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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022
AND
PROPOSED AMENDMENTS TO THE ARTICLES
OF ASSOCIATION**

FINANCIAL AND OPERATION HIGHLIGHTS

- For the year ended 31 December 2022, the revenue of the Group amounted to RMB5,322.7 million, representing an increase of 0.6% as compared with last year.
- For the year ended 31 December 2022, the gross profit of the Group amounted to RMB789.4 million, representing an increase of 131.2% as compared with last year; the gross profit margin of the Group was 14.8%, representing an increase of 8.3 percentage points as compared with last year.
- For the year ended 31 December 2022, the total comprehensive income attributable to owners of the parent amounted to RMB273.4 million, representing an increase of 230.2% as compared with last year.
- For the year ended 31 December 2022, the Group continued to be the largest desulfurization and denitrification concession operator and the largest manufacturer of denitrification catalysts in the People's Republic of China.
- The Board has not resolved to recommend payment of a final dividend for the fiscal year ended 31 December 2022 (the "**Proposed 2022 Final Dividend**") but shall convene another Board meeting, expected to be at or before the end of April 2023, to consider the declaration of the Proposed 2022 Final Dividend. If the Board decides to proceed, the declaration will be adopted and recommended by Board resolution for the approval of the shareholders of the Company (the "**Shareholders**").

The board (the "**Board**") of directors (the "**Directors**") of Datang Environment Industry Group Co., Ltd. (the "**Company**") hereby announces the financial results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**us**") for the year ended 31 December 2022, together with the comparable figures of 2021. The financial data of the Group for the year ended 31 December 2022 set out by the Company in this results announcement is based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	5	5,322,722	5,288,416
Cost of sales		<u>(4,533,301)</u>	<u>(4,946,985)</u>
Gross profit		789,421	341,431
Selling and distribution expenses		(18,718)	(18,151)
Administrative expenses		(387,802)	(478,694)
Other income and losses	5	111,465	80,436
Other expenses, net	6	(8,561)	(42,145)
Finance costs	7	(199,335)	(221,959)
Reversal of impairment/(impairment losses) on financial assets and contract assets, net		<u>10,325</u>	<u>(39,130)</u>
Profit/(loss) before tax		296,795	(378,212)
Income tax expense	8	<u>(58,672)</u>	<u>(65,058)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>238,123</u>	<u>(443,270)</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>1,310</u>	<u>1,066</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net			
		<u>1,310</u>	<u>1,066</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		–	(2,525)
Income tax		<u>208</u>	<u>379</u>
Other comprehensive income/(losses) that will not be reclassified to profit or loss in subsequent periods, net			
		<u>208</u>	<u>(2,146)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR, NET OF TAX		<u>1,518</u>	<u>(1,080)</u>
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR		<u>239,641</u>	<u>(444,350)</u>
Profit/(loss) attributable to:			
Owners of the parent		272,425	(208,332)
Non-controlling interests		<u>(34,302)</u>	<u>(234,938)</u>
		<u>238,123</u>	<u>(443,270)</u>
Total comprehensive income/(losses) attributable to:			
Owners of the parent		273,367	(209,881)
Non-controlling interests		<u>(33,726)</u>	<u>(234,469)</u>
		<u>239,641</u>	<u>(444,350)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	<i>10</i>	<u>RMB0.09</u>	<u>RMB(0.07)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,519,403	6,828,008
Intangible assets		233,072	252,900
Right-of-use assets		293,230	312,776
Equity investments designated at fair value through other comprehensive income		–	26,389
Deferred tax assets		53,970	51,840
Other non-current assets		310,986	385,752
Total non-current assets		7,410,661	7,857,665
CURRENT ASSETS			
Inventories		153,888	204,931
Contract assets		183,725	263,765
Trade and bills receivables	<i>11</i>	8,978,204	8,169,933
Prepayments, other receivables and other assets		657,245	565,606
Restricted cash		92,338	121,604
Cash and cash equivalents		872,196	1,244,882
Total current assets		10,937,596	10,570,721
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	4,813,812	4,579,064
Other payables and accruals		955,516	982,683
Provisions		600	123,931
Interest-bearing bank borrowings and other loans	<i>13</i>	4,751,452	3,789,805
Income tax payable		11,967	2,716
Total current liabilities		10,533,347	9,478,199
NET CURRENT ASSETS		404,249	1,092,522
TOTAL ASSETS LESS CURRENT LIABILITIES		7,814,910	8,950,187

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2022*

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Provisions		480	480
Interest-bearing bank borrowings and other loans	<i>13</i>	888,789	2,162,981
Other non-current liabilities		<u>28,892</u>	<u>31,150</u>
Total non-current liabilities		<u>918,161</u>	<u>2,194,611</u>
Net assets		<u>6,896,749</u>	<u>6,755,576</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>14</i>	2,967,542	2,967,542
Reserves		<u>4,092,819</u>	<u>3,907,884</u>
Retained profits		<u>7,060,361</u>	<u>6,875,426</u>
Non-controlling interests		<u>(163,612)</u>	<u>(119,850)</u>
Total equity		<u>6,896,749</u>	<u>6,755,576</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the parent								Total equity RMB'000
	Share capital (Note 14) 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	
As at 1 January 2022	2,967,542	1,315,483	417,396	1,181	(30)	2,173,854	6,875,426	(119,850)	6,755,576
Profit/(loss) for the year	-	-	-	-	-	272,425	272,425	(34,302)	238,123
Other comprehensive income for the year:									
Income tax relating to equity investments designated at fair value through other comprehensive income being disposed of	-	-	-	208	-	-	208	-	208
Exchange difference on translation of foreign operations	-	-	-	-	734	-	734	576	1,310
Total comprehensive income for the year	-	-	-	208	734	272,425	273,367	(33,726)	239,641
Appropriation to statutory surplus reserve	-	-	31,499	-	-	(31,499)	-	-	-
Disposal of equity investments designated at fair value through other comprehensive income	-	-	-	(1,389)	-	1,389	-	-	-
Final 2021 dividend declared (Note 9)	-	-	-	-	-	(88,432)	(88,432)	-	(88,432)
Dividends declared by a subsidiary to its non-controlling interests	-	-	-	-	-	-	-	(10,036)	(10,036)
As at 31 December 2022	<u>2,967,542</u>	<u>1,315,483</u>	<u>448,895</u>	<u>-</u>	<u>704</u>	<u>2,327,737</u>	<u>7,060,361</u>	<u>(163,612)</u>	<u>6,896,749</u>
As at 1 January 2021	2,967,542	1,315,483	406,481	3,327	(627)	2,525,453	7,217,659	121,619	7,339,278
Loss for the year	-	-	-	-	-	(208,332)	(208,332)	(234,938)	(443,270)
Other comprehensive income for the year:									
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	(2,146)	-	-	(2,146)	-	(2,146)
Exchange difference on translation of foreign operations	-	-	-	-	597	-	597	469	1,066
Total comprehensive losses for the year	-	-	-	(2,146)	597	(208,332)	(209,881)	(234,469)	(444,350)
Appropriation to statutory surplus reserve	-	-	10,915	-	-	(10,915)	-	-	-
Final 2020 dividend declared (Note 9)	-	-	-	-	-	(132,352)	(132,352)	-	(132,352)
Dividends declared by a subsidiary to its non-controlling interests	-	-	-	-	-	-	-	(7,000)	(7,000)
As at 31 December 2021	<u>2,967,542</u>	<u>1,315,483</u>	<u>417,396</u>	<u>1,181</u>	<u>(30)</u>	<u>2,173,854</u>	<u>6,875,426</u>	<u>(119,850)</u>	<u>6,755,576</u>

* These reserves accounts comprise the consolidated reserves of RMB4,092,819,000 (31 December 2021: RMB3,907,884,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		296,795	(378,212)
Adjustments for:			
Finance costs		199,335	221,959
Interest income		(8,296)	(6,978)
Depreciation of property, plant and equipment		467,658	509,722
Amortisation of intangible assets		28,690	26,465
Depreciation of right-of-use assets		26,052	25,070
Amortisation of other non-current assets		102,719	123,596
Loss on disposal of items of property, plant and equipment	5	167	21,904
Loss on disposal of items of intangible assets	5	–	2,533
Gain on disposal of items of right-of-use assets	5	–	(75)
Amortisation of government grants		(2,095)	(1,872)
Impairment losses on trade receivables, net	11	16,518	22,924
(Reversal of impairment)/impairment losses on other receivables, net		(25,837)	18,717
Impairment loss on property, plant and equipment		–	45,638
Reversal of impairment on contract assets, net		(1,006)	(2,511)
Decrease/(increase) in inventories		51,043	(14,322)
Decrease in contract assets		81,046	474,153
(Increase)/decrease in trade and bills receivables		(777,090)	432,942
(Increase)/decrease in prepayments, other receivables and other assets		(19,669)	48,053
Decrease/(increase) in restricted cash		29,266	(53,877)
Increase/(decrease) in trade and bills payables		217,470	(325,411)
Increase/(decrease) in other payables and accruals		39,437	(200,925)
(Decrease)/increase in provisions		(123,331)	117,091
Cash generated from operations		598,872	1,106,584
Income tax paid		(67,526)	(119,549)
Net cash flows generated from operating activities		531,346	987,035

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*For the year ended 31 December 2022*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,296	6,978
Purchase of items of property, plant and equipment, intangible assets and other non-current assets	(325,729)	(403,566)
Proceeds from disposal of items of property, plant and equipment	27	–
Receipt of government grants for property, plant and equipment	2,000	–
	<u>(315,406)</u>	<u>(396,588)</u>
Net cash flows used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	6,801,075	7,668,037
Repayments of bank borrowings and other loans	(7,098,408)	(7,775,155)
Principal portion of lease payments	(4,441)	(20,208)
Dividends paid to shareholders	(87,735)	(511,726)
Dividends paid to non-controlling interests	(12,729)	(14,080)
Interest paid	(187,266)	(223,596)
	<u>(589,504)</u>	<u>(876,728)</u>
Net cash flows used in financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(373,564)	(286,281)
Cash and cash equivalents at beginning of year	1,244,882	1,531,739
Effect of foreign exchange rate changes, net	878	(576)
	<u>872,196</u>	<u>1,244,882</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

The financial statements are presented in Renminbi (“**RMB**”), the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

1. GENERAL INFORMATION (CONTINUED)

Information about subsidiaries

Details of the Company's subsidiaries are as follows:

Name #	Place of incorporation/ registration	Issued and fully paid-up capital/ registered capital	Percentage of equity attributable to the Company (%)		Principal activities
			Direct	Indirect	
China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) ("Technologies & Engineering Company")	Beijing, the PRC	RMB180,000,000	56.00	–	Development of environmental protection technology and provision of engineering services in the PRC
Datang Nanjing Environmental Protection Technology Co., Ltd. (大唐南京環保科技有限責任公司)	Nanjing, the PRC	RMB124,630,000	92.11	–	Development and sale of catalysts; and provision of testing services in the PRC
Datang Technologies & Engineering India Private Limited (大唐科技工程印度有限公司) ("Technologies & Engineering India")	Mumbai, India	Indian rupees 1,000,000	–	100.00	Provision of engineering services in India
Datang Beijing Energy Saving & Technology Co., Ltd. (大唐(北京)節能技術有限公司)	Beijing, the PRC	RMB10,000,000	65.00	–	Provision of project management, engineering and technology services in the PRC
Datang Beijing Water Engineering & Technology Co., Ltd. (大唐(北京)水務工程技術有限公司) ("Water Engineering & Technology")	Beijing, the PRC	RMB337,976,000	100.00	–	Provision of technology services, energy saving technology promotion services and water engineering services in the PRC
Zhejiang Datang Tiandi Environmental Technology Co., Ltd. (浙江大唐天地環保科技有限公司) ("Tiandi Environmental")	Ningbo, the PRC	RMB60,000,000	65.00	–	Development of pollution improvement environmental protection technology and provision of technology services in the PRC
Datang (Jiangsu) Environmental Protection Equipment Co., Ltd. (大唐(江蘇)環保裝備有限公司) ("Jiangsu Environmental Protection")	Jiangsu, the PRC	RMB38,000,000	100.00	–	Development and sale of catalysts; and provision of testing services in the PRC

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

Note 1: On 28 July 2021, the Company approved the liquidation of Jiangsu Nanjing Thermal Electricity Engineering Design Institute Co., Ltd. (江蘇南京熱電工程設計院有限責任公司), a subsidiary of the Company. The liquidation was completed on 29 October 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

1. GENERAL INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Details of the Company's subsidiaries are as follows (continued):

Note 2: On 28 July 2021, the Company approved the liquidation of Beijing Datang Hengtong Science & Technology Co., Ltd. (北京大唐恒通科技有限公司), a subsidiary of the Company. The liquidation was completed on 31 December 2021.

Note 3: On 23 June 2021, the Company approved the application for Water Engineering & Technology absorbed Datang (Beijing) Energy Management Co., Ltd. (大唐(北京)能源管理有限公司), a subsidiary of the Company. The absorption was completed on 23 August 2021 which was the combination date, and Water Engineering & Technology undertook its assets and liabilities as at the combination date.

Note 4: On 22 August 2022, the Company established a wholly-owned subsidiary, namely Datang (Jiangsu) Environmental Protection Equipment Co., Ltd. (大唐(江蘇)環保裝備有限公司) in the PRC, with its registered capital of RMB38 million.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to standards adopted by the Group

In the preparation of the consolidated financial statements for the year ended 31 December 2022, the Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) and International Accounting Standards (“IASs”) issued by the International Accounting Standards Board (the “IASB”), for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The adoption of these amendments to IFRSs did not have significant impact on the Group's financial performance and financial position. The Group has not early applied any new or amendments to IFRSs that is not yet effective for the current accounting period.

New and amendments to standards that have been issued but are not yet effective

The following new and amendments to IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date become effective.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and amendments to standards that have been issued but are not yet effective (Continued)

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The above new and amendments to existing standards do not expect to have a material impact on the consolidated financial statements of the Group. The Group will adopt the new and amendments to IFRSs to existing standards when they become effective.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual IFRSs, IASs and Interpretations issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all of the years presented unless otherwise stated. The adoption of new and amendments to IFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 2.

The consolidated financial statements have been prepared under the historical cost basis, except for certain trade and bills receivables and equity investments which have been measured at fair value. The measurement bases are fully described in the accounting policies.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. OPERATING SEGMENT INFORMATION

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

(a) Environmental protection and energy conservation solutions

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

(b) Renewable energy engineering

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

(c) Thermal power engineering

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

(d) Other businesses

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	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 5)					
Sales to external customers	5,088,044	195,533	–	39,145	5,322,722
Intersegment sales	–	–	–	31,066	31,066
	<u>5,088,044</u>	<u>195,533</u>	<u>–</u>	<u>70,211</u>	<u>5,353,788</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(31,066)</u>
Revenue					<u><u>5,322,722</u></u>
Segment results	718,914	(53,827)	–	(15,344)	649,743
<i>Reconciliation:</i>					
Other income and losses					111,465
Other expenses, net					(8,561)
Finance costs (other than interest on lease liabilities which is included in corporate and other unallocated expenses)					(186,745)
Corporate and other unallocated expenses					<u>(269,107)</u>
Profit before tax					<u><u>296,795</u></u>
Segment assets	16,983,097	918,215	32,244	81,064	18,014,620
<i>Reconciliation:</i>					
Elimination of intersegment receivables					<u>(2,273,024)</u>
					15,741,596
Unallocated intangible assets					20,172
Unallocated deferred tax assets					19,226
Unallocated prepayments, other receivables and other assets					292,825
Restricted cash, cash and cash equivalents					964,534
Other unallocated head office and corporate assets					<u>1,309,904</u>
Total assets					<u><u>18,348,257</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	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 liabilities	10,248,473	994,587	43,950	128,689	11,415,699
<i>Reconciliation:</i>					
Elimination of intersegment payables					<u>(2,273,024)</u>
					9,142,675
Unallocated interest-bearing bank borrowings and other loans (other than lease liabilities)					1,989,126
Other unallocated head office and corporate liabilities					<u>319,707</u>
Total liabilities					<u><u>11,451,508</u></u>
Other segment information					
Impairment of trade receivables	19,599	(3,081)	-	-	16,518
Reversal of impairment on contract assets	(1,006)	-	-	-	(1,006)
Reversal of impairment on financial assets included in prepayments, other receivables and other assets	<u>(7,120)</u>	<u>(18,717)</u>	<u>-</u>	<u>-</u>	<u>(25,837)</u>
Reversal of impairment recognised in profit or loss, net	11,473	(21,798)	-	-	(10,325)
Depreciation and amortisation	607,142	130	-	17,847	625,119
Capital expenditure*	<u>172,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,178</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021	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 5)					
Sales to external customers	4,913,028	307,767	927	66,694	5,288,416
Intersegment sales	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,295</u>	<u>7,295</u>
	4,913,028	307,767	927	73,989	5,295,711
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(7,295)</u>
Revenue					<u>5,288,416</u>
Segment results	37,670	22,550	(35)	(17,884)	42,301
<i>Reconciliation:</i>					
Other income and losses					80,436
Other expenses, net					(42,145)
Finance costs (other than interest on lease liabilities which is included in corporate and other unallocated expenses)					(208,776)
Corporate and other unallocated expenses					<u>(250,028)</u>
Loss before tax					<u>(378,212)</u>
Segment assets	15,940,093	1,488,684	36,432	90,167	17,555,376
<i>Reconciliation:</i>					
Elimination of intersegment receivables					<u>(1,974,394)</u>
					15,580,982
Unallocated intangible assets					21,794
Unallocated deferred tax assets					19,905
Unallocated prepayments, other receivables and other assets					232,839
Restricted cash, cash and cash equivalents					1,366,486
Other unallocated head office and corporate assets					<u>1,206,380</u>
Total assets					<u>18,428,386</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Segment liabilities	9,662,489	1,338,619	59,941	138,630	11,199,679
<i>Reconciliation:</i>					
Elimination of intersegment payables					<u>(1,974,394)</u>
					9,225,285
Unallocated interest-bearing bank borrowings and other loans (other than lease liabilities)					2,141,859
Other unallocated head office and corporate liabilities					<u>305,666</u>
Total liabilities					<u><u>11,672,810</u></u>
Other segment information					
Impairment of property, plant and equipment	45,638	–	–	–	45,638
Impairment of trade receivables	11,295	11,629	–	–	22,924
Reversal of impairment on contract assets	(2,511)	–	–	–	(2,511)
Impairment of financial assets included in prepayments, other receivables and other assets	<u>–</u>	<u>18,717</u>	<u>–</u>	<u>–</u>	<u>18,717</u>
Impairment losses recognised in profit or loss, net	54,422	30,346	–	–	84,768
Depreciation and amortisation	663,600	62	51	21,140	684,853
Capital expenditure*	<u>123,944</u>	<u>–</u>	<u>–</u>	<u>5,060</u>	<u>129,004</u>

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

Geographical information

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

Information about major customers

Revenue of approximately RMB4,070 million (2021: RMB4,478 million) was derived from the sale of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) (“**China Datang Group**”).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. REVENUE, OTHER INCOME AND LOSSES

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers	5,322,722	5,288,215
Revenue from other sources		
Gross rental income from operating leases		
Other lease payments, including fixed payments	—	201
	<u>5,322,722</u>	<u>5,288,416</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Operating 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 services					
Sale of industrial products	364,835	—	—	32,276	397,111
Construction services	466,755	195,533	—	6,869	669,157
Desulfurisation and denitrification services	<u>4,256,454</u>	—	—	—	<u>4,256,454</u>
Total revenue from contracts with customers	<u>5,088,044</u>	<u>195,533</u>	<u>—</u>	<u>39,145</u>	<u>5,322,722</u>
Timing of revenue recognition					
Goods transferred at a point in time	364,835	—	—	32,276	397,111
Services transferred over time	<u>4,723,209</u>	<u>195,533</u>	—	<u>6,869</u>	<u>4,925,611</u>
Total revenue from contracts with customers	<u>5,088,044</u>	<u>195,533</u>	<u>—</u>	<u>39,145</u>	<u>5,322,722</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2021

Operating 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 services					
Sale of industrial products	317,464	–	–	55,534	372,998
Construction services	580,471	307,767	927	10,959	900,124
Desulfurisation and denitrification services	4,015,093	–	–	–	4,015,093
Total revenue from contracts with customers	<u>4,913,028</u>	<u>307,767</u>	<u>927</u>	<u>66,493</u>	<u>5,288,215</u>
Timing of revenue recognition					
Goods transferred at a point in time	317,464	–	–	55,534	372,998
Services transferred over time	4,595,564	307,767	927	10,959	4,915,217
Total revenue from contracts with customers	<u>4,913,028</u>	<u>307,767</u>	<u>927</u>	<u>66,493</u>	<u>5,288,215</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

For the year ended 31 December 2022

Operating segments	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Revenue from contracts with customers					
External customers	5,088,044	195,533	-	39,145	5,322,722
Intersegment sales	-	-	-	31,066	31,066
	<u>5,088,044</u>	<u>195,533</u>	<u>-</u>	<u>70,211</u>	<u>5,353,788</u>
Intersegment adjustments and eliminations	-	-	-	(31,066)	(31,066)
Total revenue from contracts with customers	<u><u>5,088,044</u></u>	<u><u>195,533</u></u>	<u><u>-</u></u>	<u><u>39,145</u></u>	<u><u>5,322,722</u></u>

For the year ended 31 December 2021

Operating segments	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Revenue from contracts with customers					
External customers	4,913,028	307,767	927	66,493	5,288,215
Intersegment sales	-	-	-	7,295	7,295
	<u>4,913,028</u>	<u>307,767</u>	<u>927</u>	<u>73,788</u>	<u>5,295,510</u>
Intersegment adjustments and eliminations	-	-	-	(7,295)	(7,295)
Total revenue from contracts with customers	<u><u>4,913,028</u></u>	<u><u>307,767</u></u>	<u><u>927</u></u>	<u><u>66,493</u></u>	<u><u>5,288,215</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	2,625	26,929
Construction services	<u>72,376</u>	<u>252,187</u>
	<u><u>75,001</u></u>	<u><u>279,116</u></u>

(ii) Performance obligations

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

Sale of industrial products

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

Construction services

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

Desulfurisation and denitrification services

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Desulfurisation and denitrification services (Continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 31 December 2021 are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amounts expected to be recognised as revenue Within one year	<u>408,961</u>	<u>472,428</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
OTHER INCOME		
Interest income	8,742	8,520
Government grants (<i>Note</i>)	92,014	100,564
Exchange gains	<u>10,876</u>	<u>–</u>
	<u>111,632</u>	<u>109,084</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
OTHER LOSSES, NET		
Loss on disposal of items of property, plant and equipment	(167)	(21,904)
Loss on disposal of items of intangible assets and right-of-use assets	–	(2,458)
Exchange losses	<u>–</u>	<u>(4,286)</u>
	<u>(167)</u>	<u>(28,648)</u>
	<u>111,465</u>	<u>80,436</u>

Note: The amount mainly represents the income related to the VAT refunds received by the Group. As at 31 December 2022 and 2021, there were no unfulfilled conditions or other contingencies attaching to the government grants that had been recognised by the Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

6. OTHER EXPENSES, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Compensation gains (<i>Note a</i>)	–	(52,671)
Exchange differences arising from provision for pending litigation losses	8,929	–
Estimated pending litigation losses (<i>Note b</i>)	–	97,316
Other gains	(368)	(2,500)
	<u>8,561</u>	<u>42,145</u>

Note a: In November 2016, the Group's subsidiary, Technologies & Engineering Company and two other third parties have entered into an arrangement with Datang Hami 13th Division Clean Energy Development 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.

During the year ended 31 December 2021, the two parties signed a settlement agreement, and the penalty interest on Jiuding Tiandi Wind Power was exempted from payment. Therefore, Technologies & Engineering Company transferred the corresponding penalty interest of RMB3,239,000 to other income, and the remaining compensation was repaid as of 31 December 2021.

In addition, in August 2021, Datang Xinjiang signed a compensation agreement with Technologies & Engineering Company, which stipulated that Datang Xinjiang would pay a total of RMB49,432,000 in compensation to Technologies & Engineering Company for above matters and Technologies & Engineering Company recorded the compensation in other income during the year ended 31 December 2021 accordingly.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

6. OTHER EXPENSES, NET (CONTINUED)

Note b: On 16 March 2019, the Group's subsidiaries, Technologies & Engineering Company and Technologies & Engineering India signed construction contracts for desulfurization and wet chimney with Gujarat State Electricity Corporation Limited ("GSECL"). Due to the impact of COVID-19, the construction progress was delayed and GSECL issued a formal notice which stated that it might take measures such as terminating the contract, redeeming the performance guarantee letter, and entrusting the work to others to complete. The Group fully accrued provisions of RMB75,848,000 for the redemption of the performance guarantee letter, and also considered that the corresponding advance receipts of RMB25,835,000 would no longer be obligated to be returned after the redemption of the performance guarantee letter, and incurred other expenses of RMB50,013,000 for the year ended 31 December 2021 accordingly. During the year ended 31 December 2022, the performance guarantee letter of RMB75,848,000 has been fully redeemed. The likelihood of occurrence of other compensations about these contract disputes cannot be estimated reliably.

On 6 March 2020, Technologies & Engineering Company signed a construction contract with NLC India Limited ("NLC India"). Due to the impact of the COVID-19, the construction progress was delayed, and NLC India issued a formal notice to request to terminate the contract and redeem the performance guarantee letter amounting to RMB47,303,000. In addition, the claims brought by NLC India also include the costs incurred in re-tendering and the arbitration progress. The Group fully accrued a provision of RMB47,303,000 for the request of redeeming the performance guarantee letter, and incurred other expenses of RMB47,303,000 for the year ended 31 December 2021 accordingly. During the year ended 31 December 2022, the performance guarantee letter of RMB47,303,000 has been fully redeemed. The likelihood of occurrence of other compensations about these contract disputes cannot be estimated reliably.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on lease liabilities	12,590	13,183
Interest expenses on bank borrowings and other loans	186,880	208,776
Less: interest capitalised	<u>(135)</u>	<u>—</u>
	<u>199,335</u>	<u>221,959</u>

The Group's capitalisation rate for the year ended 31 December 2022 was 3.1% (for the year ended 31 December 2021: Nil).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

8. INCOME TAX EXPENSE

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

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

The subsidiary of the Company in India was subject to corporate income tax at a rate of 29.12% during the period from 1 January 2022 to 31 December 2022 (29.12% during the period from 1 January 2021 to 31 December 2021).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Provision for the year	65,637	64,795
(Overprovision)/under provision in respect of prior years	<u>(5,044)</u>	<u>5,533</u>
Deferred tax	<u>(1,921)</u>	<u>(5,270)</u>
	<u>58,672</u>	<u>65,058</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit/(loss) before tax	296,795	(378,212)
Income tax at the statutory income tax rate of 25% (2021: 25%)	74,198	(94,553)
Effect of a different tax rate applicable in another country	(2,796)	(1,890)
Effect of the preferential income tax rate	(29,679)	35,468
Expenses not deductible for tax	6,888	1,868
Additional deduction of research and development expenses	(3,791)	(4,735)
Adjustments in respect of current tax of previous periods	(5,044)	5,533
Effect of utilisation of unrecognised tax losses in prior years	(1,764)	–
Deductible temporary differences and tax losses not recognised	<u>20,660</u>	<u>123,367</u>
Income tax charge for the year	<u>58,672</u>	<u>65,058</u>
The Group's effective rate	<u>19.77%</u>	<u>(17.20%)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

9. DIVIDENDS

The dividends during the years ended 31 December 2022 and 2021 are set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Dividends declared to owners of the parent	<u>88,432</u>	<u>132,352</u>

- (i) During 2022, the final dividend of RMB88,432,000 at RMB0.0298 (2021: RMB0.0446) per ordinary share (before tax) in respect of the year of 2021, based on the issued shares of the Company of 2,967,542,000 shares, was declared to owners of the parent (2021: RMB132,352,000).

The Board has not resolved to recommend payment of the Proposed 2022 Final Dividend but shall convene another Board meeting, expected to be on or before the end of April 2023, to consider the declaration of the Proposed 2022 Final Dividend. If the Board decides to proceed, the declaration will be adopted and recommended by Board resolution for the Shareholders' approval.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

The Company did not have any potential dilutive shares in issue during the years ended 31 December 2022 and 2021. Accordingly, the diluted earnings/(loss) per share amounts are the same as the basic earnings/(loss) per share amounts.

The calculation of basic and diluted earnings/(loss) per share is based on:

Earnings/(loss)	2022	2021
	RMB'000	RMB'000
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic/diluted earnings/(loss) per share calculation	<u>272,425</u>	<u>(208,332)</u>
	Number of shares	
Shares	2022	2021
Weighted average number of ordinary shares in issue during the year, used in the basic/diluted earnings/(loss) per share calculation (share)	<u>2,967,542,000</u>	<u>2,967,542,000</u>
	Earnings/(loss) per share	
	2022	2021
Basic/diluted earnings/(loss) per share	<u>RMB0.09</u>	<u>RMB(0.07)</u>

11. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Trade receivables	8,677,433	7,838,390
Less: provision for impairment	<u>(309,483)</u>	<u>(292,965)</u>
	8,367,950	7,545,425
Bills receivable	<u>610,254</u>	<u>624,508</u>
	<u>8,978,204</u>	<u>8,169,933</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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	5,852,546	4,630,198
Between 1 and 2 years	677,024	1,260,312
Between 2 and 3 years	741,451	435,405
Over 3 years	<u>2,016,666</u>	<u>2,136,983</u>
	9,287,687	8,462,898
Less: provision for impairment	<u>(309,483)</u>	<u>(292,965)</u>
	<u>8,978,204</u>	<u>8,169,933</u>

(b) Impairment of trade receivables

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of the year	292,965	272,662
Impairment losses, net	16,518	22,924
Amount written off as uncollectible	<u>–</u>	<u>(2,621)</u>
At end of the year	<u>309,483</u>	<u>292,965</u>

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

As at 31 December 2022, the gross carrying amounts of trade receivables from the related parties are RMB7,674,811,000 (2021: RMB6,827,717,000) which are mainly due from China Datang Group and certain associates and joint ventures of China Datang Group. The Group has assessed the expected losses for trade receivables from related parties by reference to the published credit rating of China Datang Group and the corresponding probability of default of 0.303%. The loss given default was estimated to be 100%.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

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

As at 31 December 2022

	Related parties	Within 1 year	Third parties			Subtotal	Individually assessed trade receivables (Note a)	Total
			Between 1 and 2 years	Between 2 and 3 years	Over 3 years			
Expected credit loss rate	0.303%	1.89%	5.47%	13.27%	38.92%	15.53%	86.72%	3.57%
Gross carrying amount (RMB'000)	7,674,811	347,444	89,694	128,401	253,756	819,295	183,327	8,677,433
Expected credit losses (RMB'000)	23,245	6,554	4,902	17,036	98,764	127,256	158,982	309,483

As at 31 December 2021

	Related parties	Within 1 year	Third parties			Subtotal	Individually assessed trade receivables (Note a)	Total
			Between 1 and 2 years	Between 2 and 3 years	Over 3 years			
Expected credit loss rate	0.303%	1.33%	8.09%	12.25%	26.65%	13.96%	86.87%	3.74%
Gross carrying amount (RMB'000)	6,827,717	197,158	244,263	70,635	318,655	830,711	179,962	7,838,390
Expected credit losses (RMB'000)	20,688	2,623	19,752	8,652	84,911	115,938	156,339	292,965

Note a:

An overseas third-party company in India of which its subsidiary is a customer of the Group (the “**Indian Customer**”) is undergoing a proceeding of bankruptcy and reorganisation. The Group received the preliminary restructuring plan approved by National Company Law Appellate Tribunal, New Delhi during the year ended 31 December 2021. According to the restructuring plan and considering the present value, the expected accumulated credit loss is estimated to be RMB149,821,000.

An overseas third-party company in India, GSECL, had a dispute over the receivables with the Group due to construction delays and some project performance factors. During the year, the Indian Customer issued a formal notice stating that the Group's construction progress had been delayed and filed a reverse claim to the Group accordingly. Considering the current situation, the management of the Group believes the receivables are less likely to be recovered, and therefore a full impairment provision of RMB4,039,000 was made as at 31 December 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

Note a: (Continued)

In addition to above two impairment provisions, there are three third-party receivables with the amount of RMB5,122,000 that are fully made impairment provision due to their low possibilities of recovery as at 31 December 2022.

(c) Transferred financial assets

Transferred financial assets that are derecognised in their entirety

As at 31 December 2022, the Group endorsed certain bills receivable to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB117,359,000 (2021: RMB163,645,000) (the “**Derecognised Bills**”).

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

During the years ended 31 December 2022 and 2021, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Transferred financial assets (Continued)

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

As at 31 December 2022, the Group endorsed certain bills receivable accepted by banks and financial institutions of certain large central enterprises in Mainland China (the “**Endorsed Bills**”) with a carrying amount of RMB87,569,000 (2021: RMB91,708,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB87,569,000 (2021: RMB91,708,000) as at 31 December 2022.

As at 31 December 2022, trade and bills receivables amounting to RMB7,880,000 were pledged for bills payable granted to the Group (31 December 2021: RMB5,981,000).

12. TRADE AND BILLS PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bills payable (<i>Note</i>)	54,053	115,091
Trade payables	<u>4,759,759</u>	<u>4,463,973</u>
	<u>4,813,812</u>	<u>4,579,064</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	2,625,449	2,329,536
1 year to 2 years	472,115	579,393
2 years to 3 years	505,427	354,407
More than 3 years	<u>1,210,821</u>	<u>1,315,728</u>
	<u>4,813,812</u>	<u>4,579,064</u>

Note: Part of the above bills payable are secured by trade and bills receivables with a net carrying value of RMB7,880,000 (31 December 2021: RMB5,981,000) (*Note 11*).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

13. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate	Maturity	31 December 2022 RMB'000	31 December 2021 RMB'000
Current				
Bank borrowings:				
– unsecured	2.80%-4.10%	2023	2,746,495	2,676,495
Other loans:				
– unsecured	3.10%-4.50%	2023	600,000	78,080
– short-term bonds (Note a)	2.00%	2023	500,000	500,000
			<u>3,846,495</u>	<u>3,254,575</u>
Current portion of long-term bank borrowings and other loans				
Bank borrowings – unsecured	3.10%-4.11%	2023	856,666	404,574
Bank borrowings – guaranteed (Note b)	4.25%	2023	5,500	9,000
Other loans – unsecured	3.95%	2023	8,900	86,550
Lease liabilities	4.41%	2023	33,891	35,106
			<u>904,957</u>	<u>535,230</u>
			<u>4,751,452</u>	<u>3,789,805</u>
Non-current				
Long-term bank borrowings and other loans:				
Bank borrowings – unsecured	3.10%-3.96%	2024-2027	519,793	1,275,587
Bank borrowings – guaranteed			–	5,500
Other loans – unsecured			–	8,900
Other loans – bonds	3.39%	2024	110,000	600,000
Lease liabilities	4.41%	2024-2038	258,996	272,994
			<u>888,789</u>	<u>2,162,981</u>
			<u>5,640,241</u>	<u>5,952,786</u>
Interest-bearing bank borrowings and other loans denominated in:				
– RMB			<u>5,640,241</u>	<u>5,952,786</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

Note a:

On 5 July 2021, 20 January 2022, 30 March 2022 and 20 July 2022, the Company issued four tranches of super short-term bonds at a par value of RMB100 amounting to RMB500 million each. The bonds had annual effective interest rates of 2.69%, 2.40%, 2.20% and 2.00% respectively. The first, second and third tranches of short-term bonds were already matured in April 2022, April 2022 and July 2022, respectively, and the fourth tranche of short-term bond was matured and repaid in February 2023.

Note b:

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Analysed into:		
Bank borrowings repayable:		
Within one year	3,608,661	3,090,069
In the second year	331,992	781,294
In the third to fifth years, inclusive	187,802	494,711
Beyond five years	—	5,082
	<u>4,128,455</u>	<u>4,371,156</u>
Other loans repayable:		
Within one year	1,142,791	699,736
In the second year	140,735	38,993
In the third to fifth years, inclusive	84,608	682,836
Beyond five years	143,652	160,065
	<u>1,511,786</u>	<u>1,581,630</u>
Total	<u>5,640,241</u>	<u>5,952,786</u>

14. SHARE CAPITAL

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Shares		
Issued and fully paid:		
2,967,542,000 (2021: 2,967,542,000) ordinary shares	<u>2,967,542</u>	<u>2,967,542</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. INDUSTRY OVERVIEW

Since 2021, under the guidance of the “1+N” policy and system of carbon peak and carbon neutrality, various major energy conservation and environmental protection policies related to energy conservation, consumption reduction and emission reduction under the “14th Five-Year Plan” have been intensively released, and China’s ecological civilization construction has entered a critical period with carbon reduction as the key strategic direction. The environmental protection industry will usher in new opportunities in coordinating new and obsolete pollution control, ecological protection and restoration, and responding to climate change, etc. Based on the overall performance of the environmental protection industry in 2022, the following highlights and industry trends are worth mentioning:

1. The report of the 20th National Congress of the Communist Party of China has drawn a grand strategic development guide for the environmental protection industry

The report of the 20th National Congress of the Communist Party of China calls for firmly establishing and practicing the concept that lucid waters and lush mountains are invaluable assets, and planning for development from the perspective of harmonious coexistence between human beings and nature. The Company adheres to the integrated protection and systematic treatment of mountains, rivers, forests, farmland, lakes, grass, and sand, coordinates industrial restructuring, pollution control, ecological protection, and responds to climate change, and promote carbon reduction, pollution reduction, greening and growth in a coordinated manner. The environmental protection industry is extending from end-of-pipe governance to whole-process pollution reduction and carbon reduction and clean production, achieving full coverage of the entire chain of pollution governance, resource utilization, energy conservation and carbon reduction. The resulting environmental protection industry segments have considerable development space, and businesses such as air treatment, water treatment and solid waste treatment will be expanded in a more detailed and specialized new direction.

2. The role of “anchor” of coal-fired power brings new opportunities for traditional businesses

Under the goal of energy security, the Chinese government has made specific arrangements to accelerate the construction of advanced coal-fired power and promote the “two co-operation” of coal and coal-fired power, as well as coal-fired power and renewable energy, centering on the clean and efficient utilization of coal and giving full play to the basic guarantee and systematic regulation role of coal-fired power. In 2022, the investment in thermal power projects nationwide amounted to RMB90.9 billion, representing an increase of 28.4% year-on-year; and the total installed capacity of newly approved coal-fired power projects in China exceeds 65GW, more than three times the total approved capacity in 2021. The accelerated investment in thermal power and the accelerated approval of coal-fired power indicate that the basic support role of traditional thermal power in the new power system has once again been valued and strengthened, and the market scale of traditional advantageous businesses such as desulfurization, denitrification and dust removal is expected to be further expanded.

3. The vision of carbon peak and carbon neutrality promotes the comprehensive upgrading of the ecological and environmental protection industry

The Action Plan for Accelerating the Promotion of High-quality Development of the Ecological and Environmental Protection Industry and Deepening the Battle of Pollution Prevention and Control to Fully Support the Carbon Peak and Carbon Neutrality was officially released, proposing to establish a modern ecological and environmental protection industry that meets the requirements of environmental pollution prevention and control, ecological protection and restoration, efficient resource recycling, carbon peak, and promoting comprehensive green transformation of economic and social development, and making corresponding arrangements for promoting the technological innovation, standardization and intelligence of ecological and environmental protection industry and environmental services industry, which shall not only reflect the transformation and development of the ecological and environmental protection industry, but also take into account the requirements of serving the green and low-carbon transformation of the national economy. It is preliminarily predicted that the compound annual growth rate of operating revenue of China’s environmental protection industry will reach 12% in 2022-2027, and it is expected to exceed RMB5 trillion by 2030. There is a huge market space for new environmental protection industry.

II. BUSINESS OVERVIEW

In 2022, the Group recorded steady development in each business segment and maintained the leading position in business segments of environmental protection facility concession operation and denitrification catalysts. Based on the cumulative operating unit capacity as of the end of 2022, the Group continued to maintain its position as the largest flue gas desulfurization and denitrification concession operator in the PRC. Based on the total output of denitrification catalysts in 2022, the Group remained as the PRC's largest producer of denitrification catalysts.

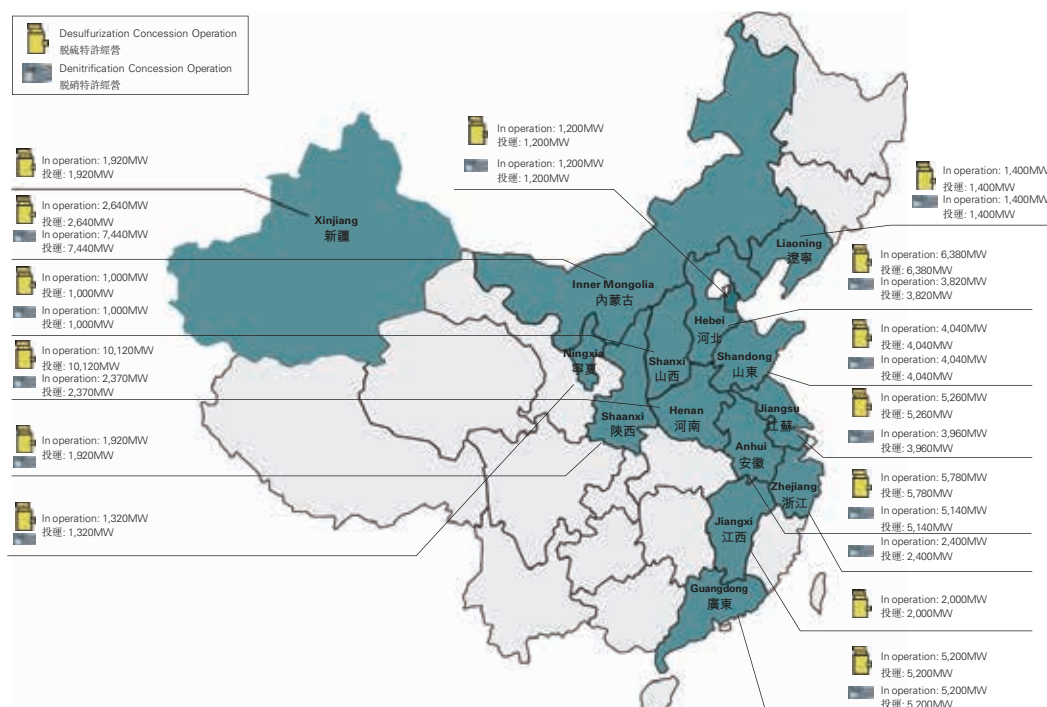
In 2022, all of the Group's desulfurization concession operation and denitrification concession operation projects under construction have transferred into operational stage in respect of the environmental protection facility concession operation business. While consolidating its leading position in the environmental protection field of thermal power segment, the Group actively developed environmental protection governance businesses in steel, cement, metallurgy and other non-electric fields to expand its business scope and influence.

1. Environmental Protection and Energy Conservation Business

1.1 Environmental protection facility concession operation business

The Group's environmental protection facility concession operation business covers desulfurization and denitrification concession operations and its major assets are located along east coast and in the areas with relatively robust economic development and strong demands for electricity.

The following map shows the geographical layout and cumulative capacity of the Group's concession operation as at 31 December 2022:



As at 31 December 2022, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 50,180MW. 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. Among them, there are three projects other than China Datang Group, with the desulfurization installed capacity of 3,240MW and denitrification installed capacity of 1,320MW.

The table below sets forth the status of the Group's desulfurization and denitrification concession operation projects as at 31 December 2022:

Project location	Project name	Category of concession operation	Installed capacity (MW)
Guangdong	Chaozhou	Desulfurization and denitrification	3,200
	Leizhou	Desulfurization and denitrification	2,000
Jiangsu	Lvsigang	Desulfurization and denitrification	2,640
	Nanjing	Desulfurization and denitrification	1,320
Shandong	Xutang	Desulfurization	1,300
	Huangdao	Desulfurization and denitrification	1,340
	Binzhou	Desulfurization and denitrification	700
	Dongying	Desulfurization and denitrification	2,000
Zhejiang	Wushashan	Denitrification	2,400
Ningxia	Pingluo*	Desulfurization and denitrification	1,320
Henan	Xuchang	Desulfurization	2,020
	Sanmenxia	Desulfurization and denitrification	1,050/2,950
	Anyang	Desulfurization	1,270
	Shouyangshan	Desulfurization	600
	Xinyang (entrusted)	Desulfurization	1,960
	Gongyi	Desulfurization and denitrification	1,320

Project location	Project name	Category of concession operation	Installed capacity (MW)
Hebei	Wangtan	Desulfurization and denitrification	1,200
	Zhangjiakou Thermal Power	Desulfurization and denitrification	600
	Zhangjiakou	Desulfurization	2,560
	Yuxian	Desulfurization and denitrification	1,320
	Tangshan Beijiao	Desulfurization and denitrification	700
Tianjin	Jixian	Desulfurization and denitrification	1,200
Anhui	Luohe	Desulfurization and denitrification	2,500
	Ma'anshan	Desulfurization and denitrification	1,320
	Hushan	Desulfurization and denitrification	1,320
Shaanxi	Tianjia'an	Desulfurization	640
	Binchang	Desulfurization and denitrification	1,260
	Baoji	Desulfurization and denitrification	660
Inner Mongolia	Tuoketuo	Desulfurization and denitrification	1,320/6,120
	Xilinhote	Desulfurization and denitrification	1,320
Jiangxi	Fuzhou	Desulfurization	2,000
Shanxi	Shentou	Desulfurization and denitrification	1,000
Xinjiang	Hutubi*	Desulfurization	600
	Wu Cai Wan*	Desulfurization	1,320
Liaoning	Shendong	Desulfurization and denitrification	700
	Huludao	Desulfurization and denitrification	700

Note: The projects marked with * are projects other than China Datang Group.

1.2 Denitrification catalysts business

In 2022, the Group's denitrification catalysts business remained stable. The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business in 2022:

Production volume	Sales volume	(Unit: m ³)	
		Delivery volume	Delivery volume to customers other than China Datang Group
25,560.64	36,414.35	46,436.52	20,889.78

In 2022, the Group sold 12,476.71m³ of catalyst to customers other than China Datang Group and entered into 89 contracts, among which, 16 contracts were entered with overseas customers with the aggregate sales volume of 4,197.21m³, while 49 contracts were entered with customers from non-electric industry such as glass and alumina sectors with the aggregate sales volume of 1,268.7m³. Meanwhile, the Group has made steady progress in the disposal of waste catalysts with a total amount of 10,911.6m³ of waste catalysts disposed in 2022.

1.3 Environmental protection facility engineering business

In 2022, the Group continued to carry out its environmental protection facility engineering business, including desulfurization, denitrification, dust removal, ultra-low emission and industrial site dust management, and actively explore the environmental market of non-electric industry such as petroleum, coking, steel and cement.

The following table sets forth the breakdown of the environmental protection facility engineering business in the power industry of the Group as at 31 December 2022:

Project	Projects awarded and signed in 2022		Projects under construction as of the end of 2022	
	Number	Amount (RMB in million)	Number	Amount (RMB in million)
Desulfurization	1	151.92	3	366.60
Denitrification	1	1.93	6	387.08
Dust removal	1	145.60	1	52.05
Others	4	113.98		

1.4 Water treatment business

In 2022, the Group entered into 5 contracts for waterworks projects, with a total contract amount of RMB103 million, among which, the entering into of the Wuhan Hanneng desalination water project was the Company's first breakthrough into the market of Hanneng Group and had the groundbreaking meaning for providing reliable reference for subsequent development of the market of that group. The entering into of the Datang Xinyu zero discharge of desulfurization wastewater contract enabled the "low-temperature and multi-effect flash + rotary atomization drying" portfolio procedures being further applied and verified in mega-unit, which was conducive to the Company's further absorption, digestion and upgrading in this procedure portfolio technology.

2. Overseas Business

As at 31 December 2022, the NPP5A, NPP9 and PTG projects in Thailand and the desulfurization project in Cuddalore in India which the Group have undertaken overseas ran steadily after being officially put into operation. In the "2021 Golden Key Action – SDG Solutions" hosted by the Ministry of Commerce of China, the PTG project in Thailand ranked among the top 3 and was received the Outstanding Winner Prize.

3. Renewable Energy Business

3.1 Engineering Business

In 2022, the Group entered into 3 renewable energy engineering projects, all being photovoltaic engineering projects with installed capacity of 501.2MW.

3.2 Investment Business

In 2022, the Group entered into 8 distributed photovoltaic investment projects with total installed capacity of 8.57MW, which are expected to be commenced in 2023.

4. Research and Development

In 2022, the Group continued to intensify sci-tech innovation, conducted in-depth research on cutting-edge technologies in six technological directions, such as recycling economy and carbon capture, conducted online exchanges and on-site visits with more than 50 universities and colleges, scientific research institutions and leading enterprises in the industry, and established six special working groups for new business transformation to push ahead relevant work.

In 2022, the Group was awarded 56 patent authorizations in aggregate, including 16 invention patent authorizations. As of the end of 2022, the Group was preparing 2 international standards as a leading role, and 2 domestic standards as a leading role, and has completed the leading preparation and publication of 3 international standards.

The “Development and Engineering Demonstration of Smart Denitrification Key Technologies under Ultra-Low Emission Coal-fired Units (超低排放燃煤機組智能脫硝關鍵技術開發及工程示範)” independently developed by the Group won the Golden Bridge Award of the eleventh session of the China Technology Market Association. The “Technology of Treating Wastewater Containing Heavy Metals with Ferrite Microcrystals (鐵氧微晶體處理含重金屬廢水技術)” has been appraised and determined as world leading by the China Electricity Council, and won the first prize of Golden Apple Award of the China Electricity Technology Market Association. The project of “Research and Application of Key Technologies of Synergistic Denitrification and Dehydration Catalysts (協同脫硝脫汞催化劑關鍵技術研究與應用)” won the innovation achievement award of power sci-tech management (five stars), and the project of “Research and Industrialization of Key Technologies of Synergistic Denitrification and Dehydration Catalysts (協同脫硝脫汞催化劑關鍵技術研究與產業化)” won the second prize of the environmental protection sci-tech award of Jiangsu Society for Environmental Sciences.

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

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

1. Overview

The Group's revenue increased by 0.6% from RMB5,288.4 million in 2021 to RMB5,322.7 million in 2022. The Group's profit for 2022 amounted to RMB238.1 million, representing an increase of RMB681.4 million as compared with RMB-443.3 million in 2021. Profit attributable to owners of the parent amounted to RMB272.4 million. As at 31 December 2022, the Group's cash and cash equivalents decreased by 29.9% to RMB872.2 million as compared with RMB1,244.9 million as at 31 December 2021. The Group's total assets decreased by 0.4% to RMB18,348.3 million as at 31 December 2022 as compared with RMB18,428.4 million as at 31 December 2021. The Group's total liabilities decreased by 1.9% to RMB11,451.5 million as at 31 December 2022 as compared with RMB11,672.8 million as at 31 December 2021. The Group's return on total assets for 2022 was 1.3%, as compared with -2.3% in 2021.

2. Results of Operations

2.1 Revenue

The Group's revenue increased by 0.6% to RMB5,322.7 million in 2022 as compared with RMB5,288.4 million in 2021, primarily due to the increase in revenue from environmental protection and energy conservation business.

2.2 Cost of sales

The Group's cost of sales decreased by 8.4% to RMB4,533.3 million in 2022 as compared with RMB4,947.0 million in 2021, mainly due to the decrease in costs of engineering business.

2.3 *Selling and distribution expenses*

The Group's selling and distribution expenses increased by 2.7% to RMB18.7 million in 2022 as compared with RMB18.2 million in 2021.

2.4 *Administrative expenses*

The Group's administrative expenses decreased by 19.0% to RMB387.8 million in 2022 as compared with RMB478.7 million in 2021. This was mainly due to the reduction of the Company's labor dispatch personnel.

2.5. *Other income and losses*

The Group's other income increased to RMB111.5 million in 2022 as compared with RMB80.4 million in 2021. This was mainly due to the decrease in loss on disposal of items of property, plant and equipment compared with last year.

2.6 *Other expenses, net*

The Group's other expenses decreased by 79.6% to RMB8.6 million in 2022 as compared with RMB42.1 million in 2021, mainly because Datang Xinjiang signed a compensation agreement with Technologies & Engineering Company, which stipulated that Datang Xinjiang would pay a total of RMB49,432,000 in compensation to Technologies & Engineering Company for the termination of a construction contract and Technologies & Engineering Company recorded the compensation in other income accordingly.

2.7 *Finance costs*

The Group's finance costs decreased by 10.2% to RMB199.3 million in 2022 as compared with RMB222.0 million in 2021, mainly due to the decrease in the balance of long-term 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 finance cost.

2.8 *Profit before tax*

As a result of the foregoing factors, the Group's profit before tax increased by 178.5% to RMB296.8 million in 2022 as compared with RMB-378.2 million in 2021.

2.9 Income tax expense

The Group's income tax expense was RMB58.7 million in 2022, representing a decrease of 9.8% from RMB65.1 million in 2021, mainly due to the decrease in profit before tax.

2.10 Profit for the year

The Group's profit for the year increased by RMB681.4 million from RMB-443.3 million in 2021 to RMB238.1 million in 2022. For the year ended 31 December 2022, the Group's profit for the year as a percentage of its total revenue increased to 4.5% as compared with -8.4% in 2021.

2.11 Profit attributable to owners of the parent

The profit attributable to owners of the parent increased by RMB480.7 million to RMB272.4 million in 2022 as compared with RMB-208.3 million in 2021.

2.12 Profit attributable to non-controlling interests

The profit attributable to non-controlling interests of the Group increased by 85.4% to RMB-34.3 million in 2022 as compared with RMB-234.9 million in 2021.

3. Results on Business Segments

The following table sets forth a breakdown of the Group's revenue by segment or sub-segment and each segment or sub-segment as a percentage of total revenue for the years ended 31 December 2022 and 2021, as well as the percentage of change:

	For the year ended 31 December				Change %
	2022	2021	Percentage of total revenue before elimination ⁽¹⁾	Percentage of total revenue before elimination ⁽¹⁾	
	Revenue RMB'000	Revenue RMB'000	%	%	
Environmental Protection and Energy Conservation Solutions:					
Total revenue of environmental protection and energy conservation solutions before elimination	5,200,433	5,003,199	95.1	92.9	3.9
Intra-segment elimination ⁽²⁾	(112,389)	(90,171)			
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	5,088,044	4,913,028			3.6
Inter-segment elimination	-	-			
External revenue of environmental protection and energy conservation solution	5,088,044	4,913,028			3.6
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	195,533	307,767	3.6	5.7	-36.5
Inter-segment elimination	-	-			
External revenue of renewable energy engineering	195,533	307,707			-36.5
Thermal power engineering:					
Total revenue of thermal power engineering	-	927	0.0	0.0	-100.0
Inter-segment elimination	-	-			
External revenue of thermal power engineering	-	927			-100.0

	For the year ended 31 December				Change
	2022		2021		
	Revenue	Percentage	Revenue	Percentage	
		of total		of total	
		revenue before		revenue before	
	elimination ⁽¹⁾		elimination ⁽¹⁾		
	RMB'000	%	RMB'000	%	%
Other businesses:					
Total revenue of other businesses	70,211	1.3	73,989	1.4	-5.1
Inter-segment elimination ⁽³⁾	(31,066)		(7,295)		325.9
External revenue of other businesses	39,145		66,694		-41.3
Total revenue before elimination⁽⁴⁾	5,466,177	100.0	5,385,882	100.0	1.5
Total intra- and inter-segment elimination ⁽⁵⁾	143,455		(97,466)		
Total revenue	5,322,722		5,288,416		0.6

Notes:

- (1) Represents the revenue of each business segment or sub-segment (before any intra- or inter-segment elimination) as a percentage of the total revenue before any intra- or inter-segment elimination.
- (2) Intra-segment elimination of revenue from sub-segments under environmental protection and energy conservation solutions segment mainly arises from the intra-segment sales between denitrification catalysts sub-segment to energy conservation 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.
- (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 years ended 31 December 2022 and 2021, as well as the percentage of change in gross profit:

	For the year ended 31 December				
	2022		2021		Change of gross profit %
	Gross profit ⁽¹⁾	Gross profit margin ⁽²⁾	Gross profit ⁽¹⁾	Gross profit margin ⁽²⁾	
RMB'000	%	RMB'000	%		
Total gross profit of environmental protection and energy conservation solutions	880,381	17.3	297,943	6.0	195.5
Total gross profit of renewable energy engineering	(75,625)	(38.7)	225	0.1	-33,711.1
Total gross profit of thermal power engineering	-	-	(35)	(3.8)	-100.0
Total gross profit of other businesses	(15,335)	(39.2)	19,190	25.9	-179.9
Total gross profit and overall gross profit margin ⁽³⁾	789,421	14.8	341,431	6.5	131.2

Notes:

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

4. Cash Flows

As at 31 December 2022, the Group's cash and cash equivalents decreased by 29.9% to RMB872.2 million as compared with RMB1,244.9 million as at 31 December 2021, mainly attributable to the decrease in the cash flow generated from operating activities of the Group.

5. Working Capital

As at 31 December 2022, the Group's net current assets decreased by 63.0% to RMB404.2 million as compared with RMB1,092.5 million as at 31 December 2021, primarily due to the decrease in contract assets, trade receivables and cash and cash equivalents.

6. Indebtedness

As at 31 December 2022, the Group's borrowings decreased by 5.3% to RMB5,640.2 million as compared with RMB5,952.8 million as at 31 December 2021.

7. Capital Expenditure

The Group's capital expenditure increased by 33.5% to RMB172.2 million in 2022 as compared with RMB129.0 million in 2021. Capital expenditure mainly comprises costs of long-term assets including acquisition or construction of property, plant and equipment and intangible assets.

8. Financial Ratios

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

	As at 31 December	
	2022	2021
Current ratio	103.8%	111.5%
Quick ratio	102.4%	109.4%
Liabilities to assets ratio	62.4%	63.3%
Leverage ratio	69.1%	69.7%
Return on total assets	1.3%	-2.3%
Return on equity	3.4%	-6.3%

9. Significant Investment

For the year ended 31 December 2022, the Group made no significant investment.

10. Material Acquisition and Disposal

For the year ended 31 December 2022, the Group had no material acquisition or disposal.

11. Contingent Liabilities

(a) India Gujarat Project

On 16 March 2019, the Group's subsidiaries, Technologies & Engineering Company and Technologies & Engineering India signed construction contracts for desulfurisation and wet chimney with GSECL. Due to the impact of COVID-19, the construction progress was delayed and GSECL issued a formal notice which stated that it might take measures such as terminating the contract, redeeming the performance guarantee letter, and entrusting the work to others to complete. The Group fully accrued provisions of RMB75,848,000 for the redemption of the performance guarantee letter, and also considered that the corresponding advance receipts of RMB25,835,000 would no longer be obligated to be returned after the redemption of the performance guarantee letter, and incurred other expenses of RMB50,013,000 for the year ended 31 December 2021 accordingly. During the year ended 31 December 2022, the performance guarantee letter of RMB75,848,000 has been fully redeemed. The likelihood of occurrence of other compensations about these contract disputes cannot be estimated reliably.

(b) India NLC Project

On 6 March 2020, Technologies & Engineering Company signed a construction contract with NLC India. Due to the impact of COVID-19, the construction progress was delayed, and NLC India issued a formal notice to request to terminate the contract and redeem the performance guarantee letter amounting to RMB47,303,000. In addition, the claims brought by NLC India also include the costs incurred in re-tendering and the arbitration progress. The Group fully accrued a provision of RMB47,303,000, for the request of redeeming the performance guarantee letter, and incurred other expenses of RMB47,303,000 for the year ended 31 December 2021 accordingly. During the year ended 31 December 2022, the performance guarantee letter of RMB47,303,000 has been fully redeemed. The likelihood of occurrence of other compensations about these contract disputes cannot be estimated reliably.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and energy conservation policies

The Group provides substantially all of its products and services in the PRC, and the development of its business is greatly dependent on the environmental protection policies of the PRC.

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

Risks on connected transactions with China Datang Group and its connected persons

The Group has been conducting various transactions with China Datang Group and its connected persons, and will continue to enter into such transactions in the future. For the year ended 31 December 2022, the total value of goods sold and services provided by the Group to China Datang Group and its connected persons was approximately RMB4,733.11 million, representing approximately 89% of the total revenue of the Group. For the year ended 31 December 2022, the total value of goods purchased and services received by the Group from China Datang Group and its connected persons was approximately RMB1,874.24 million, representing approximately 41% of the total cost of the Group. The Group has been actively expanding its client base. For example, during 2022, the Group entered into contracts in the amount of RMB368 million with clients other than China Datang Group and its connected persons, representing approximately 39.86% of the total contract amount of the Group.

Liquidity risks

The Group had positive operating cash flows of RMB531.3 million for the year ended 31 December 2022. The Group cannot assure that its operating cash flow for any future period will be positive. The Group's ability to generate adequate cash inflows from operating activities in the future will depend largely on project schedule and billing arrangement, its ability to collect receivables from customers in a timely manner and the credit terms available to the Group. If the Group is not able to generate sufficient cash flows from operations or obtain sufficient financing

to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to implement diversified measures to collect receivables in order to improve operating cash flow. In addition, the Group has been proactively seeking financing to support the development and expansion of its business. As at 31 December 2022, the Group had available bank facilities of RMB13.063 billion.

Industry risks

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

Risks on overseas business

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

V. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

In order to fully implement the requirements of the report of the 20th National Congress of the Communist Party of China on the construction of a “harmonious and symbiotic modernization of mankind and nature”, comprehensively build a world-class enterprise with “product excellence, brand eminence, innovation leadership and governance modernization”, and comprehensively start a new journey of high-quality development, the Group proposed “1461” development strategies of realizing “one development vision”, building an “enterprise with four excellences”, improving “six capabilities” and completing “one transformation”. The details are as follows:

- To realize “one development vision”, that is, guided by the “dual carbon” goal of serving the country and taking the construction of Beautiful China as an opportunity, the Group will seize the opportunity of integrated protection and systematic remediation of mountains, rivers, forests, farmlands, lakes, grasslands and deserts, and adhere to become a benchmark enterprise for green and low-carbon development. Through industrial structure adjustment and reshape, the Company will be built and become a top-rated integrated energy and environmental governance service provider with “technology advancement, product excellence, industry synergy and intelligent efficiency”.
- To build an “enterprise with four excellences”, that is the one with excellent core technology, excellent talent team, excellent industrial layout and excellent profitability.
- To improve “six capabilities”, namely, technological innovation capability, market development capability, value creation capability, capital operation capability, compliance operation capability and modern governance capability.
- To complete “one transformation” from a traditional environmental protection engineering enterprise to a top-rated integrated energy and environmental governance service provider.

According to the above development strategies and the current development situation, the Group will focus on three aspects in 2023:

1. Consolidate the industry position of core business and deepen the improvement of quality and efficiency

For concession operations, the Group will improve the lean management in the whole process, well manage the limestone, urea and other bulk materials, improve the level of energy conservation and consumption reduction of environmental protection facilities and operating efficiency, explore the potential of various controllable costs, and ensure that the index management ranks top in the industry. Furthermore, the Group will grasp the opportunities of the acceleration of the approval of coal-fired power and the speed-up of investment, and actively expand the scale of operation business, striving to achieve newly installed capacity of concession operation of no less than 2,000MW during the “14th Five-Year” period. The Group will accelerate the promotion of transformation of gypsum disposal projects into comprehensive utilization projects, and further support the development and expansion of gypsum comprehensive utilization industry, striving to achieve the production capacity of over 800,000 tones by 2025. For denitrification catalyst business, the Group will insist on becoming a leading enterprise in the industry, promote the construction of the second production base according to the domestic first-class and international leading standards, and ensure additional disposal recycling production capacity of 10,000m³ of honeycomb catalyst and 20,000m³ of spent catalysts during the year. The Group will focus on the gas turbine market and other new fields, vigorously promote the research and development of new products, and ensure that the new catalysts maintain the generation separation advantage over the existing similar providers. The Group will improve the construction level of the whole industrial chain of catalyst manufacturing, disposal, regeneration and detection, and maintain the leading position in the industry.

2. Accelerate the transformation and upgrading of engineering business and go all out to break through difficulties

The Group will speed up the establishment of a new energy design institute, complete the allocation of design leading talents and other relevant personnel during the year to form a complete new energy design talent team, obtain the Class B design qualification, the highest qualification for new energy power generation design in China, have the ability to undertake the design of 300MW photovoltaic and wind power, and have the annual design capacity of over 2,000MW and general contracting capacity of over 500MW. At present, significant progress has been made and relevant professional talents have been in place. The Group will develop “three forces” of project management, namely, the standardized and normalized design force, the cost control force of lean management, and the trustworthy execution force to overcome difficulties. The Group will build the engineering segment into “three platforms”, namely, a diversified new energy development platform that provides implementation and verification of “photovoltaic +”, a low-carbon environmental protection service platform that provides a “package” of pollution reduction and carbon reduction services, and a sci-tech innovation implementation platform that realizes the industrialization application of new technologies.

3. Seize development opportunities and develop rapidly in emerging industries

The Group will vigorously promote new breakthroughs in the photovoltaic industry, focus on the Beijing-Tianjin-Hebei region and key enterprises in terms of industrial and commercial projects, and the cooperation and development with leading enterprises in the industry in terms of household projects, and explore the business model of photovoltaic BOT, further increase investment income, exert the regional synergy, and promote the diversified layout of the photovoltaic industry, so as to ensure the newly install capacity of no less than 50MW in 2023, and no less than 200MW as at the end of the “14th Five-Year Plan”. The Group will develop integrated products of electrochemical energy storage system, take EPC as the starting point, master the integrated design capability and product manufacturing capability of energy storage system, and accelerate the implementation of electrochemical energy storage products with its own brand and proprietary technology. The Group will accelerate the promotion of carbon detection business, develop products officially certified by national detection institutions, and form a complete set of proprietary intellectual property right system technologies for industrial marketing.

4. Adhere to strong talent base and innovation-driven, and enhance core competitiveness

Based on the achievements of the three-year reform of state-owned enterprises, the Group will give full play to the role of scientific research platforms such as postdoctoral workstations, cultivate and elect leading experts in professional fields, proactively introduce top scientific research and design talents, establish and improve the high-level expert talent service guarantee and incentive guarantee system, provide strong talent guarantee and intellectual support for transformation and development, and guide future industrial development and expansion with technological innovation. The Group will promote the upgrading of flue gas treatment in the field of energy conservation and environmental protection, carry out the development and application of technologies such as solid waste treatment and comprehensive utilization, wastewater treatment, carbon monitoring and capture in power plants, and low-carbon fuel coupled combustion. In the field of new energy, the Group will carry out the comprehensive treatment of retired wind farms, centralized photovoltaic optimization and improvement, and ecological restoration, new energy solid waste treatment and utilization, and safe and long life-cycle energy storage integration. In the field of comprehensive energy services, the Group will carry out the development of intelligent energy system integration application technology for low-carbon parks and urban complexes with distributed photovoltaic as the main body.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2022, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

PROPOSED 2022 FINAL DIVIDEND

The Board has not resolved to recommend payment of the Proposed 2022 Final Dividend but shall convene another Board meeting, expected to be on or before the end of April 2023, to consider the declaration of the Proposed 2022 Final Dividend. If the Board decides to proceed, the declaration will be adopted and recommended by Board resolution for the Shareholders' approval.

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

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

For the year ended 31 December 2022, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company has purchased liability insurance for the Directors.

For the year ended 31 December 2022, the Company has complied with the principles and code provisions contained in Part 2 of the Code. Details of the corporate governance of the Company are set out in the 2022 annual report of the Company (the "**2022 Annual Report**") which will be published in due course.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in the securities of the Company by its Directors, supervisors and relevant employees of the Company (as defined in the Model Code). According to the specific enquiries of all Directors and supervisors of the Company, the Directors and supervisors of the Company confirmed that they had strictly complied with the standard set out in the Model Code for the year ended 31 December 2022. The Board will examine the corporate governance practices and operation of the Group from time to time to ensure that the Group is in compliance with relevant requirements under the Listing Rules and that the Shareholders' interests are safeguarded.

SCOPE OF WORK ON THE RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2022 as set out in this results announcement have been agreed by the Company's auditors, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this results announcement.

AUDIT COMMITTEE

The Group's 2022 annual results and the consolidated financial statements for the year ended 31 December 2022 prepared in accordance with the IFRSs have been reviewed by the audit committee of the Company.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company has been listed on the Main Board of the Stock Exchange since 15 November 2016. The net proceeds from the initial public offering and partial exercise of the over-allotment option, after deducting the underwriting fees and relevant expenses, amounted to approximately HK\$2,032.3 million, which will be used in the ways stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 3 November 2016 (the "**Prospectus**") and the announcement of the Company dated 30 December 2021 (the "**Announcement**") in relation to the change in use of net proceeds.

The following table sets forth the use of net proceeds from the initial public offering as at 31 December 2022:

	Intended use of net proceeds disclosed in the Prospectus (HK\$ million)	Revised use of net proceeds as at the date of the Announcement (HK\$ million)	Actual use of net proceeds up to 31 December 2022 (HK\$ million)	Unused net proceeds up to 31 December 2022 (HK\$ million)	Expected time of full utilization of remaining balance
To finance the capital expenditures for expanding the desulfurization and denitrification concession operations	1,219.50	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	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	203.20	0.00	–
For working capital and other general corporate purposes	203.20	203.20	203.20	0.00	–
For research and development expenditures	101.60	93.60	61.31	32.29	December 2025
Investment in renewable energy projects	–	8.00	01.00	8.00	December 2023
Total	<u>2,032.30</u>	<u>2,032.30</u>	<u>1,992.01</u>	<u>40.29</u>	

SIGNIFICANT SUBSEQUENT EVENT

As of the date of this results announcement, the Group had no significant events after the reporting period that needs to be disclosed.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The Company will dispatch in due course to the Shareholders the 2022 Annual Report containing all the information as required by the Listing Rules, and publish it on the websites of the Company and the Stock Exchange.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposes to amend the existing articles of association of the Company (“**Articles**”) in order to bring the Articles in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022.

The proposed amendments to the Articles (the “**Proposed Amendments**”) are summarised below:

1. to specify that the branch register of Shareholders in Hong Kong (i.e., the register of Shareholders of overseas listed foreign-invested shares) shall be open for inspection by Shareholders;
2. to provide that all ordinary Shareholders shall have the right to (i) speak; and (ii) vote, at a general meeting of the Company;
3. to specify, where a Shareholder being a corporation appoints one or more representatives to attend and vote at any general meeting or other meetings of the Company, it shall be treated as being present at any meeting in person, this/these representative(s) shall enjoy the same legal rights as other Shareholders;
4. to provide that Shareholders jointly holding 10% or more of the voting shares of the Company may add proposal(s) into the meeting agenda of an extraordinary general meeting;
5. to provide that the Board may appoint any person to fill a casual vacancy on the Board, who shall hold office only until first annual general meeting of the Company after his appointment and shall then be eligible for re-election; and
6. to provide that the Board may appoint any accounting firm to fill a casual vacancy of the accountant. Save as the aforementioned situation, the Board shall not appoint any accounting firm as the accountant of the Company.

The Proposed Amendments are subject to consideration and approval by the Shareholders by way of a special resolution at the 2022 annual general meeting (the “**2022 AGM**”). A circular containing, among other things, particulars relating to the Proposed Amendments together with a notice convening the 2022 AGM will be despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

By order of the Board
Datang Environment Industry Group Co., Ltd.*
Zhu Liming
Chairman

Beijing, the PRC, 24 March 2023

As of the date of this announcement, the executive Directors are Mr. Zhu Liming and Mr. Shen Zhen; the non-executive Directors are Mr. Wang Junqi, Mr. Wu Daqing, Mr. Chen Kan and Mr. Song Yunpeng; and the independent non-executive Directors are Mr. Ye Xiang, Mr. Mao Zhuanjian and Mr. Gao Jiaxiang.

* *For identification purposes only*