–	–	–	(1,380)	(1,380)
Impairment losses recognised in profit or loss, net	163,045	21,720	–	(1,824)	182,941
Depreciation and amortisation	758,897	69	57	18,082	777,105
Capital expenditure*	882,382	–	–	1,638	884,020

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about major customers

Revenue of approximately RMB5,891 million (2019: RMB5,667 million) was derived from the sale of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) ("**China Datang Group**").

4. REVENUE, OTHER INCOME AND LOSSES

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**6,820,488**	6,413,519
Revenue from other sources		
Gross rental income from operating leases		
Other lease payments, including fixed payments	**583**	1,102
	6,821,071	6,414,621

4. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

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*
Types of goods or services					
Sale of industrial products	346,590	–	–	43,563	390,153
Construction services	970,637	1,851,317	1,135	45,698	2,868,787
Desulfurization and denitrification services	3,561,548	–	–	–	3,561,548
Total revenue from contracts with customers	4,878,775	1,851,317	1,135	89,261	6,820,488
Timing of revenue recognition					
Goods transferred at a point in time	346,590	–	–	43,563	390,153
Services transferred over time	4,532,185	1,851,317	1,135	45,698	6,430,335
Total revenue from contracts with customers	4,878,775	1,851,317	1,135	89,261	6,820,488

4. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

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*
Types of goods or services					
Sale of industrial products	331,465	–	–	20,889	352,354
Construction services	1,779,590	763,880	113,597	129,771	2,786,838
Desulfurization and denitrification services	3,274,327	–	–	–	3,274,327
Total revenue from contracts with customers	5,385,382	763,880	113,597	150,660	6,413,519
Timing of revenue recognition					
Goods transferred at a point in time	331,465	–	–	20,889	352,354
Services transferred over time	5,053,917	763,880	113,597	129,771	6,061,165
Total revenue from contracts with customers	5,385,382	763,880	113,597	150,660	6,413,519

4. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

For the year ended 31 December 2020

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	**4,878,775**	**1,851,317**	**1,135**	**89,261**	**6,820,488**
Intersegment sales	**–**	**–**	**–**	**27,426**	**27,426**
	4,878,775	**1,851,317**	**1,135**	**116,687**	**6,847,914**
Intersegment adjustments and eliminations	**–**	**–**	**–**	**(27,426)**	**(27,426)**
Total revenue from contracts with customers	**4,878,775**	**1,851,317**	**1,135**	**89,261**	**6,820,488**

4. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

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	5,385,382	763,880	113,597	150,660	6,413,519
Intersegment sales	155	–	–	19,147	19,302
	5,385,537	763,880	113,597	169,807	6,432,821
Intersegment adjustments and eliminations	(155)	–	–	(19,147)	(19,302)
Total revenue from contracts with customers	5,385,382	763,880	113,597	150,660	6,413,519

4. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**14,639**	1,616
Construction services	**401,904**	207,250
	416,543	208,866

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within one year from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

4. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Desulfurisation and denitrification services

Under the concession operation contracts, the Group is engaged in providing desulfurisation and denitrification services to power plants for a period of the life cycle of the power plants. The performance obligations are satisfied over time as customer simultaneously receives and consumes the benefits provided by the Group. The payment is generally due within 30 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Amounts expected to be recognised as revenue		
Within one year	**683,350**	1,375,131
After one year	**–**	–
	683,350	1,375,131

4. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

The amounts of transactions prices allocated to the remaining performance obligations which are expected to be recognised after one year related to construction services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

	2020	2019
	RMB'000	*RMB'000*
OTHER INCOME		
Interest income	**16,860**	17,667
Government grants *(Note)*	**75,507**	112,151
Exchange gains	**–**	2,649
	92,367	132,467

Note: The amount mainly represents the income related to the VAT refunds received by the Group. As at 31 December 2020 and 2019, there were no unfulfilled conditions or other contingencies attaching to the government grants that had been recognised by the Group.

	2020	2019
	RMB'000	*RMB'000*
OTHER LOSSES, NET		
Loss on disposal of items of property, plant and equipment	**(145)**	(177)
Exchange losses	**(9,982)**	–
	(10,127)	(177)
	82,240	132,290

5. OTHER EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Compensation losses *(Note)*	**102,103**	–
Other losses	**4,500**	–
	106,603	–

Note: In November 2016, Technologies & Engineering Company, a subsidiary of the Company, and two other third parties have entered into an arrangement with Datang Xinjiang Clean Energy Co., Ltd., ("**Datang Xinjiang**") to construct a wind farm. 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 Fourth Intermediate People's Court of Beijing (the "**Court**") to overrule the Ruling. On 6 July 2020, the application has been duly accepted by the Court. On 3 September 2020, the Court issued a civil ruling, dismissing the application for revocation of the Ruling by Technologies & Engineering Company. Subsequent to the civil ruling, Technology & Engineering Company and Jiuding Tiandi Wind Power agreed for a total compensation of RMB102,103,000 to be paid by the Group.

As at 31 December 2020, compensation of RMB16,630,000 was paid by the Group. The remaining balance of RMB85,473,000 was recorded in other payable as at 31 December 2020.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Interest on lease liabilities	**13,667**	14,490
Interest expenses on bank borrowings and other loans	**265,783**	264,426
Less: interest capitalised	**(9,159)**	(26,075)
	270,291	252,841

The Group's capitalisation rate for the year ended 31 December 2020 were 5.23% to 6.62% (for the year ended 31 December 2019: 4.90% to 7.50%).

7. INCOME TAX EXPENSE

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and the PRC Enterprise Income Tax Law Implementation Regulations (中華人民共和國企業所得法實施條例), the Company and its certain subsidiaries have been recognised as high-technology enterprises and are subject to a preferential corporate income tax rate of 15%.

Certain branches of the Company are engaged in qualified environmental protection and resource or water conservation projects and income derived from such activities is tax-exempted for the first 3 years followed by a 50% exemption from the fourth to the sixth years starting from the first year in which the project generates operating profit.

Under the above tax law and regulations, except for preferential treatments available to certain branches and subsidiaries of the Company as mentioned above, subsidiaries within the Group are subject to corporate income tax at the statutory rate of 25%.

The subsidiary of the Company in India is subject to corporate income tax at a rate of 26% during the period from 1 January 2020 to 31 December 2020 (27.82% during the period from 1 January 2019 to 31 December 2019).

7. INCOME TAX EXPENSE (CONTINUED)

The components of income tax expense for the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**84,366**	80,638
Under provision in respect of prior years	**3,226**	1,892
Deferred tax	**23,706**	(24,764)
	111,298	57,766

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rate applicable in the PRC to the income tax expense at the Group's effective income tax rate for the year is as follows:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**322,658**	303,143
Income tax at the statutory income tax rate of 25% (2019: 25%)	**80,665**	75,786
Effect of a different tax rate applicable in another country	**(301)**	(197)
Effect of the preferential income tax rate	**(33,399)**	(31,480)
Expenses not deductible for tax	**1,677**	4,281
Additional deduction of research and development expenses	**(3,629)**	(1,402)
Adjustments in respect of current tax of previous periods	**3,226**	1,892
Effect of utilisation of unrecognised tax losses in prior years	**(1,648)**	–
Reversal of deferred tax recognised in prior years	**22,220**	–
Deductible temporary differences and tax losses not recognised	**42,487**	8,886
Income tax charge for the year	**111,298**	57,766
The Group's effective rate	**34.5%**	19.1%

8. DIVIDENDS

The dividends during the years ended 31 December 2020 and 2019 are set out below:

	2020	2019
	RMB'000	*RMB'000*
Dividends declared to owners of the parent	**100,303**	326,430

(i) During 2020, the final dividend of RMB100,303,000 at RMB0.0338 (2019: RMB0.11) per ordinary share (before tax) in respect of the year of 2019, based on the issued shares of the Company of 2,967,542,000 shares, was declared to owners of the parent (2019: RMB326,430,000).

On 26 March 2021, the Board of Directors proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 per share (before tax) of the Company in cash to the shareholders. The proposal is subject to the approval of the shareholders at the 2020 annual general meeting of the Company.

(ii) Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividends to non-resident enterprise holders of H shares (including any H shares registered in the name of HKSCC Nominees Limited).

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules as well as the Tax Notice, the Company will withhold and pay individual income tax at the rate ranging from 10% to 20% on behalf of individual holders of H shares.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the years ended 31 December 2020 and 2019.

The Company did not have any potential dilutive shares in issue during the years ended 31 December 2020 and 2019. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

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

Earnings	**2020**	2019
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations *(RMB'000)*	**302,872**	218,942

	Number of shares	
Shares	**2020**	2019
Weighted average number of ordinary shares in issue during the year, used in the basic/diluted earnings per share calculations *(share)*	**2,967,542,000**	2,967,542,000

Earnings per share	**2020**	2019
Basic/diluted earnings per share *(RMB)*	**0.10**	0.07

10. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**7,932,517**	8,033,142
Less: provision for impairment	**(272,662)**	(234,844)
	7,659,855	7,798,298
Bills receivable	**968,588**	742,945
	8,628,443	8,541,243

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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

(a) Ageing analysis

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**5,231,239**	4,404,897
Between 1 and 2 years	**798,872**	1,751,826
Between 2 and 3 years	**890,505**	750,711
Over 3 years	**1,980,489**	1,868,653
	8,901,105	8,776,087
Less: provision for impairment	**(272,662)**	(234,844)
	8,628,443	8,541,243

10. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 *RMB'000*	2019 *RMB'000*
At beginning of the year	**234,844**	164,885
Impairment losses, net	**43,781**	69,959
Amount written off as uncollectible	**(5,963)**	–
At end of the year	**272,662**	234,844

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

As at 31 December 2020, the gross carrying amounts of trade receivables from the related parties are RMB6,677,115,000 (2019: RMB6,536,598,000) which are mainly due from subsidiaries of China Datang Group. The Group has assessed the expected losses for trade receivables from related parties by reference to the published credit rating of China Datang Group and corresponding probability of default of 0.157%. Loss given is default was estimated to be 100%.

For the trade receivables from third parties, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

10. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

As at 31 December 2020

		Third parties						
	Related parties	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Over 3 years**	**Subtotal**	**Individually assessed trade receivables** *(Note a)*	**Total**
Expected credit loss rate	**0.157%**	**1.54%**	**9.07%**	**17.61%**	**33.54%**	**13.10%**	**70.75%**	**3.44%**
Gross carrying amount *(RMB'000)*	**6,677,115**	**398,951**	**109,355**	**424,069**	**153,469**	**1,085,844**	**169,558**	**7,932,517**
Expected credit losses *(RMB'000)*	**10,483**	**6,155**	**9,920**	**74,675**	**51,468**	**142,218**	**119,961**	**272,662**

As at 31 December 2019

		Third parties						
	Related parties	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Subtotal	Individually assessed trade receivables	Total
Expected credit loss rate	–	1.20%	7.75%	19.91%	47.04%	15.69%	–	2.92%
Gross carrying amount *(RMB'000)*	6,536,598	333,225	652,034	221,829	289,456	1,496,544	–	8,033,142
Expected credit losses *(RMB'000)*	–	3,994	50,509	44,167	136,174	234,844	–	234,844

10. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

Note a:

An overseas third-party company in India (the "**Indian Company**") of which a subsidiary is a customer of the Group (the "**Customer**") is undergoing a proceeding of bankruptcy and reorganisation. The Indian Company and its subsidiaries have been taken over by personnel appointed by judiciary in India. The Group has performed individual assessment on impairment of the trade receivable due from the Customer amounting to RMB169,558,000, based on the information available to the Group which includes the orders issued by National Company Law Appellate Tribunal, New Delhi (the "**Local Court**") and current operational status of the Customer. The Group establishes three possible scenarios when estimating the expected credit loss, including immediate bankruptcy ("**Bankruptcy**"), successful reorganisation and fair repayment to all creditors ("**Fair Repayment**"), successful reorganisation but giving priority to repayment to financial creditors ("**Priority Repayment**").

In the opinions of the directors, the Customer is a large local power generation plant, which will have stable cash income in the foreseeable future, so Bankruptcy is less likely to happen. Meanwhile, according to the order of repayment priority required by related laws, Priority Repayment is more likely to happen comparing to Fair Repayment, and therefore the Group assessed that probabilities of the three above scenarios are: 10% for Bankruptcy, 30% for Fair Repayment and 60% for Priority Repayment. Based on the present value of the future cash flows of the three scenarios as weighted by the respective probabilities, the expected credit loss is estimated to be RMB119,961,000.

(c) Transferred financial assets

Transferred financial assets that are derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivables to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB73,712,000 (2019: RMB304,616,000) (the "**Derecognised Bills**").

10. TRADE AND BILLS RECEIVABLES (CONTINUED) (Continued)

(c) Transferred financial assets (Continued)

Transferred financial assets that are derecognised in their entirety (Continued)

The derecognised bills receivable had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills receivable have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills receivable. Accordingly, it has derecognised the full carrying amounts of the derecognised bills receivable and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the derecognised bills receivable and the undiscounted cash flows to repurchase these derecognised bills receivable is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the derecognised bills receivable are not significant.

During the year ended 31 December 2020 and 2019, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks, and financial institutions of certain large central enterprises in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB81,456,000 (2019: RMB182,512,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB81,456,000 (2019: RMB182,512,000) as at 31 December 2020.

10. TRADE AND BILLS RECEIVABLES (CONTINUED) (Continued)

(c) Transferred financial assets (Continued)

Transferred financial assets that are not derecognised in their entirety (Continued)

As at 31 December 2020, trade and bills receivables amounting to RMB89,455,000 were pledged to secure bank borrowings and other loans granted to the Group (31 December 2019: RMB126,272,000).

11. TRADE AND BILLS PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
Bills payable	**122,600**	194,432
Trade payables	**4,781,875**	4,794,843
	4,904,475	4,989,275

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**2,379,678**	2,589,256
1 year to 2 years	**605,142**	870,173
2 years to 3 years	**679,509**	452,260
More than 3 years	**1,240,146**	1,077,586
	4,904,475	4,989,275

12. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate *(%)*	**Maturity**	**31 December 2020** ***RMB'000***	31 December 2019 *RMB'000*
Current				
Bank borrowings：				
– unsecured	3.10%-4.35%	2021	**1,590,560**	2,288,499
Other loans：				
– unsecured			**–**	330,000
– secured *(Note a)*	4.50%	2021	**70,000**	70,000
– short-term bonds *(Note b)*	2.00%	2021	**500,000**	–
			2,160,560	2,688,499
Current portion of long term bank borrowings and other loans				
Bank borrowings – unsecured	3.25%-6.62%	2021	**461,232**	657,671
Bank borrowings – secured *(Note c)*			**–**	26,170
Bank borrowings – guaranteed *(Note d)*	4.28%-5.15%	2021	**35,167**	23,253
Other loans – unsecured	4.75%-5.15%	2021	**153,186**	30,500
Other loans – secured *(Note e)*	5.70%	2021	**350,000**	265,000
Lease liabilities	4.41%	2021	**32,160**	32,218
			1,031,745	1,034,812
			3,192,305	3,723,311

12. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (CONTINUED)

	Effective interest rate (%)	Maturity	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	3.25%-6.62%	2022-2027	**1,948,661**	2,030,491
Bank borrowings – secured *(Note c)*			**–**	73,830
Bank borrowings – guaranteed *(Note d)*	4.28%-5.15%	2022-2023	**27,700**	60,367
Other loans – unsecured	4.75%-5.15%	2022-2024	**14,700**	167,885
Other loans – secured *(Note e)*			**–**	79,750
Other loans – bonds	3.65%	2024	**600,000**	599,460
Lease liabilities	4.41%	2022-2038	**287,523**	310,784
			2,878,584	3,322,567
			6,070,889	7,045,878
Interest-bearing bank borrowings and other loans denominated in:				
– RMB			**6,070,889**	7,045,878

Note a:

The above secured other loans are secured by trade and bills receivables with a net carrying value of RMB89,455,000 (31 December 2019: RMB126,272,000) (note 10).

Note b:

On 24 March 2020 and 20 April 2020, the Company issued two tranches of short-term bonds at a par value of RMB100 amounting to RMB500 million each. The bonds had annual effective interest rates of 2.00% and 2.60%. The first tranche of short-term bond has already matured in August 2020, and the second tranche of short-term bond will be matured in January 2021.

12. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (CONTINUED)

Note c:

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

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 RMB144,567,000 (31 December 2019: RMB152,531,000).

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

	2020	2019
	RMB'000	*RMB'000*
Analysed into:		
Bank borrowings repayable:		
Within one year	**2,086,959**	2,995,593
In the second year	**579,784**	640,121
In the third to fifth years, inclusive	**1,298,331**	1,216,339
Beyond five years	**98,246**	308,228
	4,063,320	5,160,281
Other loans repayable:		
Within one year	**1,105,346**	727,718
In the second year	**35,289**	263,067
In the third to fifth years, inclusive	**690,073**	697,103
Beyond five years	**176,861**	197,709
	2,007,569	1,885,597
Total	**6,070,889**	7,045,878

13. SHARE CAPITAL

Shares	**2020**	2019
	RMB'000	*RMB'000*
Issued and fully paid:		
2,967,542,000 (2019: 2,967,542,000) ordinary shares	**2,967,542**	2,967,542

MANAGEMENT DISCUSSION AND ANALYSIS

As an environmental protection and energy conservation solution provider for coal-fired power generation enterprises, the principal business of the Group includes environmental protection facility concession operation, denitrification catalysts, environmental protection facility 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 eleven countries.

I. INDUSTRY OVERVIEW

To review the overall performance of the environmental protection industry in 2020, the following highlights and industry trends are worth mentioning:

1. Focus on the deployment of clean energy projects to comprehensively achieve the goal of CO_2 Emission Peak, Carbon Neutrality

General Secretary Xi Jinping proposed that the PRC's CO_2 emissions are strived to reach a peak by 2030 and to achieve carbon neutrality by 2060. Along with the economic growth and increased demand of energy, the PRC has continuously reduced coal power generation, vigorously developed and utilized non-fossil energy sources such as wind power, solar power, hydropower and nuclear power, replacing coal-fired power with clean energy. The PRC has accelerated the transformation of low-carbon industries, promoted the development of the service industry, strengthened the energy conservation management and energy conservation and emission reduction in key areas. It is estimated that in the next five years, clean energy in the PRC will account for about 80% of the increase in energy consumption, and the annual total additional installed capacity of wind power and photovoltaic power will be no less than 100 million kW. The environmental protection industry should coordinate to accelerate the adjustment of energy structure and the increase of the proportion of installed capacity for new energy, take the initiative to develop new technologies and new formats, such as energy storage and hydrogen energy, and fully promote the transformation of green development.

2. Accelerate the development of sludge and wastewater treatment technologies and actively expand the environmental market in the Yangtze River and Yellow River Basins

On 26 December 2020, the 24th meeting of the Standing Committee of the 13th National People's Congress of the People's Republic of China passed the Yangtze River Protection Law of the People's Republic of China (《中華人民共和國長江保護法》), which became effective on 1 March 2021. It specifies that the provisions of the environmental protection administrative department under the State Council and the local people's governments at all levels in the Yangtze River Basin shall take effective measures to strengthen the prevention and supervision of water pollution in the Yangtze River Basin to prevent, control and reduce water pollution, and emphasizes that the local people's governments above the county level in the Yangtze River Basin shall coordinate the construction of centralised treatment facilities of urban and rural wastewater and supporting pipeline to ensure normal operation and improve the capacity of urban and rural wastewater collection and treatment. The local people's governments at or above the county level in the Yangtze River Basin shall promote the upgrade and transformation of industries, such as of iron and steel, petroleum, chemical, non-ferrous metals, building materials and ships to improve the level of technological equipment; improve the implementation of cleaning and transformation to enterprises of paper-making, tannery, electroplating, printing and dyeing, non-ferrous metals, pesticides, nitrogenous fertilizers, coking and API manufacturing. Enterprises shall reduce resource consumption and pollutant emissions through technological innovation. This policy provides a policy guarantee for the Company's water and sludge treatment business.

3. Continue to deepen the reform of the formation mechanism of the feed-in tariff for coal-fired power generation and maintain the environmental protection tariff policies

In October 2019, the National Development and Reform Commission issued the Guiding Opinions on Deepening the Reform of the Feed-in Tariff Formation Mechanism for Coal-fired Power Generation (《關於深化燃煤發電上網電價形成機制改革的指導意見》) (the "**Guiding Opinions**"), which further stipulated environmental protection tariff policies definitively. Specifically, for coal-fired power generation volume which applies the price mechanism of "base price + up and down fluctuations", the base price includes tariff for desulfurization, denitrification and dust removal. Power network enterprises are still responsible for safeguarding power supply and continuing to implement the prevailing ultra-low emission tariff policies on the basis of implementing base price. For coal-fired power generation feed-in tariff for which the market has been fully opened up, it includes tariff for desulfurization, denitrification, dust removal and ultra-low emission. The Guiding Opinions have provided policy-based guarantee for future development of the environmental protection facility concession operation business of the Company.

II. BUSINESS OVERVIEW

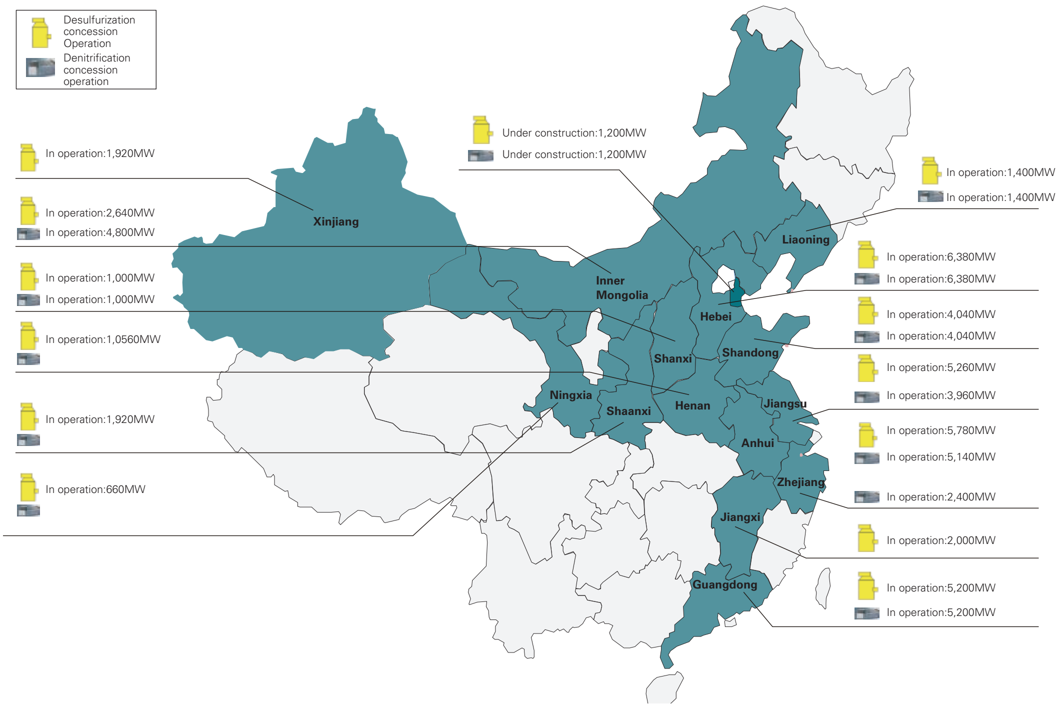
In 2020, the Group recorded steady development in each business segment and maintained the leading position in business segments of environmental protection facility concession operation and denitrification catalysts. Based on the cumulative operating unit capacity as of the end of 2020, the Group continued to maintain its position as the largest flue gas desulfurization and denitrification concession operator in the PRC. Based on the total output of denitrification catalysts in 2020, the Group remained as the PRC's largest producer of denitrification catalysts.

In 2020, the Group changed all operating model under the construction of desulfurization concession operation and denitrification concession operation projects in respect of its environmental protection facility concession operation business. While consolidating its leading position in the environmental protection field of thermal power segment, the Group actively developed environmental protection businesses in steel, cement, metallurgy and other non-electric fields to expand its business scope and influence.

1. Environmental Protection and Energy Conservation Business

1.1. Environmental protection facility concession operation business

The Group's environmental protection facility concession operation business covers desulfurization and denitrification concession operations and its major assets are located along east coast and in the areas with relatively robust economic development and strong demands for electricity. The following map shows the geographical layout and cumulative capacity of the Group's concession operation as at 31 December 2020:



As at 31 December 2020, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 48,000MW. The cumulative installed capacity in operation for denitrification concession operations reached 40,550MW and the installed capacity of the desulfurization entrusted operation projects reached 1,960MW.

The table below sets forth the status of the Group's desulfurization and denitrification concession operation projects as at 31 December 2020:

Project location	**Project name**	**Category of concession operation**	**Installed capacity** *(MW)*
Guangdong	Chaozhou	Desulfurization and denitrification	3,200
	Leizhou	Desulfurization and denitrification	2,000
Jiangsu	Lvsigang	Desulfurization and denitrification	2,640
	Nanjing	Desulfurization and denitrification	1,320
	Xutang	Desulfurization	1,300
Shandong	Huangdao	Desulfurization and denitrification	1,340
	Binzhou	Desulfurization and denitrification	700
	Dongying	Desulfurization and denitrification	2,000
Zhejiang	Wushashan	Denitrification	2,400
Ningxia	Pingluo	Desulfurization and denitrification	660
Henan	Xuchang	Desulfurization	2,020
	Sanmenxia	Desulfurization and denitrification	2,900/1,000
	Anyang	Desulfurization	1,270
	Shouyangshan	Desulfurization	1,040
	Xinyang (entrusted)	Desulfurization	1,960
	Gongyi	Desulfurization and denitrification	1,320
Hebei	Wangtan	Desulfurization and denitrification	1,200
	Zhangjiakou Thermal Power	Desulfurization and denitrification	600
	Zhangjiakou	Desulfurization	2,560
	Weixian	Desulfurization and denitrification	1,320
	Tangshan Beijiao	Desulfurization and denitrification	1,320

Project location	Project name	Category of concession operation	Installed capacity *(MW)*
Tianjin	Jixian	Desulfurization and denitrification	1,200
Anhui	Luohe	Desulfurization and denitrification	2,500
	Ma'anshan	Desulfurization and denitrification	1,320
	Hushan	Desulfurization and denitrification	1,320
	Tianjia'an	Desulfurization	640
Shaanxi	Binchang	Desulfurization and denitrification	1,260
	Baoji	Desulfurization and denitrification	660
Inner Mongolia	Tuoketuo	Desulfurization and denitrification	1,320/6,120
	Xilinhaote	Desulfurization and denitrification	1,320
Jiangxi	Fuzhou	Desulfurization	2,000
Shanxi	Shentou	Desulfurization and denitrification	1,000
Xinjiang	Hutubi	Desulfurization	600
	Wu Cai Wan	Desulfurization	1,320
Liaoning	Shendong	Desulfurization and denitrification	700
	Huludao	Desulfurization and denitrification	700

1.2. Denitrification catalysts business

In 2020, the Group's denitrification catalysts business remained stable. The following table sets forth the breakdown of the key information of the Group's denitrification catalysts business in 2020:

(Unit: m^3)

Production volume	Sales volume	Delivery volume	Delivery volume to customers other than China Datang Group
34,448	38,862	33,132	15,508

In 2020, the Group sold 18,210m^3 of catalyst to customers other than China Datang Group and entered into 106 contracts, among which, 14 contracts were entered with overseas customers with the aggregate sales volume of 4,490m^3, while 60 contracts were entered with customers from non-electric industry such as glass and alumina sectors with the aggregate sales volume of 2,278m^3. Meanwhile, the Group has made steady progress in the disposal of waste catalysts with a total amount of 9,038.7m^3 of waste catalysts being disposed in 2020.

1.3. Environmental protection facility engineering business

In 2020, the Group continued to carry out its environmental protection facility engineering business, including desulfurization, denitrification, dust removal, ultra-low emission, and industrial site dust management, and actively explore the environmental market of non-electric industry such as petroleum, coking, steel, and cement.

The following table sets forth the breakdown of the environmental protection facility engineering business in the power industry of the Group as at 31 December 2020:

Projects	**Projects put into operation in 2020**		**Projects under construction in 2020**	
	Number	**Capacity** *(MW)*	**Number**	**Capacity** *(MW)*
Desulfurization	2	2,640	3	2,600
Denitrification	4	4,040	13	16,240
Dust removal	6	7,360	2	1,200
Ultra-low emission	4	1,980	1	1,760
Industrial site dust treatment	5	10,360	3	5,060

1.4. Water treatment business

In 2020, the Group entered into 3 contracts for waterworks projects, with a total contract amount of RMB247.77 million, among which the signed Keqi Coal Chemical high salt desulfurization wastewater general contracting project has been the first wastewater treatment project in the chemical industry contracted by the Group, marking an achievement of breakthrough in the field of non-electric industry wastewater treatment by the Group.

2. Overseas Business

As at 31 December 2020, the Group had four overseas projects under enforcement. Among which, the NPP5A and NPP9 projects in Thailand have been put into operation, the desulfurization project for No. 1 and No. 2 generating units in Cuddalore in India ran steadily after officially put into operation and Gujarat project in India is under civil construction.

3. Renewable Energy Engineering Business

In 2020, the Group entered into one new contract for renewable energy engineering project, namely the photovoltaic engineering project with installed capacity of 50MW.

As of 31 December 2020, the cumulative installed capacity in operation for wind power plant of the Group reached 2,194MW, while the cumulative installed capacity in operation for photovoltaic engineering projects of the Group reached 1,001MW.

4. Research and Development

In 2020, the Group continued to put emphasis on its proprietary development and innovation and committed substantial resources to research and development. During the year, the Group was awarded 163 utility model patent authorizations in aggregate, and 18 invention patent authorizations. As at 31 December 2020, the Group has accumulatively obtained 1,382 patent authorizations, 143 of which were invention patents.

The two scientific and technological achievements self-developed by the Group, namely "Development and Application of Biomass Coking and Demercuration Technology of Coal-Fired Boilers Flue Injection" and "Research and System Development of Intelligent Optimization Design Technology for Steel Structure", successfully passed the technical appraisal of the Chinese Society for Electrical Engineering and the China Electricity Council, achieving the world's leading international standards and advanced international standards, respectively.

In 2020, the Group continued to strengthen the cultivation of its outstanding technological achievements, created core competitiveness through continuous technological innovation, and achieved outstanding results with a total of 10 industry-level technology awards. Among which, the Technological Development and Engineering Demonstration of SCR Denitrification Optimal Operation based on Artificial Intelligence won the first prize for the Technical Innovation Achievements of Outstanding Staff in the National Energy Chemical Geological System, Research and

Development and Application of Key Technology in the Entire Life Cycle of Denitration Catalyst based on Big Data won the first prize for the Innovation Achievements in Application of Big Data in Electric Power Industry, Development and Application of Comprehensive Efficiency Improvement Technology of Power Station based on Cold-end Coupling won the second prize of Electric Power Technology Innovation Award.

In March 2020, the Technical Guidelines for the Treatment and Reuse of Wastewater in Thermal Power Plants (《火電廠廢水處理與回用技術導則》), the ISO international standard, jointly compiled by the Group, Nanjing University and Yixing Academy of Environmental Protection was officially launched with approval. As of 31 December 2020, the Group was the editor in chief for 7 of the domestic and international standards among the 35 domestic and international standards compiling by the Group.

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

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

1. Overview

The Group's revenue increased by 6.3% from RMB6,414.6 million in 2019 to RMB6,821.1 million in 2020. The Group's profit for 2020 amounted to RMB211.4 million, representing a decrease of RMB34.0 million as compared with RMB245.4 million in 2019. Profit attributable to owners of the parent amounted to RMB302.9 million. As at 31 December 2020, the Group's cash and cash equivalents decreased by 3.1% to RMB1,531.7 million as compared with RMB1,580.4 million as at 31 December 2019. The Group's total assets decreased by 4.7% to RMB20,180.9 million as at 31 December 2020 as compared with RMB21,170.8 million as at 31 December 2019. The Group's total liabilities decreased by 7.9% to RMB12,841.6 million as at 31 December 2020 as compared with RMB13,936.9 million as at 31 December 2019. The Group's return on total assets for 2020 was 1.0%, as compared with 1.2% in 2019.

2. Results of Operations

2.1. Revenue

The Group's revenue increased by 6.3% to RMB6,821.1 million in 2020 as compared with RMB6,414.6 million in 2019, primarily due to that certain environmental protection facility concession operation projects of the Group were put into operation in 2020, resulting in the increase of the income from environmental protection facility concession operation business; a number of renewable energy engineering projects won by the Group in 2019 were implemented in 2020, resulting in the increase of the income from renewable energy engineering business.

2.2. Cost of sales

The Group's cost of sales increased by 6.0% to RMB5,652.8 million in 2020 as compared with RMB5,334.7 million in 2019. The level of increase in the Group's cost of sales was slightly lower than the increase in total revenue, which was mainly due to the multiple effective cost control measures taken by the Group.

2.3. Selling and distribution expenses

The Group's selling and distribution expenses decreased by 37.7% to RMB23.0 million in 2020 as compared with RMB36.9 million in 2019.

2.4. Administrative expenses

The Group's administrative expenses decreased by 12.0% to RMB483.8 million in 2020 as compared with RMB549.7 million in 2019. This was mainly due to the decrease in impairment loss on property, plant and equipment for the year as compared with last year.

2.5. Other income and losses

The Group's other income and losses decreased to RMB82.2 million in 2020 as compared with RMB132.3 million in 2019. This was mainly due to the decrease in exchange gains for the year as compared with last year and the decrease in government grants.

2.6 Other expenses

The Group's other expenses increased by RMB106.6 million as compared with last year, mainly due to the compensation losses of RMB102.1 million recorded during the year. Technologies & Engineering Company, a subsidiary of the Company, and two other third parties have entered into an arrangement with Datang Xinjiang to construct a wind farm. 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 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 Fourth Intermediate People's Court of Beijing (the "**Court**") to overrule the Ruling. On 6 July 2020, the application has been duly accepted by the Court. On 3 September 2020, the Court issued a civil ruling, dismissing the application for revocation of the Ruling by Technologies & Engineering Company. Subsequent to the civil ruling, Technology & Engineering Company and Jiuding Tiandi Wind Power agreed for a total compensation of RMB102,103,000 to be paid by the Group.

Accordingly, compensation losses of RMB102,103,000 was recorded during the year ended 31 December 2020.

2.7. *Finance costs*

The Group's finance costs increased by 6.9% to RMB270.3 million in 2020 as compared with RMB252.8 million in 2019, primarily due to cessation of capitalisation of interest expense resulted from completion of a number of construction projects in late 2019 and early beginning of 2020, respectively.

2.8. *Profit before tax*

As a result of the foregoing factors, the Group's profit before tax increased by 6.5% to RMB322.7 million in 2020 as compared with RMB303.1 million in 2019.

2.9. *Income tax expense*

The Group's income tax expense was RMB111.3 million in 2020, representing an increase of 92.6% from RMB57.8 million in 2019, primarily due to the decrease in deferred tax assets as compared with last year as in current year some of the subsidiaries of the Group were in a state of loss of which taxable profits will unlikely be available in the foreseeable future.

2.10. Profit for the year

The Group's profit for the year decreased by RMB34.0 million from RMB245.4 million in 2019 to RMB211.4 million in 2020. For the year ended 31 December 2020, the Group's profit for the year as a percentage of its total revenue decreased to 3.1% as compared with 3.8% in 2019.

2.11. Profit attributable to owners of the parent

The profit attributable to owners of the parent increased by RMB84.0 million to RMB302.9 million in 2020 as compared with RMB218.9 million in 2019.

2.12. Profit attributable to non-controlling interests

The profit attributable to non-controlling interests of the Group decreased by 446.6% to RMB-91.5 million in 2020 as compared with RMB26.4 million 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 years ended 31 December 2020 and 2019, as well as the percentage of change:

	For the year ended 31 December				
	2020		2019		
	Revenue	**Percentage of total revenue before elimination**[1]	Revenue	Percentage of total revenue before elimination[1]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facility concession operation	**3,561,548**	**51.2**	3,274,326	49.5	8.8
Denitrification catalysts	**450,957**	**6.5**	508,015	7.7	(11.2)

	For the year ended 31 December				
	2020		2019		
	Revenue	**Percentage of total revenue before elimination**[(1)]	Revenue	Percentage of total revenue before elimination [(1)]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental protection facility engineering	**694,538**	**10.0**	1,441,838	21.8	(51.8)
Water treatment business	**240,830**	**3.5**	299,164	4.5	(19.5)
Energy conservation business	**37,062**	**0.4**	46,495	0.7	(20.3)
Total revenue of environmental protection and energy conservation solutions before elimination	**4,984,935**	**71.6**	5,569,838	84.2	(10.5)
Intra-segment elimination [(2)]	**(106,160)**		(184,301)		
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	**4,878,775**		5,385,537		(9.4)
Inter-segment elimination [(3)]	**–**		(155)		
External revenue of environmental protection and energy conservation solution	**4,878,775**		5,385,382		(9.4)
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	**1,851,317**	**26.6**	763,880	11.5	142.4
Inter-segment elimination	**–**		–		
External revenue of renewable energy engineering	**1,851,317**		763,880		142.4

	For the year ended 31 December				
	2020		2019		
	Revenue	**Percentage of total revenue before elimination**[(1)]	Revenue	Percentage of total revenue before elimination [(1)]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Thermal power engineering:					
Total revenue of thermal power engineering	**1,135**	**0.0**	113,597	1.7	(99.0)
Inter-segment elimination	**–**		–		
External revenue of thermal power engineering	**1,135**		113,597		(99.0)
Other businesses:					
Total revenue of other businesses	**117,270**	**1.8**	170,909	2.6	(31.4)
Inter-segment elimination [(4)]	**(27,426)**		(19,147)		43.2
External revenue of other businesses	**89,844**		151,762		(40.8)
Total revenue before elimination [(5)]	**6,954,657**	**100**	6,618,224	100	5.1
Total intra- and inter-segment elimination [(6)]	**(133,586)**		(203,603)		
Total revenue	**6,821,071**		6,414,621		6.3

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 facility 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 business segments made by the sub-segments within environmental protection and energy conservation solutions segment, including the inter-segment sales from denitrification facilities engineering sub-segment to thermal power engineering segment, the inter-segment sales from dust removal facilities engineering sub-segment to thermal power engineering segment, the inter-segment sales from water treatment business sub-segment to thermal power engineering segment and the inter-segment sales from energy conservation business sub-segment to other business 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.

(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 years ended 31 December 2020 and 2019, as well as the percentage of change in gross profit:

	For the year ended 31 December				
	2020		2019		
	Gross profit [(1)]	**Gross profit margin** [(2)]	Gross profit [(1)]	Gross profit margin [(2)]	Change of gross profit
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facility concession operation	**943,918**	**26.5**	772,927	23.6	22.1
Denitrification catalysts	**119,394**	**26.5**	145,791	28.7	(18.1)
Environmental protection facility engineering	**8,047**	**1.2**	130,404	9.0	(93.8)
Water treatment business	**(1,854)**	**(0.8)**	31,477	10.5	(105.9)
Energy conservation business	**1,752**	**4.7**	3,479	7.5	(49.6)

	For the year ended 31 December				
	2020		2019		
	Gross profit (1)	**Gross profit margin (2)**	Gross profit (1)	Gross profit margin (2)	Change of gross profit
	RMB'000	***%***	*RMB'000*	*%*	*%*
Total gross profit of environmental protection and energy conservation solutions	**1,071,257**	**21.5**	1,084,078	19.5	(1.2)
Total gross profit of renewable energy engineering business	**52,721**	**2.8**	25,319	3.3	108.2
Total gross profit of thermal power engineering	**(546)**	**(48.1)**	1,159	1.0	(147.1)
Total gross profit of other businesses	**35,091**	**29.9**	(29,796)	(17.4)	(217.8)
Total gross profit and overall gross profit margin (3)	**1,168,302**	**17.1**	1,079,965	16.8	8.2

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 31 December 2020, the Group's cash and cash equivalents decreased by 3.1% to RMB1,531.7 million as compared with RMB1,580.4 million as at 31 December 2019.

5. Working Capital

As at 31 December 2020, the Group's net current assets decreased by 1.8% to RMB1,851.3 million as compared with RMB1,884.3 million as at 31 December 2019, primarily due to (i) a decrease of 49.7% in the Group's prepayments, deposits and other receivables to RMB625.0 million as at 31 December 2020 as compared with RMB1,241.6 million as at 31 December 2019; (ii) a decrease of 1.7% in the Group's trade and bills payables to RMB4,904.5 million as at 31 December 2020 as compared with RMB4,989.3 million as at 31 December 2019; (iii) a decrease of 3.4% in the Group's other payables and accruals to RMB1,789.6 million as at 31 December 2020 as compared with RMB1,852.7 million as at 31 December 2019; and (iv) a decrease of 14.3% in the Group's short-term interest bearing bank borrowings and other loans to RMB3,192.3 million as at 31 December 2020 as compared with RMB3,723.3 million as at 31 December 2019, which was partially offset by an increase of 1.0% in the Group's trade and bills receivables to RMB8,628.4 million as at 31 December 2020 as compared with RMB8,541.2 million as at 31 December 2019.

6. Indebtedness

As at 31 December 2020, the Group's borrowings decreased by 13.8% to RMB6,070.9 million as compared with RMB7,045.9 million as at 31 December 2019.

7. Capital Expenditure

The Group's capital expenditure decreased by 50.2% to RMB439.8 million in 2020 as compared with RMB884.0 million in 2019. Capital expenditure mainly comprises costs of long-term assets including acquisition or construction of property, plant and equipment and intangible assets.

8. Financial Ratios

The following tables set forth certain of our financial ratios as at the dates and for the periods indicated:

	As at 31 December	
	2020	2019
Current ratio	**118.6%**	117.8%
Quick ratio	**116.7%**	116.2%
Liabilities to assets ratio	**63.6%**	65.8%
Leverage ratio	**61.8%**	75.6%

	For the year ended 31 December	
	2020	2019
Return on total assets	**1.0%**	1.2%
Return on equity	**2.9%**	3.4%

9. Significant Investment

For the year ended 31 December 2020, the Group made no significant investment.

10. Material Acquisition and Disposal

For the year ended 31 December 2020, the Group had no material acquisition or disposal.

11. Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities.

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, there is no assurance that such policies will continue to be available to the Group or there will be no adverse change. If there is any adverse change, it may result in a material and adverse effect on the business prospects, results of operations and financial condition of the Group. The management of the Group is of the view that, given the severity of pollution in the PRC, it is unlikely for the PRC government to revise such environmental protection policies regarding the 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. For the year ended 31 December 2020, the total value of goods sold and services provided by the Group to China Datang Group was approximately RMB5,890.71 million, representing approximately 86.36% of the total revenue of the Group. For the year ended 31 December 2020, the total value of goods purchased and services received by the Group from China Datang Group was approximately RMB2,241.18 million, representing approximately 39.65% of the total cost of the Group. The Group has been actively expanding its client base, for example, during 2020, the Group entered into contracts in the amount of RMB347 million with clients other than China Datang Group, representing approximately 28.40% of the total contract amount of the Group.

Liquidity risks

The Group had positive operating cash flows of RMB1,838.80 million for the year ended 31 December 2020, it cannot assure that its operating cash flow for any future period will be positive. The Group's ability to generate adequate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to implement diversified measures to collect receivables in order to improve operating cash flow. In addition, the Group has been proactively seeking finance to support the development and expansion of its business. As at 31 December 2020, the Group had available bank facilities of RMB12.84 billion.

Industry risks

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

Risks on overseas business

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

V. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

2021 is the first year for the PRC's "14th Five-Year" Plan. In the face of the in-depth advancement of the electricity market reform, the reform of state-owned assets and state-owned enterprises has accelerated significantly. The Group will proactively prepare for the response and accelerate the adaptation to the new policies and market environment.

On the upside, firstly, the Chinese government has proposed "stability on the six fronts and security in the six areas" initiative and successively introduced tax and fee reduction measures to support the real economy. The basic trend of the PRC's long-term economic improvement has not changed. Secondly, the PRC's "14th Five-Year" Plan draft proposal proposed to promote green development and promote the harmonious coexistence of human and nature. In the long run, the environmental protection industry still has room for layout. Thirdly, taking the opportunity of the three-year action plan for the reform of state-owned enterprises, the Group is expected to further break through the constraints of systems and mechanisms and improve market-oriented operating mechanisms.

On the downside, firstly, the development of the PRC's thermal power industry under the background of "Peaking carbon dioxide emissions and achieving carbon neutrality" will be further restricted, and the concessional operation of the Group's environmental protection facility and denitrification catalyst business may be adversely affected. Secondly, the situation of pandemic prevention and control in the PRC is under the trend of normalization. Under the background of capacity optimization, competition in the environmental protection industry remains fierce, with project profit margins remaining low. Thirdly, the foreign pandemic situation is still severe, causing the Group's expansion in overseas market expansion adversely restricted.

Main Tasks in 2021

2021 is the first year for the "14th Five-Year" Plan. Grasping the new development opportunities brought by "peaking carbon dioxide emissions" and "achieving carbon neutrality", the Group will focus on the green environmental protection industry. Taking market as the guide, under the theme of promoting high-quality development and driven by technological innovation and reform deepening, the Group will strive to cultivate new drivers of development and embark on a new journey of "second entrepreneurship" in an all-round way. The Group will focus on the following three aspects:

1. ***Promote lean management in an all-round way, and strive to achieve a management breakthrough***

   The Group will apply the lean management concept to the entire business process and the entire chain, so as to create more and greater value with minimal investment in resources, and gradually build a lean management system suitable for the development of the Group. Regarding the franchise business of environmental protection facility, the Group will actively promote the application of new technologies and the transformation of automation control, and develop new desulfurizers such as calcium carbide slag substitution to further reduce limestone consumption and carbon dioxide emissions. In addition, the Group will carry out the utilization of desulfurization by-products such as gypsum purification, so as to fully promote the comprehensive utilization of resource recycling, and further enhance profitability while improving resource utilization efficiency. In terms of other businesses, the Group will strengthen the process management of water operation projects and catalyst production, further optimize the production process, reduce the consumption of water, electricity, gas and raw materials, fully increasing the level of revenue through deep exploration of the potential.

2. *Improve the level of market development, and strive to achieve a business breakthrough*

The Group will focus on carbon peak and carbon neutral target, earnestly carry out intensive efforts in combating pollution prevention and coordinated efforts to reduce pollution and reduce carbon emissions. In the traditional business, the Group will focus on the key directions and key areas to accelerate the transformation and upgrade of our business. The Group will actively research and expand the production capacity expansion of the denitrification catalyst business, expand the production capacity of honeycomb catalysts and catalysts for renewable disposal of capacity, and further increase the market share in the overseas markets and non-electrical industries, such as steel, metallurgy and building materials. The engineering business will grab the coal and coal-to-chemicals enterprise's flue gas comprehensive treatment. The environmental protection treatment of waste water, such as zero-emission and water saving, water recycling for coal-fired power plants, mine water treatment for coal and coal-to-chemicals enterprises. In terms of emerging business, the Group will seize strategic opportunities in the development of the Yangtze River Economic Belt, the ecological protection of the Yellow River Basin and high quality development, make new breakthroughs in urban wastewater treatment, and vigorously develop the business of coal-fired co-generation of municipal sludge, and the scope of business of gradual expansion into Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Zone, etc.. With the development of building distributed energy as the breakthrough, the Group will actively expand our multi-functional complementary businesses in industrial parks, residential areas, office areas, campuses, etc. to develop and promote related businesses such as "Smart City", focusing on decrease in carbon, reduction in carbon, soil restoration, technological reserves in frontier areas such as mine rehabilitation, energy storage, hydrogen energy and carbon capture, so as to further expand the environmental protection market.

3. ***Persist in development led by science and technology, and strive to achieve a technological breakthrough***

The Group will adhere to technology leadership, fully activate internal scientific research capabilities, actively adopt the combination of independent research and development and technology introduction, strengthen the reserve of cutting-edge technology, so as to strive to solve the bottleneck problem. Meanwhile, the Group will tap the potential for innovation, make full use of internal and external resources, strengthen core technology reserves, and quickly acquire key technologies that have good market prospects, strong competitiveness, and support high-quality development through multiple channels including independent research and development, technology introduction and technology cooperation. In addition, the Group will cooperate with first-class scientific research institutions to study national and industry policies, analyze industry technology trends, capture core technologies suitable for future industry development, so as to provide forward-looking reserve technologies for medium and long-term development. The Group will improve the scientific and technological innovation system, conduct in-depth research on the transformation mechanism of technological achievements, promote the in-depth integration of production, education and research, so as to establish a comprehensive and open innovation system.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

2020 FINAL DIVIDEND AND RELATED CLOSURE OF REGISTER OF MEMBERS

According to the resolutions of the Board passed at the twenty-second meeting of the second session of the Board on 26 March 2021, the Board proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 per share of the Company (the "**Shares**") (before tax) (the "**Proposed 2020 Final Dividend**") in cash to the shareholders of the Company (the "**Shareholders**"). If the proposal is approved by the Shareholders at the 2020 annual general meeting (the "**2020 AGM**") to be held on Friday, 4 June 2021, the Proposed 2020 Final Dividend is expected to be distributed on or about Tuesday, 10 August 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 2 July 2021. The Proposed 2020 Final Dividend to be distributed will be denominated and announced in RMB, of which dividends on domestic Shares will be paid in RMB whereas dividends on H Shares will be paid in Hong Kong dollars (the exchange rate of RMB to Hong Kong dollars will be exchanged at the average exchange rate as announced by the People's Bank of China for five working days prior to the date of the 2020 AGM).

In order to ascertain the entitlements of the Shareholders to receive the Proposed 2020 Final Dividend, the register of members of the Company will be closed from Friday, 25 June 2021 to Friday, 2 July 2021 (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to receive the Proposed 2020 Final Dividend, all transfer documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's board office in the PRC at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097 (for holders of domestic Shares), no later than 4:30 p.m. on Thursday, 24 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Company has always been committed to improving corporate governance since its establishment. According to provisions of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited（the "**Stock Exchange**"）, it has established a modern corporate governance structure comprising a number of independently operated bodies including the general meetings, the Board, the supervisory committee and the senior management of the Company in order to provide an effective check and balance. The Company has also adopted the Code as its own corporate governance practices.

For the year ended 31 December 2020, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company has purchased liability insurance for the Directors.

For the year ended 31 December 2020, the Company has complied with the principles and code provisions contained in the Code. Details of the corporate governance of the Company are set out in the 2020 annual report of the Company (the "**2020 Annual Report**") which will be published in due course.

COMPLIANCE WITH THE MODEL CODE FOR DEALING IN 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 its Directors, supervisors and relevant employees of the Company (as defined in the Model Code). According to the specific enquiries of all Directors and supervisors of the Company, the Directors and supervisors of the Company confirmed that they had strictly complied with the standard set out in the Model Code for the year ended 31 December 2020. The Board will examine the corporate governance practices and operation of the Group from time to time to ensure that the Group is in compliance with relevant requirements under the Listing Rules and that the Shareholders' interests are safeguarded.

SCOPE OF WORK ON THE RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2020 as set out in this results announcement have been agreed by the Company's auditors, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this results announcement.

AUDIT COMMITTEE

The Group's 2020 annual results and the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with the IFRSs have been reviewed by the audit committee of the Company.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company has been listed on the Main Board of the Stock Exchange since 15 November 2016. The net proceeds from the initial public offering and partial exercise of the over-allotment option, after deducting the underwriting fees and relevant expenses, amounted to approximately HK$2,032.3 million, which will be used in the ways stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 3 November 2016 (the "**Prospectus**").

The following table sets forth the use of net proceeds from the initial public offering as at 31 December 2020:

	Use of net proceeds disclosed in the Prospectus *(HK$ Million)*	Actual use of net proceeds up to 31 December 2020 *(HK$ Million)*	Unused net proceeds up to 31 December 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 ultra-low emissions	304.8	304.8	0.0	–
To repay some of the existing bank loans in order to lower the finance 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	22.3	79.3	December 2025
Total	2,032.3	1,953.0	79.3	

SIGNIFICANT SUBSEQUENT EVENT

On 26 March 2021, the Board proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 per Share (before tax) in cash to the Shareholders. The proposal is subject to the approval of the Shareholders at the 2020 AGM.

Other than the above, as of the date of the results announcement, the Group had no significant events after the reporting period that needs to be disclosed.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 the 2020 Annual 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.*
Qu Bo
Chairman

Beijing, the PRC, 26 March 2021

As of the date of this announcement, the non-executive Directors are Mr. Qu Bo, Mr. Liu Quancheng, Mr. Liu Ruixiang and Mr. Li Zhenyu; the executive Directors are Mr. Wang Yanwen and Mr. Tian Dan; and the independent non-executive Directors are Mr. Ye Xiang, Mr. Mao Zhuanjian and Mr. Gao Jiaxiang.

* *For identification purposes only*