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Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL AND OPERATION HIGHLIGHTS

- For the six months ended 30 June 2024, the revenue of the Group amounted to RMB2,603.1 million, representing an increase of 4.2% as compared with the same period of last year.
- For the six months ended 30 June 2024, the gross profit of the Group amounted to RMB642.5 million and the gross profit margin of the Group amounted to 24.7%, representing an increase in gross profit margin of 4 percentage points as compared with the same period of last year.
- For the six months ended 30 June 2024, the total comprehensive income attributable to owners of the parent amounted to RMB398.9 million, representing an increase of 50.5% as compared with the same period of last year.
- The Board recommends the payment of an interim dividend of RMB0.03 (before tax) per share of the Company (the “**Shares**”) for the six months ended 30 June 2024 (the “**Proposed 2024 Interim Dividend**”). The Proposed 2024 Interim Dividend is subject to the approval by the shareholders of the Company at the extraordinary general meeting to be convened by the Company.

The board (the “**Board**”) of directors (the “**Directors**”) of Datang Environment Industry Group Co., Ltd.* (the “**Company**”) hereby announces the unaudited interim financial results of the Company and its subsidiaries (the “**Group**” or “**we**” or “**us**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparable figures of the same period in 2023. The financial information of the Group for the six months ended 30 June 2024 set out by the Company in this results announcement is prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* and the disclosure requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

For the six months ended 30 June 2024

(Amounts expressed in thousands of RMB unless otherwise stated)

		For the six months ended 30 June	
		2024 Unaudited RMB'000	2023 Unaudited RMB'000
	Notes		
Revenue	4	2,603,089	2,499,180
Cost of sales		<u>(1,960,596)</u>	<u>(1,982,023)</u>
Gross profit		642,493	517,157
Selling and distribution expenses		(11,005)	(9,809)
Administrative expenses		(145,245)	(162,174)
Other income and losses	5	78,349	67,234
Finance costs	6	(76,986)	(89,082)
Impairment losses on financial assets and contract assets, net		<u>(9,607)</u>	<u>(3,972)</u>
Profit before tax		477,999	319,354
Income tax expenses	7	<u>(69,075)</u>	<u>(49,235)</u>
PROFIT FOR THE PERIOD		<u>408,924</u>	<u>270,119</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive losses that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(961)</u>	<u>(1,985)</u>
Other comprehensive losses that may be reclassified to profit or loss in subsequent periods, net		<u>(961)</u>	<u>(1,985)</u>
Other comprehensive losses 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		<u>(365)</u>	<u>—</u>
Other comprehensive losses that will not be reclassified to profit or loss in subsequent periods, net		<u>(365)</u>	<u>—</u>

		For the six months ended	
		30 June	
		2024	2023
		Unaudited	Unaudited
		RMB'000	RMB'000
Notes			
	OTHER COMPREHENSIVE LOSSES FOR THE PERIOD, NET OF TAX	<u>(1,326)</u>	<u>(1,985)</u>
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>407,598</u>	<u>268,134</u>
	Profit attributable to:		
	Owners of the parent	399,851	266,220
	Non-controlling interests	<u>9,073</u>	<u>3,899</u>
		<u>408,924</u>	<u>270,119</u>
	Total comprehensive income attributable to:		
	Owners of the parent	398,948	265,109
	Non-controlling interests	<u>8,650</u>	<u>3,025</u>
		<u>407,598</u>	<u>268,134</u>
	EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
	Basic and diluted	9 <u>RMB0.13</u>	<u>RMB0.09</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(Amounts expressed in thousands of RMB unless otherwise stated)

		30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	6,188,037	6,403,279
Intangible assets		203,394	214,394
Right-of-use assets		282,960	296,282
Equity investments designated at fair value through other comprehensive income		4,635	—
Deferred tax assets		75,967	74,846
Other non-current assets		282,864	303,341
Total non-current assets		7,037,857	7,292,142
CURRENT ASSETS			
Inventories		177,514	162,117
Trade, bills receivables and contract assets	11	7,648,871	8,343,610
Prepayments, other receivables and other assets	12	479,074	436,649
Restricted cash	13	15,836	51,247
Cash and cash equivalents	13	1,538,657	1,759,357
Total current assets		9,859,952	10,752,980
CURRENT LIABILITIES			
Trade and bills payables	14	3,753,497	4,325,996
Other payables and accruals	15	553,626	778,257
Provisions	16	524	600
Interest-bearing bank borrowings and other loans	17	3,131,412	3,626,982
Income tax payable		25,532	7,186
Total current liabilities		7,464,591	8,739,021
NET CURRENT ASSETS		2,395,361	2,013,959
TOTAL ASSETS LESS CURRENT LIABILITIES		9,433,218	9,306,101

		30 June 2024	31 December 2023
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Provisions	16	–	300
Interest-bearing bank borrowings and other loans	17	1,925,347	1,963,705
Deferred tax liabilities		35,206	35,206
Other non-current liabilities		<u>24,869</u>	<u>25,266</u>
Total non-current liabilities		<u>1,985,422</u>	<u>2,024,477</u>
Net assets		<u>7,447,796</u>	<u>7,281,624</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,967,542	2,967,542
Reserves		<u>1,852,754</u>	<u>1,850,204</u>
Retained profits		<u>2,826,843</u>	<u>2,653,524</u>
Non-controlling interests		<u>(199,343)</u>	<u>(188,646)</u>
Total equity		<u>7,447,796</u>	<u>7,281,624</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the parent									
	Share capital RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024 (audited)	2,967,542	1,315,483	498,106	35,700	-	915	2,652,524	7,470,270	(188,646)	7,281,624
Profit for the period	-	-	-	-	-	-	399,851	399,851	9,073	408,924
Other comprehensive losses for the period:										
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(365)	-	-	(365)	-	(365)
Exchange difference on translation of foreign operations	-	-	-	-	-	(538)	-	(538)	(423)	(961)
Total comprehensive (losses)/income for the period	-	-	-	-	(365)	(538)	399,851	398,948	8,650	407,598
Appropriation to statutory surplus reserve and other reserve	-	-	-	3,454	-	-	-	3,454	253	3,707
Final 2023 dividends declared (Note 8)	-	-	-	-	-	-	(225,533)	(225,533)	-	(225,533)
Dividend declared by a subsidiary to its non-controlling interests	-	-	-	-	-	-	-	-	(19,600)	(19,600)
At 30 June 2024 (unaudited)	2,967,542	1,315,483	498,106	39,154	(365)	377	2,826,842	7,647,139	(199,343)	7,447,796
At 1 January 2023 (audited)	2,967,542	1,315,483	448,895	-	-	704	2,327,737	7,060,361	(163,612)	6,896,749
Profit for the period	-	-	-	-	-	-	266,220	266,220	3,899	270,119
Other comprehensive losses for the period:										
Exchange difference on translation of foreign operations	-	-	-	-	-	(1,111)	-	(1,111)	(874)	(1,985)
Total comprehensive income for the period	-	-	-	-	-	(1,111)	266,220	265,109	3,025	268,134
Final 2022 dividends declared (Note 8)	-	-	-	-	-	-	(148,475)	(148,475)	-	(148,475)
At 30 June 2023 (unaudited)	2,967,542	1,315,483	448,895	-	-	(407)	2,445,482	7,176,995	(160,587)	7,016,408

* These reserves accounts comprise the consolidated reserves of RMB4,679,597,000 and RMB4,209,453,000 as at 30 June 2024 and 2023, respectively, in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

(Amounts expressed in thousands of RMB unless otherwise stated)

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	539,133	384,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,696	3,434
Investment income received	–	977
Purchase of items of property, plant and equipment, intangible assets and other non-current assets	(134,108)	(164,863)
Proceeds from disposal of items of property, plant and equipment	–	6,343
Capital contribution in equity investments designated at fair value through other comprehensive income	(5,000)	–
Net cash flows used in investing activities	(135,412)	(154,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	1,988,148	4,980,397
Repayments of bank borrowings and other loans	(2,527,158)	(4,912,725)
Principal portion of lease payments	(80)	(1,161)
Dividends paid to non-controlling interests	(1,000)	(1,000)
Interest paid	(84,366)	(76,332)
Net cash flows used in financing activities	(624,456)	(10,821)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(220,735)	219,994
Cash and cash equivalents at the beginning of the period	1,759,358	872,196
Effect of foreign exchange rate changes, net	33	253
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,538,656	1,092,443

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

Datang Environment Industry Group Co., Ltd.* (大唐環境產業集團股份有限公司) (the “**Company**”) was established on 25 July 2011 in the People’s Republic of China (the “**PRC**”) with limited liability. On 26 June 2015, the Company 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 on 15 November 2016. The address of its registered office is No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC.

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

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

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

The interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP’S ACCOUNTING POLICY INFORMATION AND DISCLOSURES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements of the Group, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICY INFORMATION AND DISCLOSURES (Continued)

2.2 Changes in accounting policy information and disclosures

The accounting policy information adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amendments to IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board, for the first time for the current period's financial information.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The adoption of the amendments of IFRSs has had no significant effect on these interim condensed consolidated financial information for the six months ended 30 June 2024 and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial information for the six months ended 30 June 2024.

The Group has not applied the amendments to standards that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such amendments to standards to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

2.3 Accounting judgments and estimates

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

In preparing the interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that are applied to the consolidated financial statements for the year ended 31 December 2023.

3. OPERATING SEGMENT INFORMATION

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

(a) Environmental protection and energy conservation solutions

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

(b) Renewable energy engineering

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

(c) Thermal power engineering

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

(d) Other businesses

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2024 (unaudited)	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Segment revenue (Note 4)					
Sales to external customers	2,457,887	135,335	–	9,867	2,603,089
Intersegment sales	–	–	–	20,939	20,939
	2,457,887	135,335	–	30,806	2,624,028
<i>Reconciliation:</i>					
Elimination of intersegment sales					(20,939)
Revenue					<u>2,603,089</u>
Segment results	587,663	(14,746)	–	(47,664)	525,253
<i>Reconciliation:</i>					
Other income and losses					78,349
Finance costs (other than interest on lease liabilities which is included in corporate and other unallocated expenses)					(71,904)
Corporate and other unallocated expenses					<u>(53,699)</u>
Profit before tax					<u>477,999</u>
As at 30 June 2024 (unaudited)					
Segment assets	15,782,756	544,773	46,984	53,143	16,427,656
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,357,870)
Corporate and other unallocated assets					<u>2,828,023</u>
Total assets					<u>16,897,809</u>
Segment liabilities	8,052,865	674,418	78,365	49,987	8,855,635
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,357,870)
Corporate and other unallocated liabilities					<u>2,952,248</u>
Total liabilities					<u>9,450,013</u>

3. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2023 (unaudited)	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Segment revenue (Note 4)					
Sales to external customers	2,264,734	222,774	–	11,672	2,499,180
Intersegment sales	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,676</u>	<u>12,676</u>
	2,264,734	222,774	–	24,348	2,511,856
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(12,676)</u>
Revenue					<u><u>2,499,180</u></u>
Segment results	401,787	11,168	–	(22,135)	390,820
<i>Reconciliation:</i>					
Other income and losses					67,234
Finance costs (other than interest on lease liabilities which is included in corporate and other unallocated expenses)					(83,602)
Corporate and other unallocated expenses					<u>(55,098)</u>
Profit before tax					<u><u>319,354</u></u>
As at 31 December 2023 (audited)					
Segment assets	16,063,249	706,122	32,890	66,355	16,868,616
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,213,300)
Corporate and other unallocated assets					<u>3,389,806</u>
Total assets					<u><u>18,045,122</u></u>
Segment liabilities	9,113,737	821,481	129,063	49,140	10,113,421
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,213,300)
Corporate and other unallocated liabilities					<u>2,863,377</u>
Total liabilities					<u><u>10,763,498</u></u>

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

Revenue of approximately RMB1,992 million was derived from the sales of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) (“**China Datang Group**”) (for the six months ended 30 June 2023: approximately RMB2,138 million).

Seasonal operations

The Group’s business operations are not significantly affected by any seasonal or cyclical factors.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB’000	RMB’000
Revenue from contracts with customers	<u>2,603,089</u>	<u>2,499,180</u>

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June 2024 (unaudited)				
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
Types of goods or service					
Sale of industrial products	149,372	–	–	9,867	159,239
Construction services	228,208	135,335	–	–	363,543
Desulfurisation and denitrification services	<u>2,080,307</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,080,307</u>
Total revenue from contracts with customers	<u>2,457,887</u>	<u>135,335</u>	<u>–</u>	<u>9,867</u>	<u>2,603,089</u>
Timing of revenue recognition					
Goods transferred at a point in time	149,372	–	–	9,867	159,239
Services transferred over time	<u>2,308,515</u>	<u>135,335</u>	<u>–</u>	<u>–</u>	<u>2,443,850</u>
Total revenue from contracts with customers	<u>2,457,887</u>	<u>135,335</u>	<u>–</u>	<u>9,867</u>	<u>2,603,089</u>

4. REVENUE (Continued)

For the six months ended 30 June 2023 (unaudited)					
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 service					
Sale of industrial products	135,363	–	–	11,672	147,035
Construction services	203,662	222,774	–	–	426,436
Desulfurisation and denitrification services	<u>1,925,709</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,925,709</u>
Total revenue from contracts with customers	<u>2,264,734</u>	<u>222,774</u>	<u>–</u>	<u>11,672</u>	<u>2,499,180</u>
Timing of revenue recognition					
Goods transferred at a point in time	135,363	–	–	11,672	147,035
Services transferred over time	<u>2,129,371</u>	<u>222,774</u>	<u>–</u>	<u>–</u>	<u>2,352,145</u>
Total revenue from contracts with customers	<u>2,264,734</u>	<u>222,774</u>	<u>–</u>	<u>11,672</u>	<u>2,499,180</u>

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

For the six months ended 30 June 2024 (unaudited)					
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>
Revenue from contracts with customers					
External customers	2,457,887	135,335	–	9,867	2,603,089
Intersegment sales	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,939</u>	<u>20,939</u>
	<u>2,457,887</u>	<u>135,335</u>	<u>–</u>	<u>30,806</u>	<u>2,624,028</u>
Intersegment adjustments and eliminations	<u>–</u>	<u>–</u>	<u>–</u>	<u>(20,939)</u>	<u>(20,939)</u>
Total revenue from contracts with customers	<u>2,457,887</u>	<u>135,335</u>	<u>–</u>	<u>9,867</u>	<u>2,603,089</u>

4. REVENUE (Continued)

For the six months ended 30 June 2023 (unaudited)					
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>
Revenue from contracts with customers					
External customers	2,264,734	222,774	–	11,672	2,499,180
Intersegment sales	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,676</u>	<u>12,676</u>
	<u>2,264,734</u>	<u>222,774</u>	<u>–</u>	<u>24,348</u>	<u>2,511,856</u>
Intersegment adjustments and eliminations	<u>–</u>	<u>–</u>	<u>–</u>	<u>(12,676)</u>	<u>(12,676)</u>
Total revenue from contracts with customers	<u><u>2,264,734</u></u>	<u><u>222,774</u></u>	<u><u>–</u></u>	<u><u>11,672</u></u>	<u><u>2,499,180</u></u>

5. OTHER INCOME AND LOSSES

For the six months ended 30 June		
	2024	2023
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Interest income	3,696	3,434
Government grants	75,676	53,722
Gain on disposal of items of property, plant and equipment	–	2,945
Compensation income	–	1,301
Investment income	–	977
Exchange gains	<u>810</u>	<u>4,855</u>
	<u>80,182</u>	<u>67,234</u>
Other losses, net		
Compensation losses	<u>(1,833)</u>	<u>–</u>
	<u>(1,833)</u>	<u>–</u>
	<u><u>78,349</u></u>	<u><u>67,234</u></u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended	
	30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest on lease liabilities	5,082	5,480
Interest expenses on bank borrowings and other loans	73,491	83,961
Less: interest capitalised	(1,587)	(359)
	<u>76,986</u>	<u>89,082</u>

7. INCOME TAX EXPENSES

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

	For the six months ended	
	30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	70,197	50,642
Deferred income tax	(1,122)	(1,407)
	<u>69,075</u>	<u>49,235</u>

8. DIVIDENDS

On 26 April 2024, the board of Directors of the Company (the “**Board**”) proposed to distribute the final dividend for the year ended 31 December 2023 of RMB0.076 per share (before tax) amounted to RMB225,533,000 in cash to the shareholders of the Company, which was approved by the shareholders of the Company at the 2023 annual general meeting on 28 June 2024. As at 30 June 2024, the final dividend has not been paid to the shareholders of the Company.

The Board proposed to distribute the interim dividend for the six months ended 30 June 2024 of RMB0.03 per share (before tax) amounted to RMB89,026,260 in cash to the shareholders of the Company. The proposed payment of the interim dividend is subject to the approval by the shareholders of the Company at the extraordinary general meeting to be convened by the Company.

On 26 April 2023, the Board proposed to distribute the final dividend for the year ended 31 December 2022 of RMB0.05 per share (before tax) amounted to RMB148,475,000 in cash to the shareholders of the Company, which was approved by the shareholders of the Company at the 2022 annual general meeting on 29 June 2023. As at 30 June 2023, the final dividend has not been paid to the shareholders of the Company.

The Board did not recommend any interim dividend for the six months ended 30 June 2023.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue for the six months ended 30 June 2024 and 2023, respectively.

The Company did not have any potential dilutive shares in issue during the six months ended 30 June 2024 and 2023. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

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

	For the six months ended	
	30 June	
Earnings	2024	2023
	Unaudited	Unaudited
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation (RMB'000)	<u>399,851</u>	<u>266,220</u>
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic/diluted earnings per share calculation (number of shares)	<u>2,967,542,000</u>	<u>2,967,542,000</u>
Earnings per share		
Basic/diluted earnings per share	<u>RMB0.13</u>	<u>RMB0.09</u>

10. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of RMB24,671,000 (for the six months ended 30 June 2023: RMB61,819,000).

No property, plant and equipment were disposed of by the Group during the six months ended 30 June 2024 (for the six months ended 30 June 2023: items of property, plant and equipment with a book value of RMB2,669,000 were disposed of by the Group, resulting in a gain on disposal of RMB2,945,000, which was included in "other income and losses" in the interim condensed consolidated statement of profit or loss and other comprehensive income).

11. TRADE, BILLS RECEIVABLES AND CONTRACT ASSETS

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Trade receivables	7,298,998	7,797,976
Less: provision for impairment	<u>(333,884)</u>	<u>(333,490)</u>
	<u>6,965,114</u>	<u>7,464,486</u>
 Bills receivable	 <u>419,592</u>	 <u>539,001</u>
Contract assets arising from:		
Construction services	237,028	325,962
Sale of industrial products	<u>34,667</u>	<u>21,691</u>
	271,695	347,653
Less: provision for impairment	<u>(7,530)</u>	<u>(7,530)</u>
	<u>264,165</u>	<u>340,123</u>
	<u>7,648,871</u>	<u>8,343,610</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.

11. TRADE, BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

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

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Within 1 year	4,851,989	5,453,414
Between 1 and 2 years	617,183	661,706
Between 2 and 3 years	331,232	248,095
Over 3 years	1,918,186	1,973,762
	7,718,590	8,336,977
Less: provision for impairment	(333,884)	(333,490)
	7,384,706	8,003,487

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

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Prepayments	84,511	46,702
Deposits	35,646	31,926
Other receivables	160,351	74,140
Other current assets	238,583	314,961
	519,091	467,729
Less: provision for impairment	(40,017)	(31,080)
	479,074	436,649

During the six months ended 30 June 2024, one of the suppliers of the Group has not returned the prepayment for the acquisition of equipment, the Group has made a provision for impairment of RMB8,937,000.

13. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Cash and bank balances	1,554,493	1,810,604
Less: restricted cash (<i>Note</i>)	<u>(15,836)</u>	<u>(51,247)</u>
Cash and cash equivalents	1,538,657	1,759,357
Cash and bank balances denominated in:		
– RMB	1,548,851	1,803,008
– US dollars	–	936
– Hong Kong dollars	5,629	6,333
– Indian rupees	<u>13</u>	<u>327</u>
	<u>1,554,493</u>	<u>1,810,604</u>

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

14. TRADE AND BILLS PAYABLES

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

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Bills payable	20,227	86,209
Trade payables	<u>3,733,270</u>	<u>4,239,787</u>
	<u>3,753,497</u>	<u>4,325,996</u>

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

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Within 1 year	2,205,997	2,453,708
1 year to 2 years	388,651	429,915
2 years to 3 years	246,025	118,621
More than 3 years	<u>912,824</u>	<u>1,323,752</u>
	<u>3,753,497</u>	<u>4,325,996</u>

15. OTHER PAYABLES AND ACCRUALS

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Contract liabilities	75,362	85,968
Taxes payable, other than income tax	69,397	64,491
Interest payables	16,945	10,706
Dividends payable	250,332	25,799
Other payables (<i>Note</i>)	<u>141,590</u>	<u>591,293</u>
	<u>553,626</u>	<u>778,257</u>

Note: Other payables are non-interest-bearing and have no fixed terms of repayment.

16. PROVISIONS

	Warranties RMB'000	Total RMB'000
At 1 January 2023 (Audited)	1,080	1,080
Additional	420	420
Amounts utilised during the year	<u>(600)</u>	<u>(600)</u>
At 31 December 2023 (Audited)	900	900
Amounts utilised during the period	<u>(376)</u>	<u>(376)</u>
At 30 June 2024 (Unaudited)	524	524
Portion classified as current liabilities	<u>524</u>	<u>524</u>
Non-current portion	<u><u>—</u></u>	<u><u>—</u></u>

17. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate	Maturity	30 June 2024 Unaudited RMB'000	Effective interest rate	Maturity	31 December 2023 Audited RMB'000
Current						
Bank borrowings:						
– unsecured	2.45%-2.75%	2025	1,700,000	2.45%-3.00%	2024	1,706,208
Other loans:						
– unsecured			–	3.10%	2024	450,000
– short-term bonds (Note)	2.02%	2024	500,000	2.38%	2024	500,000
			<u>2,200,000</u>			<u>2,656,208</u>
Current portion of long-term bank borrowings and other loans						
Bank borrowings – unsecured	2.75%-3.80%	2025	303,100	2.80%-3.86%	2024	347,545
Other loans – unsecured	3.39%	2024	600,000	3.39%	2024	600,000
Lease liabilities	4.41%	2024	28,312	4.41%	2024	23,229
			<u>931,412</u>			<u>970,774</u>
			<u>3,131,412</u>			<u>3,626,982</u>
Non-current						
Long-term bank borrowings and other loans:						
Bank borrowings – unsecured	2.68%-3.80%	2025-2033	1,278,352	2.85%-3.86%	2025-2029	1,316,710
Other loans – unsecured	2.8%	2026	400,000	2.98%	2026	400,000
Lease liabilities	4.41%	2025-2038	246,995	4.41%	2025-2038	246,995
			<u>1,925,347</u>			<u>1,963,705</u>
			<u>5,056,759</u>			<u>5,590,687</u>
Interest-bearing bank borrowings and other loans denominated in:						
– RMB			<u>5,056,759</u>			<u>5,590,687</u>

17. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (Continued)

Note:

On 19 July 2023, the Company issued one tranche of super short-term bond with a par value of RMB10,000 amounting to RMB500 million. On 10 April 2024, the Company issued one tranche of super short-term bond with a par value of RMB100 amounting to RMB500 million. The bonds had an annual effective interest rate of 2.38% and 2.02% respectively. The first tranche of super short-term-bond was already matured in April 2024. The second tranche of the super short-term bond was matured in July 2024.

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

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year	2,003,100	2,053,753
In the second year	940,915	519,706
In the third to fifth years, inclusive	282,667	753,696
Beyond five years	<u>54,770</u>	<u>43,308</u>
	3,281,452	3,370,463
Other loans repayable:		
Within one year	1,128,312	1,573,229
In the second year	424,268	27,654
In the third to fifth years, inclusive	79,441	476,124
Beyond five years	<u>143,286</u>	<u>143,217</u>
	<u>1,775,307</u>	<u>2,220,224</u>
Total	<u>5,056,759</u>	<u>5,590,687</u>

18. COMMITMENTS

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

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Contracted, but not provided for		
Buildings	589	356
Plant and equipment	49,957	68,960
Equity investment (<i>Note</i>)	50,000	50,000
	<u>100,546</u>	<u>119,316</u>

Note: On 28 December 2023, the Company has entered into the joint venture agreement with China Datang, Datang International Power Generation Co., Ltd., Guangxi Guiguan Electric Power Co., Ltd. and China Datang Renewable Power Maintenance Co., Ltd., which are the subsidiaries of China Datang and DEC Academy of Science and Technology, in relation to the proposed formation of the joint venture company with a registered capital of RMB1,000 million. Pursuant to the joint venture agreement, the Company shall make a capital contribution of RMB50,000,000, representing 5% equity interest in the joint venture company. During the six months ended 30 June 2024, the Company has made a capital contribution of RMB5,000,000 and the remaining capital contribution of RMB45,000,000 has not been paid as at the date of this results announcement. On 26 June 2024, the Company established a wholly-owned subsidiary, Datang Environment (Xiong'an) Intelligent Energy Company Limited* (大唐環境 (雄安) 智慧能源有限公司), with a registered capital of RMB5 million. Pursuant to the relevant agreement, the Company shall make a capital contribution of RMB5 million. As at the date of this results announcement, the capital contribution has not been paid.

19. RELATED PARTY TRANSACTIONS

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

In addition to the related party transactions disclosed elsewhere in the interim condensed consolidated financial information, the following is a summary of the significant related party transactions entered into the ordinary course of business between the Group and its related parties during the six months ended 30 June 2024 and 2023. All transactions with related parties were conducted at prices and terms mutually agreed by the parties involved.

19. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods and rendering of services to China Datang Group		
Environmental protection and energy conservation solutions	1,863,114	1,914,608
Renewable energy engineering	128,893	222,774
Others	69	814
	<u>1,992,076</u>	<u>2,138,196</u>
Sales of goods and rendering of services to the associates and joint ventures of China Datang Group		
Environmental protection and energy conservation solutions	<u>106,562</u>	<u>72,946</u>
Purchases of goods and receiving of services from China Datang Group		
Water supply and electricity supply	244,048	341,514
Ancillary services under the concession operations	12,536	78,932
Logistics services	86,166	8,998
Wind power electricity and other products	<u>280,366</u>	<u>162,909</u>
	<u>623,116</u>	<u>592,353</u>
Purchases of goods and receiving of services from the associates and joint ventures of China Datang Group		
Water supply and electricity supply	<u>22,849</u>	<u>43,834</u>
Loans from a subsidiary of China Datang Group		
China Datang Finance Co., Ltd* (“Datang Finance”)	<u>–</u>	<u>605,000</u>
Interest expense on loans from subsidiaries of China Datang Group		
Datang Finance	<u>7,803</u>	<u>7,744</u>
Interest income from deposits from a subsidiary of China Datang Group		
Datang Finance	<u>3,251</u>	<u>1,687</u>

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

The outstanding balances with related parties at 30 June 2024 and 31 December 2023 are as follows:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Cash and cash equivalents		
Datang Finance	<u>1,524,047</u>	<u>1,717,843</u>
Trade, bills receivables and contract assets		
Trade and bills receivables		
China Datang Group	6,088,388	6,500,784
The associates and joint ventures of China Datang Group	<u>410,374</u>	<u>581,972</u>
	<u>6,498,762</u>	<u>7,082,756</u>
Contract assets		
China Datang Group	92,522	61,954
The associates and joint ventures of China Datang Group	<u>4,272</u>	<u>7,413</u>
	<u>96,794</u>	<u>69,367</u>
	<u>6,595,556</u>	<u>7,152,123</u>
Prepayments, other receivables and other assets		
Prepayments		
China Datang Group	<u>35,087</u>	<u>15,230</u>
Other receivables		
China Datang Group	85,413	34,494
The associates and joint ventures of China Datang Group	<u>28</u>	<u>627</u>
	<u>85,441</u>	<u>35,121</u>
	<u>120,528</u>	<u>50,351</u>
Other non-current assets		
China Datang Group	11,390	14,381
The associates and joint ventures of China Datang Group	<u>–</u>	<u>542</u>
	<u>11,390</u>	<u>14,923</u>

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties (Continued)

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Interest-bearing bank borrowings and other loans (other than lease liabilities)		
Datang Finance	<u>400,000</u>	<u>850,000</u>
Trade and bills payables		
China Datang Group	1,799,966	1,823,515
The associates and joint ventures of China Datang Group	<u>44,568</u>	<u>118,660</u>
	<u>1,844,534</u>	<u>1,942,175</u>
Other payables and accruals		
China Datang Group	105,690	64,673
The associates and joint ventures of China Datang Group	<u>142</u>	<u>292</u>
	<u>105,832</u>	<u>64,965</u>

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

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

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

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

19. RELATED PARTY TRANSACTIONS (Continued)

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

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

– *Deposits and borrowings*

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

(d) Compensation of key management personnel of the Group

	For the six months ended	
	30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Short-term employee benefits	1,807	2,508
Post-employment benefits	337	458
Total compensation paid to key management personnel	2,144	2,966

(e) Property leases

As a lessee, the Group leases buildings for desulfurisation and denitrification facilities from Datang Financial Lease and some power plants from the China Datang Group, with a general lease term of 20 years. The related right-of-use assets and lease liabilities as at the end of the reporting period and payment of lease liabilities and the related expenses recognised during the period are as follows:

	30 June	31 December
	2024	2023
	Unaudited	Audited
	RMB'000	RMB'000
Right-of-use assets	232,317	242,462
Lease liabilities	270,442	262,807

19. RELATED PARTY TRANSACTIONS (Continued)

(e) Property leases (Continued)

	For the six months ended	
	30 June	2023
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Depreciation charge	<u>12,545</u>	<u>12,794</u>
Interest expense	<u>4,990</u>	<u>5,480</u>
Payments	<u>80</u>	<u>1,161</u>

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
	Unaudited	Audited	Unaudited	Audited
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Long-term interest-bearing bank borrowings and other loans (other than lease liabilities) (Note 17)	<u>1,678,352</u>	<u>1,716,710</u>	<u>1,608,260</u>	<u>1,538,386</u>

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

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value disclosure of financial instruments. The Group's corporate finance team reports directly to management. As at 30 June 2024 and 31 December 2023, the Group's corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by management.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

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

- The fair values of the non-current portion of long term interest-bearing bank borrowings and other loans (other than lease liabilities) have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair values as a result of the Group's own non-performance risks for interest-bearing bank borrowings and other loans as at 30 June 2024 and 31 December 2023 were assessed to be insignificant.
- The fair values of the bills receivable which are measured at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using the one-year bank loan interest rate published by the People's Bank of China.

Details of information about Level 3 fair value measurements are as follows:

Financial instruments	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Unlisted equity investments	Adjusted net asset value method	Net asset value	A 5% decrease in the adjusted net assets holding all other variables constant would decrease the carrying amounts of the unlisted equity investments by approximately RMB117,000 and vice versa

The management of the Group is responsible for determining the appropriate valuation techniques and inputs for fair value measurements. The management of the Group regularly reports to the Board in relation to the fair value measurements of the aforesaid financial assets.

The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 3 are unchanged.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2024 (unaudited)				
Equity investments designated at fair value through other comprehensive income	–	–	4,635	4,635*
Trade and bills receivables	<u>–</u>	<u>75,320</u>	<u>–</u>	<u>75,320</u>
As at 31 December 2023 (audited)				
Trade and bills receivables	<u>–</u>	<u>100,230</u>	<u>–</u>	<u>100,230</u>

- * On 28 December 2023, the Company has entered into the joint venture agreement with China Datang, Datang International Power Generation Co., Ltd., Guangxi Guiguan Electric Power Co., Ltd. and China Datang Renewable Power Maintenance Co., Ltd., which are the subsidiaries of China Datang and DEC Academy of Science and Technology, in relation to the proposed formation of the joint venture company with a registered capital of RMB1,000 million. Pursuant to the joint venture agreement, the Company shall make a capital contribution of RMB50,000,000, representing 5% equity interest in the joint venture company. During the six months ended 30 June 2024, the Company has made a capital contribution of RMB5,000,000.

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

	2024 Unaudited <i>RMB'000</i>	2023 Unaudited <i>RMB'000</i>
Equity investments designated at fair value through other comprehensive income – unlisted		
At 1 January		
Addition	5,000	–
Total losses recognised in other comprehensive income	<u>(365)</u>	<u>–</u>
At 30 June	<u>4,635</u>	<u>–</u>

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value

The Group did not have any liabilities measured at fair value as at 30 June 2024 and 31 December 2023.

During the period, the Group has no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June 2023: nil).

21. CONTINGENT LIABILITIES

(a) India Gujarat Project

On 16 March 2019, the Group's subsidiaries, China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) ("**Technologies & Engineering Company**") and Datang Technologies & Engineering India Private Limited (大唐科技工程印度有限公司) signed construction contracts for desulfurisation 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 up to the date of this results announcement.

(b) India NLC Project

On 6 March 2020, Technologies & Engineering Company signed a construction contract with NLC India Limited ("**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 up to the date of this results announcement.

22. EVENTS AFTER THE REPORTING PERIOD

On 5 July 2024, the Board has completed the issuance of the second tranche super short-term commercial paper for the year of 2024 (the “SCP”) to qualified institutional investors in the PRC, with Bank of Nanjing Co., Ltd.* (南京銀行股份有限公司) as the principal underwriter and bookrunner, and received the proceeds from such issuance. The issuance size of the SCP is RMB500 million, with a term of 106 days and face value of RMB100. The interest rate for the issue of SCP is 1.77%.

Save as disclosed in this results announcement, there were no other significant events affecting the Group occurred since 30 June 2024 and up to the date of this results announcement.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 30 August 2024.

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, manufacturing and sales of denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business. Customers of the Group spread over 30 provinces, autonomous regions and municipalities in the PRC as well as 7 countries.

I. INDUSTRY OVERVIEW

Based on the overall performance of the environmental protection industry in the first half of 2024, there are mainly the following highlights and industry trends:

1. Sound Mechanism for Green and Low-Carbon Development

The Third Plenary Session of the 20th Central Committee of the Communist Party of China considered and approved the “Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernisation” (《中共中央關於進一步全面深化改革、推進中國式現代化的決定》), making deployments for deepening the reform of the ecological civilisation system and proposing to improve the mechanism for green and low-carbon development. The Resolution proposes focusing on building a Beautiful China, accelerating the overall green transformation of economic and social development, improving the ecological environment governance system, promoting ecological priority, conservation and intensification, green and low-carbon development, and fostering the harmonious coexistence of mankind and nature. The Resolution puts forward a series of major initiatives to improve the mechanism for green and low-carbon development, such as implementing fiscal, taxation, financial, investment, pricing policies and standard systems that support green and low-carbon development; optimising the government’s green procurement policy; accelerating the planning and construction of a new energy system; establishing a new mechanism for the comprehensive transformation from dual-control of energy consumption to dual-control of carbon emissions; and establishing a system for statistical accounting of carbon emissions, a certification system for carbon labelling of products, and a management system for carbon footprints of products, etc. The Resolution laid a foundation and set a clear direction for the long-term and sustainable development of green and low-carbon environmental protection industry.

2. Accelerating the Comprehensive Green Transformation of Economic and Social Development

On 11 August 2024, the Central Committee of the Communist Party of China and the State Council issued the “Opinions on Accelerating the Comprehensive Green Transformation of Economic and Social Development”, proposing that by 2030, positive progress will be made in green transformation in key areas, green production methods and lifestyles will basically take shape, and synergy capabilities will be significantly enhanced in pollution and carbon emission reduction, the utilization efficiency of major resources will be further improved, the policies and standardised system supporting green development will be more mature, and the comprehensive green transformation of economic and social development will achieve remarkable results. By 2035, a green, low-carbon and circular development economic system will be basically established, green production methods and lifestyles will be widely formed, significant progress will be made in the synergy of pollution and carbon emission reduction, the utilization efficiency of major resources will reach the international advanced level, and the economic and social development will fully enter the green and low-carbon trajectory, carbon emissions will steadily decline after peaking, and the goal of Beautiful China will basically be achieved. The Opinions also propose that the scale of the energy conservation and environmental protection industry will reach approximately RMB15 trillion by 2030, representing an increase of RMB6 trillion compared with 2023, and the development of the energy conservation and environmental protection industry will usher in new opportunities.

3. Promoting Large-scale Equipment Renewal

On 7 March 2024, the State Council issued the “Action Plan for Promoting Large-scale Equipment Renewal and Consumer Goods Replacement” (《推動大規模設備更新和消費品以舊換新行動方案》), proposing to co-ordinate the expansion of domestic demand and deepening of the supply-side structural reform, emphasizing on the market-driven and government-led approach, encouraging the adoption of cutting-edge technologies and phasing out obsolete ones, following a standard-led and orderly upgrading approach, implementing four major actions, namely, equipment renewal, trade-ins of consumer goods, recycling and reuse, and standard upgrading, vigorously promoting the production and application of advanced equipment, promoting the continuous increase of the proportion of advanced production capacity, promoting the introduction of high-quality durable consumer goods into the lives of residents, streamlining resource recycling chains, and significantly improving the quality and standards of recycling in the national economy. The Plan has presented new opportunities for the Company to develop thermal power and new energy equipment renewal, resource recycling and utilisation and circular economy businesses.

4. Accelerating the Low-carbon Transformation and Construction of Coal-fired Power

On 16 July 2024, the National Development and Reform Commission and the National Energy Administration issued the “Action Plan for Low-carbon Transformation and Construction of Coal-fired Power (2024-2027)” (《煤電低碳化改造建設行動方案(2024-2027年)》), which specifies that by 2025, all the first batch of the low-carbon transformation and construction projects for coal-fired power will be launched, and a batch of low-carbon coal-fired power generation technologies will be transformed and applied; the carbon emissions per kilowatt-hour of related projects will decrease by approximately 20% compared to the average carbon emissions level of similar coal-fired power units in 2023, significantly lower than the carbon emissions level of existing advanced coal-fired power units, which will provide useful experience for the clean and low-carbon transformation of coal-fired power. By 2027, the low-carbon coal-fired power generation technology route will be further expanded, and the construction and operation costs will significantly decrease; the carbon emissions per kilowatt-hour of related projects will decrease by approximately 50% compared to the average carbon emissions level of similar coal-fired power units in 2023, approaching the carbon emissions level of natural gas power generation units, which will play a strong leading and driving role in the clean and low-carbon transformation of coal-fired power. The Plan has set a clear direction for the Company to accelerate the low-carbon transformation of coal-fired power and explore new avenues of environmental protection operations and construction businesses.

II. BUSINESS OVERVIEW

1. Environmental Protection and Energy Conservation Solution Business

Environmental protection facility concession operation business

As at 30 June 2024, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 48,250MW. The cumulative installed capacity in operation for denitrification concession operations reached 41,240MW and the installed capacity of the desulfurization entrusted operation projects reached 1,960MW.

During January to June 2024, the Group was committed to carrying out related work of “improving quality and efficiency”, continuously improving indicators such as power consumption rate of desulfurization plants, power consumption rate of desulfurization for emission reduction, limestone consumption rate of emission reduction, and consumption rate of denitrification agents for emission reduction. In the first half of the year, the Group completed 20 denitrification thermal leveling tests, which resulted in significant improvements in nitrogen oxide concentration levels, a reduction in ammonia consumption rate, and steady improvement in the level of cost reduction and profit increase.

Denitrification catalysts business

During January to June 2024, the production volume and the sales volume of the denitrification catalysts business of the Group were 20,183.79m³ and 36,519.21m³, respectively. The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business during January to June 2024:

<i>(Unit: m³)</i>		
Production volume	Sales volume	Delivery volume
<u>20,183.79</u>	<u>36,519.21</u>	<u>16,257.56</u>

During January to June 2024, the Group sold 9,567.46m³ of catalyst to customers other than China Datang Group, among which, 4,149.2m³ of catalyst was sold to overseas customers.

In addition, during January to June 2024, the Group conducted comprehensive usage business in relation to an aggregate of 7,675.95m³ of spent denitrification catalysts.

Environmental protection facilities engineering business

During January to June 2024, the Group continued to carry out its environmental protection facility engineering business, including desulfurization, denitrification, dust removal and ultra-low emission. The following table sets forth the breakdown of the Group's environmental protection facility engineering business in the power industry as at 30 June 2024:

Project	Projects awarded and signed in the first half of 2024		Projects under construction in the first half of 2024	
	Number	Amount	Number	Amount
		<i>(RMB million)</i>		<i>(RMB million)</i>
Desulfurization	0	0	5	697.35
Denitrification	3	166.83	4	151.52
Dust removal	1	126.80	2	302.91

Water treatment business

As at 30 June 2024, the Group entered into two new water treatment projects, and had four water treatment operation projects and seven water treatment projects under construction.

Energy conservation business

As of 30 June 2024, the Group has one EMC project under execution.

2. Renewable Energy Business

2.1 Investment business

As of 30 June 2024, the Group had 12 distributed photovoltaic power projects under operation with a total installed capacity of 14.91MW and power generation capacity of 9,032,200kWh in the first half of the year.

2.2 Engineering business

During January to June 2024, the Group entered into three new renewable energy engineering projects with an installed capacity of 246.191MW, entered into 10 new engineering design service projects, and undertook over 120 technical service projects, involving the survey and design of shared energy storage power station, the integrated design of household photovoltaic system and other fields. As of 30 June 2024, the Group has a total of three renewable energy engineering projects under construction with a total installed capacity of 585MW.

3. Research and Development

In the first half of 2024, the Group obtained 18 patents, all of which were invention patents, and the Group has accumulatively obtained 1,229 patents in force. The “Complete Set of Technology for Resourceful Utilization of High Salt Wastewater of Coal-fired Power Plant” independently developed by the Group has been appraised as reaching the international leading level, and has completed pilot testing and verification at the tungsten smelting enterprise of China Minmetals Corporation; the “Research and Application of Zero Emission Technology of High Salt Wastewater Multi-phase Flow Evaporation, Concentration, Rotary, Atomization Drying” won the second prize of Science and Technology Advancement Award of All-China Environment Federation; and three other scientific and technological achievements won the first prize of the “National Electric Power Industry Engineering Construction Management Innovation Achievements”.

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

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

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

1. Overview

The Group's revenue increased by 4.2% to RMB2,603.1 million for the six months ended 30 June 2024 as compared with RMB2,499.2 million for the same period in 2023.

The Group's profit for the six months ended 30 June 2024 amounted to RMB408.9 million, representing an increase of RMB138.8 million as compared with RMB270.1 million for the same period in 2023. Profit attributable to the owners of the parent amounted to RMB399.9 million for the six months ended 30 June 2024.

As at 30 June 2024, the Group's cash and cash equivalents decreased by 12.5% to RMB1,538.7 million as compared with RMB1,759.4 million as at 31 December 2023.

The Group's total assets decreased by 6.4% to RMB16,897.8 million as at 30 June 2024 as compared with RMB18,045.1 million as at 31 December 2023.

The Group's total liabilities decreased by 12.2% to RMB9,450.0 million as at 30 June 2024 as compared with RMB10,763.5 million as at 31 December 2023.

The Group's return on total assets for the six months ended 30 June 2024 was 2.42%, as compared with 1.46% for the same period in 2023.

2. Results of Operation

Revenue

The Group's revenue increased by 4.2% to RMB2,603.1 million for the six months ended 30 June 2024 as compared with RMB2,499.2 million for the same period in 2023, primarily due to the increase in desulfurisation and denitrification concession operation income.

Cost of sales

The Group's cost of sales decreased by 1.1% to RMB1,960.6 million for the six months ended 30 June 2024 as compared with RMB1,982.0 million for the same period in 2023. The decrease in the cost of sales of the Group was due to the decrease in construction businesses during the Reporting Period.

Selling and distribution expenses

The Group's selling and distribution expenses increased by 12.2% to RMB11.0 million for the six months ended 30 June 2024 as compared with RMB9.8 million for the same period in 2023, mainly attributable to the increase in remuneration of sales personnel due to the change of staff structure during the Reporting Period.

Administrative expenses

The Group's administrative expenses decreased by 10.4% to RMB145.3 million for the six months ended 30 June 2024 as compared with RMB162.2 million for the same period in 2023, mainly due to the decrease in overheads as a result of reduced investment in research and development during the Reporting Period.

Other income and losses

The Group's other income and losses increased by 16.5% to RMB78.3 million for the six months ended 30 June 2024 as compared with RMB67.2 million for the same period in 2023, mainly due to the increase in government grant compared with same period last year.

Finance costs

The Group's finance costs decreased by 13.6% to RMB77.0 million for the six months ended 30 June 2024 as compared with RMB89.1 million for the same period in 2023, mainly due to the decrease in the annualized interest rate of the Group's current borrowings compared with the annualized interest rate of the borrowings in the same period of last year.

Net impairment losses on financial assets and contract assets

The Group's net impairment losses on financial assets and contract assets increased by approximately 141.9% from RMB4.0 million for the six months ended 30 June 2023 to RMB9.6 million for the six months ended 30 June 2024 primarily due to the increase in expected credit losses on financial assets.

Profit before tax

As a result of the foregoing factors, the Group's profit before tax increased by 49.7% to RMB478.0 million for the six months ended 30 June 2024 as compared with RMB319.4 million for the same period in 2023.

Income tax expense

The Group's income tax expense was RMB69.1 million for the six months ended 30 June 2024, representing an increase of 40.3% as compared with RMB49.2 million for the same period in 2023.

Profit for the period

The Group's profit for the Reporting Period increased by 51.4% from RMB270.1 million for the six months ended 30 June 2023 to RMB408.9 million for the six months ended 30 June 2024. For the six months ended 30 June 2024, the Group's profit during the Reporting Period as a percentage of its total revenue increased to 15.7%, compared to 10.8% for the same period in 2023.

Profit attributable to owners of the parent

The profit attributable to owners of the parent increased by 50.2% to RMB399.9 million for the six months ended 30 June 2024 as compared with RMB266.2 million for the same period in 2023.

Profit attributable to non-controlling interests

The profit attributable to non-controlling interests increased by 132.7% to RMB9.1 million for the six months ended 30 June 2024 as compared with RMB3.9 million for the same period in 2023.

3. Results on Business Segments

The following table sets forth a breakdown of the Group's revenue by segment/sub-segment and their respective percentage of total revenue for the six months ended 30 June 2024 and 30 June 2023, respectively, as well as the percentage of change:

	For the six months ended 30 June				
	2024		2023		
	Revenue RMB'000	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue RMB'000	Percentage of total revenue before elimination ⁽¹⁾ %	Change %
Environmental Protection and Energy					
Conservation Solutions:					
Total revenue of environmental protection and energy conservation solutions before elimination	2,457,887	93.7	2,264,734	90.2	8.5
Intra-segment elimination ⁽²⁾	—	—	—	—	—
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	2,457,887		2,264,734		8.5
Inter-segment elimination	—	—	—	—	—
External revenue of environmental protection and energy conservation solutions	2,457,887		2,264,734		8.5
Renewable Energy Engineering:					
Total revenue of renewable energy engineering	135,335	5.2	222,774	8.9	(39.3)
Inter-segment elimination	—	—	—	—	—
External revenue of renewable energy engineering	135,335		222,774		(39.3)
Thermal Power Engineering:					
Total revenue of thermal power engineering	0	—	0	—	0
Inter-segment elimination	—	—	—	—	—
External revenue of thermal power engineering	0		0		0

	For the six months ended 30 June				
	2024		2023		
	Revenue RMB'000	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue RMB'000	Percentage of total revenue before elimination ⁽¹⁾ %	Change %
Other Businesses:					
Total revenue of other businesses	30,806	1.1	24,348	0.9	26.5
Inter-segment elimination ⁽³⁾	(20,939)		(12,676)		
External revenue of other businesses	9,867		11,672		
Total revenue before intra- and inter-segment elimination⁽⁴⁾	2,624,028	100.0	2,511,856	100.0	4.5
Total intra- and inter-segment elimination⁽⁵⁾	(20,939)		(12,676)		
Total revenue	2,603,089		2,499,180		4.2

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 subsegments under environmental protection and energy conservation solutions segment mainly arises from the intra-segment sales between denitrification catalysts sub-segment to denitrification facilities engineering sub-segment and environmental protection facility concession operation, respectively.
- (3) Inter-segment elimination of revenue from other businesses segment mainly arises from the inter-segment sales between other businesses segment and environmental protection and energy conservation solutions segment, respectively.
- (4) Represents the aggregate amount of the revenue of all segments/sub-segments before any intra- or inter-segment elimination.
- (5) Represents the aggregate amount of all intra- and inter-segment elimination.

The following table sets forth a breakdown of the Group's gross profit and gross margin by each business segment/sub-segment for the six months ended 30 June 2024 and 30 June 2023, respectively, as well as the percentage of change in gross profit:

	For the six months ended 30 June				
	2024		2023		Change of gross profit
	Gross profit ⁽¹⁾ RMB'000	Gross profit margin ⁽²⁾ %	Gross profit ⁽¹⁾ RMB'000	Gross profit margin ⁽²⁾ %	
Environmental Protection and Energy Conservation Solutions:					
Total gross profit of environmental protection and energy conservation solutions	<u>695,257</u>	<u>28.3</u>	<u>528,124</u>	<u>23.3</u>	<u>31.6</u>
Total gross profit/(losses) of renewable energy engineering	<u>(5,099)</u>	<u>(3.8)</u>	<u>11,168</u>	<u>5.0</u>	<u>(145.7)</u>
Total gross profit of thermal power engineering	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total (gross losses) of other businesses	<u>(47,664)</u>	<u>(483.1)</u>	<u>(22,135)</u>	<u>(190.0)</u>	<u>(115.3)</u>
Total gross profit and gross profit margin ⁽³⁾	<u><u>642,494</u></u>	<u><u>24.7</u></u>	<u><u>517,157</u></u>	<u><u>20.7</u></u>	<u><u>24.2</u></u>

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

4. Cash Flows

As at 30 June 2024, the Group's cash and cash equivalents decreased by 12.5% to RMB1,538.7 million as compared with RMB1,759.4 million as at 31 December 2023. Such decrease was mainly attributable to the increase in the cash flow used in financing activities of the Group.

5. Working Capital

As at 30 June 2024, the Group's net current assets increased by 18.9% to RMB2,395.4 million as compared with RMB2,014.0 million as at 31 December 2023, primarily due to the decrease in interest-bearing bank borrowings and other loans.

6. Indebtedness

As at 30 June 2024, the Group's borrowings decreased by 9.6% to RMB5,056.8 million as compared with RMB5,590.7 million as at 31 December 2023.

7. Capital Expenditure

The Group's capital expenditure decreased by 18.7% to RMB134.1 million for the six months ended 30 June 2024 as compared with RMB164.9 million for the six months ended 30 June 2023.

8. Net Gearing Ratio

As at 30 June 2024, the Group's net gearing ratio (net debt (total borrowings minus cash and cash equivalents) divided by the sum of net debt and total equity) was 32.1%, representing a decrease of 2.4 percentage points as compared with 34.5% as at 31 December 2023.

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, the Group cannot guarantee that such policies will persistently exist or will have no adverse change. If there is any adverse change in energy conservation policies, it may result in a material and adverse effect on the business prospects, results of operations and financial condition of the Group. The management of the Group is of the view that it is unlikely for the PRC government to revise such environmental protection policies to result in an adverse effect or to withdraw any resources invested in the environmental protection industry. Moreover, the Group, as a trendsetter and leader of the environmental protection and energy conservation for the PRC's electric power industry, has participated in the formulation of various industrial policies and standards, which allows it to catch the latest industry trends and respond in a timely manner.

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group and its associates, and will continue to enter into such transactions in the future. For the six months ended 30 June 2024, the total value of goods sold and services provided by the Group to China Datang Group and its associates was approximately RMB2,098.6 million, representing approximately 80.6% of the total revenue of the Group. For the six months ended 30 June 2024, the total value of goods purchased and services received by the Group from China Datang Group and its associates was approximately RMB646.0 million, representing approximately 32.9% of the total cost of the Group.

Cash flow risks

The Group had positive operating cash flows for the six months ended 30 June 2024. The Group cannot assure that its operating cash flows for any future period will be positive. The Group's ability to generate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms available to the Group. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to implement diversified measures to collect receivables in order to significantly improve operating cash flow. In addition, the Group has been proactively seeking financing for business development and expansion. As at 30 June 2024, the Group had available bank credit facilities of RMB11.941 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 of coal-fired power generation output in the PRC slows down, it may result in a decrease of utilization hours of coal-fired power generation units, or a lower demand for the Group's products and services, which will materially and adversely affect our business prospects, results of operations and financial position. The management of the Group is of the view that, in terms of the power generation portfolio in the PRC, coal-fired power generation still dominates the market. In addition, the vast majority of the Group's concession operations locate in coastal areas or economically developed areas, where the utilization hours of coal-fired power generation are higher than the average level nationwide. The Group plans to actively explore clients in the iron and steel, cement and petro-chemical industries.

Risks on overseas business

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

V. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, we had 969 employees, substantially all of whom were based in the PRC. The Group has individually established labor union branches. Currently, the Group has entered into employment agreements with all employees, in which the position, duties, remuneration, employment benefits, training, confidentiality obligations relating to trade secrets and grounds for termination are specified pursuant to the Labor Law of the PRC and other relevant regulations.

The table below sets forth the number of employees as at 30 June 2024 by functions:

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	315	32.51%
Engineering and technical personnel	193	19.92%
Sales personnel	69	7.12%
Research and development personnel	297	30.65%
Administrative and management personnel	70	7.22%
Manufacture personnel	18	1.86%
Others	7	0.72%
Total	969	100.00%

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

The remuneration package of our employees includes salaries, bonuses and allowances. Our employees also receive welfare benefits, including medical care, housing subsidies, retirement and other benefits. We carry out employee performance appraisals, establish diversified and dynamic appraisal mechanisms. The department heads' salaries and remunerations will be adjusted corresponding to the results of their performance appraisals.

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

During the Reporting Period, the Group provided 25 training programs on operation management, professional techniques and production skills, with 100% employees training rate.

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

VI. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

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

1. Firmly promote the deepening and upgrading of reform

The Company will thoroughly implement the decision and deployment of the Third Plenary Session of the 20th Central Committee of the Communist Party of China on comprehensively deepening reform, and drive the deepening and enhancement of the reform. The Group will adhere to the principle of “staying focused and prudent”, make timely adjustments and withdraw from overseas engineering, new energy engineering general contracting and other businesses with its insufficient market competitiveness and weak profitability, and concentrate resources on developing strategic emerging industries to establish a new industrial sector framework. The Group will give full play to the market-oriented mechanism as the “leading edge” in the reform process. Based on the core principles of focusing on environmental protection, strengthening technological innovation and developing strategic emerging industries, the Group will continue to adjust and optimize internal organizational structure, continuously improve and perfect market-oriented operating mechanisms such as competitive hiring and efficiency-linked incentives to lay a solid foundation for high-quality development.

2. Cultivate and strengthen strategic emerging industries

The Company will focus on strategic emerging industries and advance research and development and application of key core technologies, and strive to streamline the whole process of “technology research and development, industry incubation, and project investment” to cultivate these strategic emerging industries. In terms of new catalysts, the Group is dedicated to advance the high-porosity honeycomb catalyst technology, accelerate breakthroughs in new products such as medium and low temperature honeycomb catalysts and low porosity honeycomb catalysts for cement use. In terms of carbon monitoring, the Group will accelerate the certification of China Certification for Environmental Products (CCEP) products, improve the market development and product promotion system, and promote the landing of marketisation projects for carbon monitoring products. In terms of new energy solid waste, the Group will accelerate the research and development of pyrolysis and chemical disposal technologies for waste wind turbine blades, develop solid waste traceability control and carbon footprint tracking systems, and simultaneously carry out preliminary work such as site selection for the demonstration base for disposal of waste wind turbine blades. In terms of integrated smart energy, the Group will intensify its efforts to develop industrial and commercial distributed photovoltaics and user-side energy storage projects to realize coordinated development of photovoltaic, storage and

charging, and rely on China First Heavy to develop waste heat utilization projects with the aim of creating clean heating and comprehensive smart energy products with independent intellectual property rights.

3. Strengthen the construction of core capabilities in the engineering business

The Company will adopt the “4A project (四優工程)” as the overall goal, comprehensively improve the three capabilities in technology, market and project management, and make every effort to increase the scale and profitability of the engineering segment, and turn around the adverse situation of continuing losses of the engineering segment. The Group will expand the scale of traditional environmental protection business, serve the “dual carbon” goal on the basis of traditional advantageous environmental protection businesses such as desulfurization, denitrification, dust removal and sewage treatment in coal-fired power plants, and expand into new industries such as carbon emission reduction, mine water treatment and other specialised sewage treatment. Besides, the Group will obtain the first-class qualification for environmental engineering professional contracting as soon as possible to enhance its qualification and capability levels. The Group will strengthen consulting service capabilities for new energy engineering construction, leverage the leading role of the new energy design institute in design, integrate advantageous resources, and promote the transformation of the existing new energy engineering general contracting business model to a design consulting service model.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, during the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules and there has been no deviation from such code provisions.

Code provision C.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Zhu Liming served as the chairman of the Board. Mr. Zhu also took on the duties and responsibilities of acting general manager of the Company since Mr. Shen Zhen ceased to be the general manager of the Company following his resignation in September 2023.

During the period when Mr. Zhu Liming, the chairman of the Board, performed the duties of the acting general manager, notwithstanding the deviation from code provision C.2.1 of the CG Code, the supervision of the Board (comprising one executive Director, five non-executive Directors (including one employee representative Director) and three independent non-executive Directors) was sufficient to ensure a proper structure of checks and balances of power and to provide sufficient checks to protect the interests of the Company and its shareholders. The Company will keep reviewing the current structure of the Board from time to time.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors, supervisors and relevant employees of the Company (as defined in the Model Code). Having made specific enquiry to all Directors and supervisors of the Company, each Director and Supervisor confirmed that he/she had strictly complied with the standards set out in the Model Code during the Reporting Period.

PROPOSED 2024 INTERIM DIVIDEND

On 30 August 2024, the Board passed the resolution to recommend the payment of the 2024 interim dividend of RMB0.03 (before tax) per Share for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil). Based on the total Share capital registered on the record date for the dividend distribution, and the Company's total 2,967,542,000 Shares in issue as at 30 June 2024, the Proposed 2024 Interim Dividend, if declared and paid, will amount to an aggregate amount of approximately RMB89,026,260 (before tax). In case of any change in the total number of Shares in issue of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged and the distribution amount per Share will be adjusted accordingly with specific adjustments to be announced separately.

The Proposed 2024 Interim Dividend is subject to the approval by the shareholders of the Company at the extraordinary general meeting to be convened by the Company (the "EGM"). Subject to the approval of the shareholders of the Company, the Proposed 2024 Interim Dividend to be distributed will be denominated and announced in RMB, of which dividends on domestic Shares will be paid in RMB whereas dividends on H Shares will be paid in Hong Kong dollars (the exchange rate of RMB to Hong Kong dollars will be exchanged at the average exchange rate as announced by the People's Bank of China for five working days prior to the date of the EGM). The date of the EGM, the record date, the book closure period for the Shares for payment of the Proposed 2024 Interim Dividend and further details of the Proposed 2024 Interim Dividend will be announced separately by the Company.

MATERIAL LITIGATION OR ARBITRATION EVENT

Saved as disclosed in Note 21 to the financial information of this results announcement, as at 30 June 2024, the Group was not involved in any material litigation or arbitration event. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Group.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)). As at 30 June 2024, the Company did not hold any treasury shares.

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 use of net proceeds from the initial public offering for the six months ended 30 June 2024 is set out as follows:

	Use of net proceeds as 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 as at 30 June 2024 (HK\$ million)	Unutilised net proceeds as at 30 June 2024 (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	69.24	24.36	December 2025
For investment in renewable energy projects	–	8.00	0.00	8.00	December 2025
Total	<u>2,032.30</u>	<u>2,032.30</u>	<u>1,999.94</u>	<u>32.36</u>	

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2024, the Group had no material acquisition or disposal.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MAJOR INVESTMENTS

For the six months ended 30 June 2024, the Group did not hold any significant investment and has not executed any agreement in respect of material acquisitions, investments or capital asset and did not have any other future plans relating to material acquisitions, investments or capital asset up to the date of this results announcement. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

REVIEW OF INTERIM RESULTS ANNOUNCEMENT

The audit committee of the Company (the “**Audit Committee**”) has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024. The Audit Committee has not expressed any dissent concerning the financial information in this results announcement.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this results announcement, no other important events affecting the Group occurred since 30 June 2024 and up to the date of this results announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The Company will dispatch in due course to shareholders of the Company who have requested to receive printed copies the 2024 Interim Report containing all the information as required by the Listing Rules, and publish it on the websites of the Company and the Stock Exchange.

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

Beijing, the PRC, 30 August 2024

As of the date of this announcement, the executive Director is Mr. Zhu Liming; the non-executive Directors are Mr. Xu Chun, Mr. Pang Xiaojin, Mr. Xia Huaixiang, Mr. Chu Hongbo and Mr. Song Yunpeng; and the independent non-executive Directors are Mr. Mao Zhuanjian, Mr. Suen Chun Hung, Benjamin and Ms. Hu Yunqing.

This announcement is available on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.dteg.com.cn)

* *For identification purposes only*