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Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL AND OPERATION HIGHLIGHTS

- For the six months ended 30 June 2021, the revenue of the Group amounted to RMB2,196.6 million, representing a decrease of 23.4% as compared with the same period of last year.
- For the six months ended 30 June 2021, the gross profit of the Group amounted to RMB398.3 million and the gross profit margin of the Group amounted to 18.1%, representing an increase in gross profit margin of 3.3 percentage points as compared with the same period of last year.
- For the six months ended 30 June 2021, the total comprehensive income attributable to owners of the parent amounted to RMB83.7 million, representing an increase of 63.1% as compared with the same period of last year.
- The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Datang Environment Industry Group Co., Ltd. (the “**Company**”) hereby announces the unaudited interim financial results of the Company and its subsidiaries (the “**Group**” or “**we**” or “**us**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), together with the comparable figures of the same period in 2020. The financial information of the Group for the six months ended 30 June 2021 set out by the Company in this results announcement is prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting and the disclosure requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

For the six months ended 30 June 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

		2021 Unaudited RMB'000	2020 Unaudited RMB'000
	Notes		
Revenue	4	2,196,597	2,867,941
Cost of sales		<u>(1,798,319)</u>	<u>(2,443,412)</u>
Gross profit		398,278	424,529
Selling and distribution expenses		(10,023)	(10,046)
Administrative expenses		(220,839)	(193,474)
Other income and losses	5	56,019	56,614
Other expenses	6	–	(98,865)
Finance costs	7	(111,960)	(137,170)
Impairment losses on financial and contract assets, net		<u>(9,502)</u>	<u>(8,394)</u>
Profit before tax		101,973	33,194
Income tax expense	8	<u>(35,548)</u>	<u>(29,005)</u>
PROFIT FOR THE PERIOD		<u>66,425</u>	<u>4,189</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>2,029</u>	<u>(736)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>2,029</u>	<u>(736)</u>

		2021 Unaudited RMB'000	2020 Unaudited RMB'000
	<i>Notes</i>		
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		(4,748)	1,730
Income tax effect		712	(260)
		<u> </u>	<u> </u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(4,036)	1,470
		<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(2,007)	734
		<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		64,418	4,923
		<u><u> </u></u>	<u><u> </u></u>
Profit attributable to:			
Owners of the parent		86,645	50,299
Non-controlling interests		(20,220)	(46,110)
		<u> </u>	<u> </u>
		66,425	4,189
		<u><u> </u></u>	<u><u> </u></u>
Total comprehensive income attributable to:			
Owners of the parent		83,745	51,357
Non-controlling interests		(19,327)	(46,434)
		<u> </u>	<u> </u>
		64,418	4,923
		<u><u> </u></u>	<u><u> </u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	10	0.03	0.02
		<u><u> </u></u>	<u><u> </u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

		30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	7,044,278	7,294,595
Right-of-use assets		316,916	329,146
Intangible assets		250,799	273,478
Equity investments designated at fair value through other comprehensive income		24,166	28,914
Deferred tax assets		47,623	46,191
Other non-current assets		399,857	429,632
Total non-current assets		8,083,639	8,401,956
CURRENT ASSETS			
Inventories		226,394	190,609
Trade, bills receivables and contract assets	12	9,268,697	9,363,850
Prepayments, other receivables and other assets	13	637,906	624,977
Restricted cash	14	48,065	67,727
Cash and cash equivalents	14	671,280	1,531,739
Total current assets		10,852,342	11,778,902
CURRENT LIABILITIES			
Trade and bills payables	15	4,814,797	4,904,475
Other payables and accruals		1,595,341	1,789,559
Provisions	16	6,405	6,320
Interest-bearing bank borrowings and other loans	17	2,833,504	3,192,305
Income tax payable		5,615	34,945
Total current liabilities		9,255,662	9,927,604

		30 June 2021	31 December 2020
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
NET CURRENT ASSETS		1,596,680	1,851,298
TOTAL ASSETS LESS CURRENT LIABILITIES		9,680,319	10,253,254
NON-CURRENT LIABILITIES			
Provisions	16	655	1,000
Interest-bearing bank borrowings and other loans	17	2,381,323	2,878,584
Other non-current liabilities		33,997	34,392
Total non-current liabilities		2,415,975	2,913,976
Net assets		7,264,344	7,339,278
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,967,542	2,967,542
Reserves		4,201,510	4,250,117
		7,169,052	7,217,659
Non-controlling interests		95,292	121,619
Total equity		7,264,344	7,339,278

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020 (audited)	2,967,542	1,315,483	406,481	3,327	(627)	2,525,453	7,217,659	121,619	7,339,278
Profit for the period	-	-	-	-	-	86,645	86,645	(20,220)	66,425
Other comprehensive income for the period:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(4,036)	-	-	(4,036)	-	(4,036)
Exchange difference on translation of foreign operations	-	-	-	-	1,136	-	1,136	893	2,029
Total comprehensive income for the period	-	-	-	(4,036)	1,136	86,645	83,745	(19,327)	64,418
Final 2020 dividends declared (Note 9)	-	-	-	-	-	(132,352)	(132,352)	-	(132,352)
Dividends declared by a subsidiary to its non-controlling interests	-	-	-	-	-	-	-	(7,000)	(7,000)
At 30 June 2021 (unaudited)	<u>2,967,542</u>	<u>1,315,483</u>	<u>406,481</u>	<u>(709)</u>	<u>509</u>	<u>2,479,746</u>	<u>7,169,052</u>	<u>95,292</u>	<u>7,264,344</u>

	Attributable to owners of the parent								Total equity RMB'000
	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	
At 31 December 2019 (audited)	2,967,542	1,315,483	368,312	2,260	(7)	2,361,053	7,014,643	219,238	7,233,881
Profit for the period	-	-	-	-	-	50,299	50,299	(46,110)	4,189
Other comprehensive income for the period:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	1,470	-	-	1,470	-	1,470
Exchange difference on translation of foreign operations	-	-	-	-	(412)	-	(412)	(324)	(736)
Total comprehensive income for the period	-	-	-	1,470	(412)	50,299	51,357	(46,434)	4,923
Final 2019 dividends declared (Note 9)	-	-	-	-	-	(100,303)	(100,303)	-	(100,303)
Dividends paid by a subsidiary to its non-controlling interests	-	-	-	-	-	-	-	(1,785)	(1,785)
At 30 June 2020 (unaudited)	<u>2,967,542</u>	<u>1,315,483</u>	<u>368,312</u>	<u>3,730</u>	<u>(419)</u>	<u>2,311,049</u>	<u>6,965,697</u>	<u>171,019</u>	<u>7,136,716</u>

* These reserve accounts comprise the consolidated reserves of RMB4,201,510,000 and RMB3,998,155,000 as at 30 June 2021 and 2020, respectively, in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2021**(Amounts expressed in thousands of RMB unless otherwise stated)*

	2021 Unaudited RMB'000	2020 Unaudited RMB'000
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	327,008	628,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,763	2,304
Purchase of items of property, plant and equipment, intangible assets and other non-current assets	(159,714)	(146,022)
Proceeds from disposal of items of property, plant and equipment	–	23
Receipt of government grants for property, plant and equipment	–	805
Net cash flows used in investing activities	(155,951)	(142,890)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	1,776,495	3,073,938
Repayments of bank borrowings and other loans	(2,635,832)	(3,713,921)
Principal portion of lease payments	(1,777)	(1,030)
Dividends paid to shareholders	(51,433)	–
Dividends paid to non-controlling interests	(12,400)	(5,000)
Interest paid	(106,249)	(120,637)
Net cash flows used in financing activities	(1,031,196)	(766,650)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(860,139)	(280,858)
Cash and cash equivalents at the beginning of the period	1,531,739	1,580,367
Effect of foreign exchange rate changes, net	(320)	(242)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	671,280	1,299,267

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (together the “**Group**”) are involved in the following principal activities: environmental protection facility concession operation, the manufacture and sale of denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.

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

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

The interim condensed consolidated financial information has not been audited.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period's financial information.

Amendments to IFRS 9,
IAS 39, IFRS 7, IFRS 4 and
IFRS 16

*Interest Rate Benchmark
Reform – Phase 2*

Amendment to IFRS 16

Covid-19-Related Rent Concessions

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

- (a) 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 risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be

updated without adjusting the carrying amount of financial assets and liabilities 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. These amendments had no material impact on the interim condensed consolidated financial statements of the Group.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as there were no lease payments reduced or waived by the lessors as a result of the covid-19 pandemic during the period.

2.3 Accounting judgments and estimates

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

In preparing the interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that are applied to the annual consolidated financial statements for the year ended 31 December 2020.

3. OPERATING SEGMENT INFORMATION

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

(a) Environmental protection and energy conservation solutions

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

(b) Renewable energy engineering

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

(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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that 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.

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

Six months ended 30 June 2021 (unaudited)	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 4)					
Sales to external customers	2,119,377	43,206	927	33,087	2,196,597
Intersegment sales	—	—	—	354	354
	<u>2,119,377</u>	<u>43,206</u>	<u>927</u>	<u>33,441</u>	<u>2,196,951</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(354)
Revenue					<u>2,196,597</u>
Segment results	187,076	366	(5)	17,317	204,754
<i>Reconciliation:</i>					
Other income and losses					56,019
Finance costs (other than interest on lease liabilities)					(105,533)
Corporate and other unallocated expenses					(53,267)
Profit before tax					<u>101,973</u>
As at 30 June 2021 (unaudited)					
Segment assets	16,942,578	1,429,116	27,069	209,472	18,608,235
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,463,972)
Corporate and other unallocated assets					1,791,718
Total assets					<u>18,935,981</u>
Segment liabilities	8,314,889	1,327,545	57,887	184,646	9,884,967
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,463,972)
Corporate and other unallocated liabilities					3,250,642
Total liabilities					<u>11,671,637</u>

Six months ended 30 June 2020 (unaudited)	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue <i>(note 4)</i>					
Sales to external customers	2,058,306	752,011	–	57,624	2,867,941
Intersegment sales	–	–	–	10,974	10,974
	<u>2,058,306</u>	<u>752,011</u>	<u>–</u>	<u>68,598</u>	<u>2,878,915</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(10,974)</u>
Revenue					<u>2,867,941</u>
Segment results	325,607	6,839	(659)	(2,424)	329,363
<i>Reconciliation:</i>					
Other income and losses					56,614
Other expenses					(98,865)
Finance costs					
(other than interest on lease liabilities)					(130,302)
Corporate and other unallocated expenses					<u>(123,616)</u>
Profit before tax					<u>33,194</u>
As at 31 December 2020 (audited)					
Segment assets	16,869,285	1,880,096	34,307	243,953	19,027,641
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,655,898)
Corporate and other unallocated assets					<u>2,809,115</u>
Total assets					<u>20,180,858</u>
Segment liabilities	9,964,595	1,790,837	82,234	148,481	11,986,147
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,655,898)
Corporate and other unallocated liabilities					<u>2,511,331</u>
Total liabilities					<u>12,841,580</u>

Geographical information

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

Information about major customers

Revenue of approximately RMB1,934 million for the six months ended 30 June 2021 was derived from sales of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) (“**China Datang Group**”) (for the six months ended 30 June 2020: RMB2,583 million).

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	2,196,313	2,867,941
Revenue from other sources		
– Gross rental income	284	–
	<u>2,196,597</u>	<u>2,867,941</u>

Disaggregated revenue information for revenue from contracts with customers:

Six months ended 30 June 2021 (unaudited)					
Segments	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or service					
Sale of industrial products	152,204	–	–	25,783	177,987
Construction services	195,489	43,206	927	7,020	246,642
Desulfurization and denitrification services	1,771,684	–	–	–	1,771,684
Total revenue from contracts with customers	<u>2,119,377</u>	<u>43,206</u>	<u>927</u>	<u>32,803</u>	<u>2,196,313</u>
Timing of revenue recognition					
Goods transferred at a point in time	152,204	–	–	25,783	177,987
Services transferred over time	1,967,173	43,206	927	7,020	2,018,326
Total revenue from contracts with customers	<u>2,119,377</u>	<u>43,206</u>	<u>927</u>	<u>32,803</u>	<u>2,196,313</u>
Six months ended 30 June 2020 (unaudited)					
Segments	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or service					
Sale of industrial products	148,822	–	–	16,261	165,083
Construction services	380,554	752,011	–	41,363	1,173,928
Desulfurization and denitrification services	1,528,930	–	–	–	1,528,930
Total revenue from contracts with customers	<u>2,058,306</u>	<u>752,011</u>	<u>–</u>	<u>57,624</u>	<u>2,867,941</u>
Timing of revenue recognition					
Goods transferred at a point in time	148,822	–	–	16,261	165,083
Services transferred over time	1,909,484	752,011	–	41,363	2,702,858
Total revenue from contracts with customers	<u>2,058,306</u>	<u>752,011</u>	<u>–</u>	<u>57,624</u>	<u>2,867,941</u>

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

Segments	Six months ended 30 June 2021 (unaudited)				
	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers					
External customers	2,119,377	43,206	927	32,803	2,196,313
Intersegment sales	–	–	–	354	354
	2,119,377	43,206	927	33,157	2,196,667
Intersegment adjustments and eliminations	–	–	–	(354)	(354)
Total revenue from contracts with customers	<u>2,119,377</u>	<u>43,206</u>	<u>927</u>	<u>32,803</u>	<u>2,196,313</u>
Six months ended 30 June 2020 (unaudited)					
Segments	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers					
External customers	2,058,306	752,011	–	57,624	2,867,941
Intersegment sales	–	–	–	10,974	10,974
	2,058,306	752,011	–	68,598	2,878,915
Intersegment adjustments and eliminations	–	–	–	(10,974)	(10,974)
Total revenue from contracts with customers	<u>2,058,306</u>	<u>752,011</u>	<u>–</u>	<u>57,624</u>	<u>2,867,941</u>

5. OTHER INCOME AND LOSSES

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Interest income	4,910	5,404
Government grants	52,830	48,205
Exchange gains	—	3,075
	<u>57,740</u>	<u>56,684</u>
Other losses, net		
Loss on disposal of items of property, plant and equipment	—	(70)
Exchange losses	(1,721)	—
	<u>(1,721)</u>	<u>(70)</u>
	<u>56,019</u>	<u>56,614</u>

6. OTHER EXPENSES

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Compensation losses (<i>Note</i>)	–	98,865

Note: In November 2016, China Datang Technologies & Engineering Co., Ltd. (“**Technologies & Engineering Company**”) a subsidiary of the Company, and two other third parties have entered into 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 reached an agreement regarding the above compensation amount.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest on lease liability	6,427	6,868
Interest expenses on bank borrowings and other loans	108,846	135,087
Less: interest capitalised	(3,313)	(4,785)
	<u>111,960</u>	<u>137,170</u>

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Current	36,268	27,819
Deferred	(720)	1,186
	<u>35,548</u>	<u>29,005</u>

9. DIVIDENDS

On 26 March 2021, the board of Directors of the Company (the “**Board**”) proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 (2019 final: RMB0.0338) per share (before tax) amounted to RMB132,352,000 (2019 final: RMB100,303,000) in cash to the shareholders, which was approved by the shareholders of the Company at the 2020 Annual General Meeting on 30 June 2021. As at 30 June 2021, the final dividend has not been paid to the shareholders of the Company (30 June 2020: nil).

The Board did not recommend any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue for the six months ended 30 June 2021 and 2020, respectively.

The Company did not have any potential dilutive shares in issue during the six months ended 30 June 2021 and 2020. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

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

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations (<i>RMB</i>)	<u>86,645,000</u>	<u>50,299,000</u>
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic/diluted earnings per share calculations (<i>share</i>)	<u>2,967,542,000</u>	<u>2,967,542,000</u>
Earnings per share		
Basic/diluted earnings per share (<i>RMB</i>)	<u>0.03</u>	<u>0.02</u>

11. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of RMB35,861,000 (for the six months ended 30 June 2020: RMB33,036,000).

There was no item of property, plant and equipment disposed of by the Group during the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB93,000, with a loss of RMB70,000, which is included in “other income and losses” in the interim condensed consolidated statement of profit or loss and other comprehensive income).

12. TRADE, BILLS RECEIVABLES AND CONTRACT ASSETS

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade receivables	8,180,531	7,932,517
Less: provision for impairment	(282,420)	(272,662)
	<u>7,898,111</u>	<u>7,659,855</u>
Bills receivable	<u>828,253</u>	<u>968,588</u>
Contract assets	548,039	741,369
Less: provision for impairment	(5,706)	(5,962)
	<u>542,333</u>	<u>735,407</u>
	<u><u>9,268,697</u></u>	<u><u>9,363,850</u></u>

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

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

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	5,237,576	5,231,239
Between 1 and 2 years	889,477	798,872
Between 2 and 3 years	998,534	890,505
Over 3 years	1,883,197	1,980,489
	9,008,784	8,901,105
Less: provision for impairment	(282,420)	(272,662)
	8,726,364	8,628,443

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

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Prepayments	166,592	133,734
Deposits	51,233	59,443
Other receivables	59,975	62,226
Other current assets	369,649	379,117
	647,449	634,520
Less: provision for impairment	(9,543)	(9,543)
	637,906	624,977

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

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Cash and bank balances	719,345	1,599,466
Less: restricted cash (<i>Note</i>)	(48,065)	(67,727)
	<hr/>	<hr/>
Cash and cash equivalents	671,280	1,531,739
	<hr/>	<hr/>
Cash and bank balances denominated in:		
– RMB	708,728	1,568,278
– US Dollars	–	17,484
– Hong Kong dollars	6,622	6,698
– Indian rupees	3,995	7,006
	<hr/>	<hr/>
	719,345	1,599,466
	<hr/>	<hr/>

Note: Restricted cash mainly represented deposits held for issued bills payable and performance obligations for engineering services, property maintenance and frozen deposits mainly related to the Ruling as mentioned in note 6.

15. TRADE AND BILLS PAYABLES

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

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Bills payable	174,690	122,600
Trade payables	4,640,107	4,781,875
	<u>4,814,797</u>	<u>4,904,475</u>

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

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	2,122,430	2,379,678
1 year to 2 years	599,560	605,142
2 years to 3 years	703,815	679,509
More than 3 years	1,388,992	1,240,146
	<u>4,814,797</u>	<u>4,904,475</u>

16. PROVISIONS

	Warranties <i>RMB'000</i>	Other losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	2,820	4,500	7,320
Additional provision	–	–	–
Amounts utilised			
during the period	<u>(260)</u>	<u>–</u>	<u>(260)</u>
At 30 June 2021	2,560	4,500	7,060
Portion classified			
as current liabilities	<u>(1,905)</u>	<u>(4,500)</u>	<u>(6,405)</u>
Non-current portion	<u><u>655</u></u>	<u><u>–</u></u>	<u><u>655</u></u>

17. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate (%)	Maturity	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Current				
Bank borrowings:				
– unsecured	3.10%–4.35%	2022	1,291,495	1,590,560
Other loans:				
– secured (<i>Note a</i>)	4.50%	2021	70,000	70,000
– short-term bonds (<i>Note b</i>)	2.64%	2021	500,000	500,000
			1,861,495	2,160,560
Current portion of long-term bank borrowings and other loans				
Bank borrowings – unsecured	3.25%–6.62%	2021–2022	419,904	461,232
Bank borrowings – guaranteed (<i>Note c</i>)	4.28%–4.41%	2021–2022	32,404	35,167
Other loans – unsecured	4.75%–5.15%	2021–2022	141,791	153,186
Other loans – secured (<i>Note d</i>)	5.70%	2021	345,750	350,000
Lease liabilities	4.41%	2021–2022	32,160	32,160
			972,009	1,031,745
			2,833,504	3,192,305

	Effective interest rate (%)	Maturity	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	3.25%–6.62%	2022–2027	1,468,725	1,948,661
Bank borrowings – guaranteed (Note c)	4.28%–4.41%	2022–2023	10,000	27,700
Other loans – unsecured	4.75%–5.15%	2022–2024	11,800	14,700
Other loans – bonds	3.65%	2024	600,000	600,000
Lease liabilities	4.41%	2022–2038	290,798	287,523
			2,381,323	2,878,584
			5,214,827	6,070,889
Interest-bearing bank borrowings and other loans denominated in – RMB			5,214,827	6,070,889

Note a: The above secured other loans are secured by trade and bills receivables with a net carrying value of RMB70,260,000 (31 December 2020: RMB89,455,000).

Note b: On 11 January 2021 and 9 April 2021, the Company issued two tranches of short-term bonds with a par value of RMB100 amounting to RMB500 million each. The bonds had an annual effective interest rate of 2.65% and 2.64%. The first tranche of short-term bond was already matured in April 2021, and the second tranche of short-term bond will be matured in July 2021.

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

Note d: The above secured other loans are secured by buildings and other infrastructure with a net carrying value of RMB140,610,000 (31 December 2020: RMB144,567,000).

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

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year	1,743,803	2,086,959
In the second year	464,864	579,784
In the third to fifth years, inclusive	988,837	1,298,331
Beyond five years	25,024	98,246
	3,222,528	4,063,320
Other loans repayable:		
Within one year	1,089,701	1,105,346
In the second year	44,099	35,289
In the third to fifth years, inclusive	685,709	690,073
Beyond five years	172,790	176,861
	1,992,299	2,007,569
	5,214,827	6,070,889

18. CAPITAL COMMITMENTS

- (a) The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Contracted, but not provided for		
Buildings	–	8,613
Plant and machinery	151,377	187,792
	151,377	196,405

- (b) The Group had no lease contracts that have not yet commenced as at 30 June 2021.

19. RELATED PARTY TRANSACTIONS

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

In addition to the related party transactions disclosed elsewhere in the financial information, the following is a summary of the significant related party transactions entered into the ordinary course of business between the Group and its related parties during the six months ended 30 June 2021 and 2020. All transactions with related parties were conducted at prices and terms mutually agreed by the parties involved.

(a) Significant related party transactions

	Six months ended 30 June	
	2021	2020
	Unaudited RMB'000	Unaudited RMB'000
Sales of goods and rendering of services to China Datang Group		
Environmental protection and energy conservation solutions	1,894,199	1,832,233
Renewable energy engineering	39,419	749,295
Thermal power engineering	—	—
Others	—	986
	<u>1,933,618</u>	<u>2,582,514</u>
Sales of goods and rendering of services to the associates and joint ventures of China Datang Group		
Environmental protection and energy conservation solutions	<u>12,954</u>	<u>27,831</u>
Purchases of goods and receiving of services from China Datang Group		
Water supply and electricity supply	400,109	358,964
Ancillary services under the concession operations	108,956	73,004
Logistics services	14,256	7,185
Wind power electricity and other products	<u>67,901</u>	<u>549,662</u>
	<u>591,222</u>	<u>988,815</u>
Purchases of goods and receiving of services from the associates and joint ventures of China Datang Group		
Water supply and electricity supply	<u>14,560</u>	<u>9,222</u>

Six months ended 30 June
2021 2020
Unaudited Unaudited
RMB'000 RMB'000

Loans from subsidiary of China Datang Group

China Datang Finance Co., Ltd. (“Datang Finance”) (Note a)

<u>–</u>	<u>500,000</u>
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Interest expense on loans from subsidiaries of China Datang Group

Datang Finance	526	6,176
Datang Financial Lease Co., Ltd. (“Datang Financial Lease”)	10,366	11,044
Datang Commercial Factoring Co., Ltd. (“Datang Commercial Factoring”)	1,584	1,769
	<u>12,476</u>	<u>18,989</u>

Interest income from subsidiary of China Datang Group

Datang Finance	<u>3,073</u>	<u>4,483</u>
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Note a:

Loans from subsidiary of China Datang Group	31 December 2020	Proceeds	Repayment	30 June 2021	Duration	Effective interest rate	
						(%)	Type
Datang Finance	<u>20,500</u>	<u>–</u>	<u>1,500</u>	<u>19,000</u>	27/12/2017–26/12/2023	5.15	Unsecured

Loans from subsidiary of China Datang Group	31 December 2019	Proceeds	Repayment	30 June 2020	Duration	Effective interest rate	
						(%)	Type
Datang Finance	<u>356,300</u>	<u>500,000</u>	<u>802,900</u>	<u>53,400</u>	13/9/2017–26/12/2023	3.92–5.15	Unsecured

(b) Outstanding balances with related parties

The outstanding balances with related parties at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Cash and cash equivalents		
Datang Finance	453,500	1,361,014
Trade, bills receivables and contract assets		
Trade and bills receivables		
China Datang Group	6,360,531	6,431,807
The associates and joint ventures of China Datang Group	402,679	471,401
	6,763,210	6,903,208
Contract assets		
China Datang Group	476,431	543,535
The associates and joint ventures of China Datang Group	7,374	8,321
	483,805	551,856
	7,247,015	7,455,064
Prepayments, other receivables and other assets		
Prepayments		
China Datang Group	23,358	18,827
Deposits and other receivables		
China Datang Group	58,566	63,995
The associates and joint ventures of China Datang Group	866	947
	59,432	64,942
	82,790	83,769

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Other non-current assets		
China Datang Group	<u>7,172</u>	<u>28,228</u>
Interest-bearing bank borrowings and other loans (other than lease liabilities)		
Datang Finance	19,000	20,500
Datang Financial Lease	352,261	369,305
Datang Commercial Factoring	<u>70,000</u>	<u>70,000</u>
	<u>441,261</u>	<u>459,805</u>
Trade and bills payables		
China Datang Group	1,288,178	1,297,813
The associates and joint ventures of China Datang Group	<u>43,263</u>	<u>55,418</u>
	<u>1,331,441</u>	<u>1,353,231</u>
Other payables and accruals		
China Datang Group	474,597	625,295
The associates and joint ventures of China Datang Group	<u>6,098</u>	<u>8,257</u>
	<u>480,695</u>	<u>633,552</u>

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

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

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

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

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

– ***Deposits and borrowings***

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

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Short term employee benefits	3,858	4,894
Post-employment benefits	229	238
	<hr/>	<hr/>
Total compensation paid to key management personnel	4,087	5,132
	<hr/>	<hr/>

(e) Property Leases

As a lessee, the Group leases buildings for desulfurization and denitrification facilities from Datang Financial Lease and some power plants from the China Datang Group, with a general lease term of 20 years. The related right-of-use assets and lease liabilities recorded in the interim condensed consolidated statement of financial position, payment of lease liabilities and the related expenses recognised during the period are as follows:

	30 June	31 December
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Right-of-use assets	296,303	308,214
	<hr/>	<hr/>
Lease liabilities	321,593	318,255
	<hr/>	<hr/>

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Depreciation charge	11,912	11,948
	<hr/>	<hr/>
Interest expense	6,398	6,812
	<hr/>	<hr/>
Payments	3,060	1,420
	<hr/>	<hr/>

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Carrying amounts <i>RMB'000</i>	Fair values <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>	Fair values <i>RMB'000</i>
Financial assets				
Financial assets included in other non-current assets	<u>–</u>	<u>–</u>	<u>9,253</u>	<u>8,807</u>
Financial liabilities				
Long term interest-bearing bank borrowings and other loans (other than lease liabilities) (<i>note 17</i>)	<u>2,090,525</u>	<u>2,076,438</u>	<u>2,591,061</u>	<u>2,568,420</u>

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

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value disclosure of financial instruments. The corporate finance team reports directly to management. As at 30 June 2021 and 31 December 2020, the corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by management.

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

- The fair values of the financial assets included in other non-current assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.
- The fair values of the non-current portion of long term interest-bearing bank borrowings and other loans (other than lease liabilities) have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risks for interest-bearing bank borrowings and other loans as at 30 June 2021 and 31 December 2020 were assessed to be insignificant.
- The fair values of the bills receivables which are measured at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using the one-year bank loan interest rate published by the People's Bank of China.
- The fair values of the unlisted equity investments designed at fair value through other comprehensive income have been measured based on valuation multiples of enterprise value ("EV") to sales ("EV/sales") multiple, adjusted by a discount for lack of marketability. The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable input	Input	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/sales Multiple of peers	EV/sales: 5.5x (31 December 2020: EV/sales: 4.0x)	10% (31 December 2020: 10%) increase/decrease in multiple would result in increase/decrease in fair value by 7% (31 December 2020: 6%)
		Discount for lack of marketability	25% (31 December 2020: 25%)	10% (31 December 2020: 10%) increase/decrease in discount would result in decrease/increase in fair value by 3% (31 December 2020: 3%)

Fair value hierarchy

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

Assets measured at fair value

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2021 (unaudited)				
Equity investments designated at fair value through other comprehensive income	–	–	24,166	24,166
Trade and bills receivables	–	828,253	–	828,253
As at 31 December 2020 (audited)				
Equity investments designated at fair value through other comprehensive income	–	–	28,914	28,914
Trade and bills receivables	–	968,588	–	968,588

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

	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	28,914	7,658
Total (losses)/gains recognised in other comprehensive income	<u>(4,748)</u>	<u>1,730</u>
At 30 June	<u>24,166</u>	<u>9,388</u>

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: nil).

21. EVENTS AFTER THE REPORTING PERIOD

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

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 20 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. INDUSTRY OVERVIEW

Based on the overall performance of the environmental protection industry in the first half of 2021, there are mainly the following highlights and industry trends:

1. National strategies boost the steady expansion of ecological protection market in the Yangtze River and Yellow River Basin

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, requires 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 network to ensure normal operation and improve the capacity of urban and rural wastewater collection and treatment, and enterprises are required to reduce resource consumption and pollutant emissions through technological innovation. On 31 August 2020, Political Bureau of the CPC Central Committee considered the "Outline of the Yellow River Basin Ecological Protection and High-quality Development Plan", requiring adaptable actions, classifying policies and respecting laws, to enhance ecological environment in the Yellow River Basin; promoting the intensive and economical utilization of water resources in the Yellow River and taking water resources as the most rigid constraint to expand the room for development through water conservation. Ecological protection policy in the Yangtze River and Yellow River Basin.

2. The "double carbon" goal boosts the development of the renewable energy industry for reaching a new peak

General Secretary Xi Jinping proposed that the PRC's CO₂ 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. In 2021, the National Development and Reform Commission (the “NDRC”) and the National Energy Administration have successively promulgated a series of guiding opinions to promote the integration of grid source, charge storage and multi-energy complementary development, the development and construction of wind power and photovoltaic power generation, and entire county (city and district) distributed rooftop photovoltaic power development, the development of new energy will reach a peak. 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.

3. “Fourteenth Five-Year Plan” boosts resource recycling industry to embrace new opportunities

On 1 July 2021, the NDRC printed and distributed the “‘Fourteenth Five-Year’ Recycling Economy Development Plan”, requiring to construct a resource-recycling industry system, improve resource utilization efficiency, introduce green design of key products, strengthen clean production in key industries, promote cyclical development of parks, enhance resource comprehensive utilization, and boost co-processing of urban waste. As to 2025, the yield of main resources will improve by approximately 20% as compared with 2020, and unit gross domestic product energy consumption and water consumption will decrease by approximately 13.5% and 16%, respectively, as compared with 2020, the comprehensive utilization rate of crop straws will remain at above 86%, the comprehensive utilization rate of bulk solid waste will reach 60%, the comprehensive utilization rate of construction waste reaches 60%, waste paper utilization will reach 60 million tonnes, scrap steel utilization will reach 320 million tonnes, output of recycled non-ferrous metals will reach 20 million tonnes, and output value of resource-recycling industry will reach RMB5 trillion, embracing new opportunities from the development in the industry.

II. BUSINESS OVERVIEW

1. Environmental Protection and Energy Conservation Solution Business

Environmental protection facility concession operation business

As at 30 June 2021, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 48,220MW. The cumulative installed capacity in operation for denitrification concession operations reached 41,210MW and the installed capacity of the desulfurization entrusted operation projects reached 1,960MW.

During January to June 2021, the Group was devoted to optimizing the operation and energy consumption diagnosis, intensifying the indicator management and control and first-rate benchmarking, and realizing the consecutive reduction of electricity consumption, limestone consumption and water consumption. The Group also sped up the application of new technologies, such as the renovation of energy conservation for slurry circulation pumps and the intelligent control technology of denitrification and ammonia injection, with decrease in 19–25% of the electricity consumption rate of circulation pumps and reduction of 10% of ammonia injection volume.

Denitrification catalysts business

During January to June 2021, the production volume and the sales volume of the denitrification catalysts business of the Group were 14,780.8m³ and 18,190.2m³, respectively. The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business during January to June 2021:

(Unit: m³)

Production volume	Sales volume	Delivery volume
<u>14,780.8</u>	<u>18,190.2</u>	<u>17,076.4</u>

During January to June 2021, the Group sold 7,531.8m³ of catalyst to customers other than China Datang Group, among which, 2,631.3m³ of catalyst was sold to overseas customers and 1,034m³ of catalyst was sold to customers from non-electric industry such as glass and alumina sectors.

In addition, during January to June 2021, the Group conducted business in relation to integrated use of an aggregate of 1,770.8m³ of spent denitrification catalysts.

Environmental protection facilities engineering business

As of 30 June 2021, the environmental protection facilities engineering business in the power industry of the Group won bids for 5 projects, including denitrification project with an installed capacity of 9,560MW and 2 industrial site dust treatment projects with an installed capacity of 3,300MW. The Group has 22 projects under construction, with a total installed capacity of 17,720MW.

Water treatment business

During January to June 2021, the Group entered into contracts for 1 new water engineering project. As at 30 June 2021, the Group has 4 water treatment operation projects and 6 water engineering projects under construction.

Energy conservation business

As at 30 June 2021, the Group has 10 energy management contract projects under execution with a total investment of RMB340.2 million.

2. Renewable Energy Business

During January to June 2021, the Group has entered into 3 renewable energy project contracts, namely Huangji Photovoltaic Project, Taonan Photovoltaic Project and Jiulong Baisha Photovoltaic Project, with a total installed capacity of 310MW. As at 30 June 2021, the Group has a total of 4 renewable energy projects under construction with an installed capacity of 360MW. In addition, the Group continued to carry out whole process management business of photovoltaic projects. As at 30 June 2021, the Group has 2 projects under construction with an installed capacity of 82MW.

3. Thermal Power Engineering Business

From January to June 2021, the Group has yet to commence the thermal power engineering business.

4. Overseas Business

In the first half of 2021, the Group focused on dust desulfurization and denitrification of environmental protection markets in India and actively develops renewable energy markets such as biomass power stations in Southeast Asia. Due to the impact of worldwide COVID-19, during January to June 2021, the Group has not signed newly overseas project. As at 30 June 2021, the Group has 4 overseas projects under execution.

5. Research and Development

The ISO international standard “Evaluation method of industrial wastewater treatment and reuse technology” (ISO 23043: 2021) jointly applied by the Group and Nanjing University and other units has been officially released. As of 30 June 2021, the Group was the editor in chief for 7 of the domestic and international standards among the 35 domestic and international standards being compiled by the Group.

In the first half of 2021, the Group obtained 64 patents, including 4 invention patents. As at 30 June 2021, the Group has accumulatively obtained 1,446 patents, 147 of which were invention patents.

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

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

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

1. Overview

The Group's revenue decreased by 23.4% to RMB2,196.6 million for the six months ended 30 June 2021 as compared with RMB2,867.9 million for the same period in 2020. The Group's profit for the six months ended 30 June 2021 amounted to RMB66.4 million, representing an increase of RMB62.2 million as compared with RMB4.2 million for the same period in 2020. Profit attributable to the owners of the parent amounted to RMB86.6 million for the six months ended 30 June 2021. As at 30 June 2021, the Group's cash and cash equivalents decreased by 56.2% to RMB671.3 million as compared with RMB1,531.7 million as at 31 December 2020. The Group's total assets decreased by 6.2% to RMB18,936.0 million as at 30 June 2021 as compared with RMB20,180.9 million as at 31 December 2020. The Group's total liabilities decreased by 9.1% to RMB11,671.6 million as at 30 June 2021 as compared with RMB12,841.6 million as at 31 December 2020. The Group's return on total assets for the six months ended 30 June 2021 was 0.34%, as compared with 0.02% for the same period in 2020.

2. Results of Operation

Revenue

The Group's revenue decreased by 23.4% to RMB2,196.6 million for the six months ended 30 June 2021 as compared with RMB2,867.9 million for the same period in 2020, primarily due to the decrease in revenue of engineering businesses.

Cost of sales

The Group's cost of sales decreased by 26.4% to RMB1,798.3 million for the six months ended 30 June 2021 as compared with RMB2,443.4 million for the same period in 2020. The decrease of the Group's cost of sales was due to the decrease in costs along with the decrease in revenue of engineering businesses.

Selling and distribution expenses

The Group's selling and distribution expenses remained unchanged at RMB10.0 million for the six months ended 30 June 2021 and for the same period in 2020.

Administrative expenses

The Group's administrative expenses increased by 14.1% to RMB220.8 million for the six months ended 30 June 2021 as compared with RMB193.5 million for the same period in 2020, mainly due to the increase in research and development expenses.

Other income and losses

The Group's other income and losses decreased by 1.1% to RMB56.0 million for the six months ended 30 June 2021 as compared with RMB56.6 million for the same period in 2020.

Other expenses

The Group's other expenses decreased by 100% to RMB0 million for the six months ended 30 June 2021 as compared with RMB98.9 million for the same period in 2020, mainly because during the same period in 2020, during an arbitration proceeding, the arbitration authority ruled that Technologies & Engineering Company (a subsidiary of the Company) shall pay a total amount of RMB98,865,000 to Jiuding Tiandi Wind Power for economic losses, and there was not any other compensation incurred for the six months ended 30 June 2021.

Finance costs

The Group's finance costs decreased by 18.4% to RMB112.0 million for the six months ended 30 June 2021 as compared with RMB137.2 million for the same period in 2020, mainly due to the decrease in the balance of interest-bearing bank borrowings of the Group and the replacement of high-interest bank borrowings through the issuance of super short-term commercial papers, which lowered the average financing cost.

Profit before tax

As a result of the foregoing factors, the Group's profit before tax increased by 207.2% to RMB102.0 million for the six months ended 30 June 2021 as compared with RMB33.2 million for the same period in 2020.

Income tax expense

The Group's income tax expense was RMB35.5 million for the six months ended 30 June 2021, representing an increase of 22.4% from RMB29.0 million for the same period in 2020.

Profit for the period

The Group's profit for the Reporting Period increased by RMB62.2 million from RMB4.2 million for the six months ended 30 June 2020 to RMB66.4 million for the six months ended 30 June 2021. For the six months ended 30 June 2021, the Group's profit during the Reporting Period as a percentage of its total revenue increased to 3.0% as compared with 0.1% for the same period in 2020.

Profit attributable to owners of the parent

The profit attributable to owners of the parent increased by RMB36.3 million to RMB86.6 million for the six months ended 30 June 2021 as compared with RMB50.3 million for the same period in 2020.

Profit attributable to non-controlling interests

The profit attributable to non-controlling interests increased by 56.2% to RMB-20.2 million for the six months ended 30 June 2021 as compared with RMB-46.1 million for the same period in 2020.

3. Results on Business Segments

The following table sets forth a breakdown of the Group's revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the six months ended 30 June 2021 and 30 June 2020, respectively, as well as the percentage of change:

	For the six months ended 30 June				
	2021		2020		Change
	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	
Environmental Protection and Energy Conservation Solutions:					
Total revenue of environmental protection	2,162,153	96.5	2,104,396	71.9	2.7
Intra-segment elimination ⁽²⁾	(42,776)		(46,090)		

For the six months ended 30 June					
	2021		2020		
	Revenue	Percentage of total revenue before elimination ⁽¹⁾	Revenue	Percentage of total revenue before elimination ⁽¹⁾	Change
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	2,119,377		2,058,306		3.0
Inter-segment elimination	—		—		
External revenue of environmental protection and energy conservation solutions	2,119,377		2,058,306		3.0
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	43,206	2.0	752,011	25.8	(94.3)
Inter-segment elimination	—		—		
External revenue of renewable energy engineering business	43,206		752,011		(94.3)
Thermal Power Engineering:					
Total revenue of thermal power engineering	927	—	—	—	100
Inter-segment elimination	—		—		
External revenue of thermal power engineering	927		—		100
Other Businesses:					
Total revenue of other businesses	33,441	1.5	68,598	2.3	(51.3)
Inter-segment elimination ⁽³⁾	(354)		(10,974)		
External revenue of other businesses	33,087		57,624		(42.6)

For the six months ended 30 June					
	2021		2020		Change
	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	
Total revenue before intra- and inter-segment elimination ⁽⁴⁾	<u>2,239,727</u>	<u>100.0</u>	<u>2,925,005</u>	<u>100.0</u>	<u>(23.4)</u>
Total intra- and inter-segment elimination ⁽⁵⁾	<u>(43,130)</u>		<u>(57,064)</u>		
Total revenue	<u>2,196,597</u>		<u>2,867,941</u>		<u>(23.4)</u>

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 other businesses segment mainly arises from the inter-segment sales between other businesses segment and environmental protection and energy conservation solutions segment, respectively.
- (4) Represents the aggregate amount of the revenue of all segments/sub-segments before any intra- or inter-segment elimination.
- (5) Represents the aggregate amount of all intra- and inter-segment elimination.

The following table sets forth a breakdown of the Group's gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the six months ended 30 June 2021 and 30 June 2020, respectively, as well as the percentage of change in gross profit:

	For the six months ended 30 June				
	2021		2020		Change of gross profit %
	Gross profit ⁽¹⁾ RMB'000	Gross profit margin ⁽²⁾ %	Gross profit ⁽¹⁾ RMB'000	Gross profit margin ⁽²⁾ %	
Environmental Protection and Energy Conservation Solutions:					
Total gross profit of environmental protection and energy conservation solutions	371,615	17.2	397,664	18.9	(6.6)
Total gross profit of renewable energy engineering	366	0.8	6,839	0.9	(94.6)
Total gross profit of thermal power engineering	(5)	(0.5)	(659)	–	(99.2)
Total gross profit of other businesses	18,144	54.3	11,769	17.2	54.2
Total gross profit and gross profit margin⁽³⁾	398,278	18.1	424,529	14.8	(6.2)

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 30 June 2021, the Group's cash and cash equivalents decreased by 56.2% to RMB671.3 million as compared with RMB1,531.7 million as at 31 December 2020. Such decrease was mainly attributable to the increase in the cash flow used in financing activities of the Group.

5. Working Capital

As at 30 June 2021, the Group's net current assets decreased by 13.8% to RMB1,596.7 million as compared with RMB1,851.3 million as at 31 December 2020, primarily due to the increase of receivables, and the decrease of interest-bearing bank borrowings and other loans.

6. Indebtedness

As at 30 June 2021, the Group's borrowings decreased by 14.1% to RMB5,214.8 million as compared with RMB6,070.9 million as at 31 December 2020.

7. Capital Expenditure

The Group's capital expenditure increased by 14.5% to RMB43.5 million for the six months ended 30 June 2021 as compared with RMB38.0 million for the six months ended 30 June 2020. Capital expenditure mainly comprises the construction costs of concession projects for newly developed environmental protection facilities and water treatment facilities projects.

8. Net Gearing Ratio

As at 30 June 2021, the Group's net gearing ratio (net debt (total borrowings minus cash and cash equivalents) divided by the sum of net debt and total equity) was 38.5%, representing an increase of 0.3 percentage point as compared with 38.2% as at 31 December 2020.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and energy conservation policies

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

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group, and will continue to enter into such transactions in the future. During January to June 2021, the total value of products and services provided by the Group to China Datang Group (other than concession operations) was approximately RMB0.169 billion, representing approximately 7.69% of the total revenue of the Group. During January to June 2021, the total value of the services provided by the Group to China Datang Group under the concession operations (desulfurization and denitrification) was approximately RMB1.765 billion, representing approximately 80.34% of the total revenue of the Group. The Group has been actively expanding its client base, for example, during January to June 2021, the Group entered into contracts in the amount of RMB0.153 billion with clients other than China Datang Group, representing 18.18% of the total of contracts entered into during January to June 2021.

Cash flow risks

The Group had positive operating cash flows for the six months ended 30 June 2021. The Group cannot assure that its operating cash flows for any future period will be positive. The Group's ability to generate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to adopt various measures to collect receivables in order to significantly improve operating cash flow. In addition, the Group has been proactively seeking finance to support the development and expansion of its business. As at 30 June 2021, the Group had available bank facilities of RMB14.783 billion.

Industry risks

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

Risks on overseas business

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

V. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, we had 1,045 employees, substantially all of whom were based in the PRC. The Group has individually established labor union branches. Currently, the Group has entered into employment agreements with all employees, in which the position, duties, remuneration, employment benefits, training, confidentiality obligations relating to trade secrets and grounds for termination are specified pursuant to the PRC Labor Law and other relevant regulations.

The table below sets forth the number of employees as at 30 June 2021 by their functions:

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	319	30.53%
Engineering and technical personnel	201	19.24%
Sales personnel	74	7.08%
Research and development personnel	330	31.58%
Administrative and management personnel	85	8.13%
Manufacture personnel	23	2.20%
Others	13	1.24%
Total	1,045	100.00%

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

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

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

During the Reporting Period, the Group provided 4 training programs on business management, professional techniques and production skills, with 100% employees attending the trainings.

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

VI. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

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

1. Focus on resource-recycling utilization to vigorously develop recycling economy

The Group will receive profound understanding on the important meaning of developing recycling economy as the significant strategy of the PRC economical and social development, fully utilize the project of country's construction of urban waste resources recycling, the project of recycling development of parks and the demonstration project of comprehensive utilization of bulk solid waste and other work opportunities, intensively plan for comprehensive utilization of waste, energy cascade utilization, recycling and reuse of water resources, and resource utilization of wastewater, gas and liquid and other businesses, strive for the implementation of key projects of the sludge drying processing and desulfurization gypsum reuse, and completely fulfill green and low-carbon recycling development.

2. Focus on comprehensive energy service to push forward green and low-carbon development

The Group will focus on the area of integrated energy service, strengthening the concept of "park", continue to develop the distributed rooftop photovoltaic power project, seize high-quality resources, actively develop "photovoltaic+", "smart energy" and "electric heating and cold steam storage", and integrate comprehensive energy service with intelligent technology, in order to jointly promote green, low-carbon and intelligent transformation of business. The Group will continue to deeply develop the centralized photovoltaic project, and effectively seize the projects of "agriculture-solar photovoltaic power complementation" and "fishery-solar photovoltaic power complementation", further contributing to green and low-carbon development.

3. Implement the three-year action plan to fully actualize market-oriented reform

The Group will fully implement the three-year action plan for reform of state-owned enterprises, and try hard to take the responsibility as pacesetter, and reform persistent in the direction of being more conducive to the development of enterprises, and establish a "dual contract" management system of "labor contract + post-recruitment contract" for all employees through implementing the term system and contractual reform of the

managers of the enterprises, and making great efforts to build the “Four Can” system adaptable to the market-oriented development, namely “cadres can be promoted or demoted, staff can enter or quit, remuneration can be high or low, and institutions can increase and decrease”.

4. Adhere to self-reliance in science and technology to improve innovation level of science and technology

The Group will enhance the market-oriented mechanism in technology innovation, strengthen the level as an innovative body, and leverage the significant supporting of high quality development from technological innovation. The Group will focus on enhancing the level of concession operation, focus on reducing operational energy and material consumption, focus on improving engineering and technology ability, and focus on supporting the development of new businesses to maintain a key focus on “carbon peak emissions and carbon neutrality”, “resources recycling”, “green and low-carbon”, “new energy” as well as other national strategies and current hot spots, and promote organic integration of design power, technology power and research power with the Company’s businesses, in order to achieve comprehensive output effects.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

DIVIDEND DISTRIBUTION PLAN FOR THE SIX MONTHS ENDED 30 JUNE 2021

According to the resolution of the Board passed on 20 August 2021, the Board did not recommend to distribute any interim dividend to shareholders of the Company for the six months ended 30 June 2021.

MATERIAL LITIGATION OR ARBITRATION EVENTS

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

Save as disclosed above, as at 30 June 2021, the Group was not involved in any material litigation or arbitration event. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Group.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

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

The use of net proceeds from the initial public offering for the six months ended 30 June 2021 is set out as follows:

	Use of net proceeds as disclosed in the Prospectus (HK\$ million)	Actual use of net proceeds up to 30 June 2021 (HK\$ million)	Unutilised net proceeds up to 30 June 2021 (HK\$ million)	Expected time of full utilization of remaining
To finance the capital expenditures for expanding the desulfurization and denitrification concession operations	1,219.50	1,219.50	0.00	–
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	304.80	304.80	0.00	–
To repay some of the existing bank loans in order to lower the finance costs and improve the financial leverage ratio	203.20	203.20	0.00	–
For working capital and other general corporate purposes	203.20	203.20	0.00	–
For research and development expenditures	101.60	42.76	58.84	December 2022
Total	2,032.30	1,973.46	58.84	

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2021, the Group had no material acquisition or disposal.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MAJOR INVESTMENTS

For the six months ended 30 June 2021, the Group did not hold any significant investment and has not executed any agreement in respect of material acquisitions, investments or capital asset and did not have any other future plans relating to material acquisitions, investments or capital asset as at the date of this announcement. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

REVIEW OF INTERIM RESULTS ANNOUNCEMENT

The audit committee of the Company (the “**Audit Committee**”) has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There was no other important event affecting the Group which has taken place since 30 June 2021 and up to the date of this results announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The Company will dispatch in due course to shareholders of the Company the 2021 Interim Report containing all the information as required by the Listing Rules, and publish it on the websites of the Company and the Stock Exchange.

By order of the Board
Datang Environment Industry Group Co., Ltd.*
Wang Yanwen
Chairman

Beijing, the PRC, 20 August 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 Jiayang.

* For identification purposes only