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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 2022**

FINANCIAL AND OPERATION HIGHLIGHTS

- For the six months ended 30 June 2022, the revenue of the Group amounted to RMB2,318.8 million, representing an increase of 5.6% as compared with the same period of last year.
- For the six months ended 30 June 2022, the gross profit of the Group amounted to RMB484.2 million and the gross profit margin of the Group amounted to 20.9%, representing an increase in gross profit margin of 2.8 percentage points as compared with the same period of last year.
- For the six months ended 30 June 2022, the total comprehensive income attributable to owners of the parent amounted to RMB198.0 million, representing an increase of 136.4% as compared with the same period of last year.
- The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2022.

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 2022 (the “**Reporting Period**”), together with the comparable figures of the same period in 2021. The financial information of the Group for the six months ended 30 June 2022 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 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

	<i>Notes</i>	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Revenue	4	2,318,791	2,196,597
Cost of sales		<u>(1,834,623)</u>	<u>(1,798,319)</u>
Gross profit		484,168	398,278
Selling and distribution expenses		(6,300)	(10,023)
Administrative expenses		(159,294)	(220,839)
Other income and losses	5	35,466	56,019
Other expenses, net	6	(4,275)	–
Finance costs	7	(103,090)	(111,960)
Impairment losses on financial assets and contract assets, net		<u>(4,801)</u>	<u>(9,502)</u>
Profit before tax		241,874	101,973
Income tax expense	8	<u>(41,964)</u>	<u>(35,548)</u>
PROFIT FOR THE PERIOD		<u>199,910</u>	<u>66,425</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>1,335</u>	<u>2,029</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net			
		<u>1,335</u>	<u>2,029</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		–	(4,748)
Income tax		<u>208</u>	<u>712</u>

	<i>Notes</i>	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Other comprehensive income/(losses) that will not be reclassified to profit or loss in subsequent periods, net		<u>208</u>	<u>(4,036)</u>
OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD, NET OF TAX		<u>1,543</u>	<u>(2,007)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>201,453</u>	<u>64,418</u>
Profit attributable to:			
Owners of the parent		197,038	86,645
Non-controlling interests		<u>2,872</u>	<u>(20,220)</u>
		<u>199,910</u>	<u>66,425</u>
Total comprehensive income attributable to:			
Owners of the parent		197,994	83,745
Non-controlling interests		<u>3,459</u>	<u>(19,327)</u>
		<u>201,453</u>	<u>64,418</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>RMB</i>)	<i>10</i>	<u>0.07</u>	<u>0.03</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

		30 June	31 December
		2022	2021
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	6,625,462	6,828,008
Right-of-use assets		299,205	312,776
Intangible assets		239,685	252,900
Equity investments designated at fair value through other comprehensive income		–	26,389
Deferred tax assets		51,685	51,840
Other non-current assets		292,693	385,752
Total non-current assets		7,508,730	7,857,665
CURRENT ASSETS			
Inventories		218,663	204,931
Trade, bills receivables and contract assets	<i>12</i>	8,723,824	8,433,698
Prepayments, other receivables and other assets	<i>13</i>	560,377	565,606
Restricted cash	<i>14</i>	90,343	121,604
Cash and cash equivalents	<i>14</i>	972,286	1,244,882
Total current assets		10,565,493	10,570,721
CURRENT LIABILITIES			
Trade and bills payables	<i>15</i>	4,497,906	4,579,064
Other payables and accruals		945,396	982,683
Provisions	<i>16</i>	48,082	123,931
Interest-bearing bank borrowings and other loans	<i>17</i>	4,110,751	3,789,805
Income tax payable		14,615	2,716
Total current liabilities		9,616,750	9,478,199
NET CURRENT ASSETS		948,743	1,092,522
TOTAL ASSETS LESS CURRENT LIABILITIES		8,457,473	8,950,187

		30 June	31 December
		2022	2021
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Provisions	<i>16</i>	303	480
Interest-bearing bank borrowings and other loans	<i>17</i>	1,559,902	2,162,981
Other non-current liabilities		<u>28,672</u>	<u>31,150</u>
Total non-current liabilities		<u>1,588,877</u>	<u>2,194,611</u>
Net assets		<u>6,868,596</u>	<u>6,755,576</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,967,542	2,967,542
Reserves		<u>4,017,445</u>	<u>3,907,884</u>
Retained profits		<u>6,984,987</u>	<u>6,875,426</u>
Non-controlling interests		<u>(116,391)</u>	<u>(119,850)</u>
Total equity		<u>6,868,596</u>	<u>6,755,576</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the parent							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000		
At 1 January 2022 (audited)	2,967,542	1,315,483	417,396	1,181	(30)	2,173,854	6,875,426	(119,850)	6,755,576
Profit for the period	-	-	-	-	-	197,038	197,038	2,872	199,910
Other comprehensive income for the period:									
Income tax relating to equity investments designated at fair value through other comprehensive income being disposed of	-	-	-	208	-	-	208	-	208
Exchange difference on translation of foreign operations	-	-	-	-	748	-	748	587	1,335
Total comprehensive income for the period	-	-	-	208	748	197,038	197,994	3,459	201,453
Disposal of equity investments designated at fair value through other comprehensive income	-	-	-	(1,389)	-	1,389	-	-	-
Final 2021 dividends declared (Note 9)	-	-	-	-	-	(88,433)	(88,433)	-	(88,433)
At 30 June 2022 (unaudited)	<u>2,967,542</u>	<u>1,315,483</u>	<u>417,396</u>	<u>-</u>	<u>718</u>	<u>2,283,848</u>	<u>6,984,987</u>	<u>(116,391)</u>	<u>6,868,596</u>
At 1 January 2021 (audited)	2,967,542	1,315,483	406,481	3,327	(627)	2,525,453	7,217,659	121,619	7,339,278
Profit for the period	-	-	-	-	-	86,645	86,645	(20,220)	66,425
Other comprehensive income for the period:									
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	(4,036)	-	-	(4,036)	-	(4,036)
Exchange difference on translation of foreign operations	-	-	-	-	1,136	-	1,136	893	2,029
Total comprehensive income for the period	-	-	-	(4,036)	1,136	86,645	83,745	(19,327)	64,418
Final 2020 dividends declared (Note 9)	-	-	-	-	-	(132,352)	(132,352)	-	(132,352)
Dividends paid by a subsidiary to its non-controlling interests	-	-	-	-	-	-	-	(7,000)	(7,000)
At 30 June 2021 (unaudited)	<u>2,967,542</u>	<u>1,315,483</u>	<u>406,481</u>	<u>(709)</u>	<u>509</u>	<u>2,479,746</u>	<u>7,169,052</u>	<u>95,292</u>	<u>7,264,344</u>

* These reserves accounts comprise the consolidated reserves of RMB4,017,445,000 and RMB4,201,510,000 as at 30 June 2022 and 2021, respectively, in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	<u>276,587</u>	<u>327,008</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,760	3,763
Purchase of items of property, plant and equipment, intangible assets and other non-current assets	(102,680)	(159,714)
Proceeds from disposal of items of property, plant and equipment	<u>40</u>	<u>–</u>
Net cash flows used in investing activities	<u>(97,880)</u>	<u>(155,951)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	3,804,075	1,776,495
Repayments of bank borrowings and other loans	(4,163,632)	(2,635,832)
Principal portion of lease payments	–	(1,777)
Dividends paid to shareholders	–	(51,433)
Dividends paid to non-controlling interests	(2,693)	(12,400)
Interest paid	<u>(89,362)</u>	<u>(106,249)</u>
Net cash flows used in financing activities	<u>(451,612)</u>	<u>(1,031,196)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(272,905)	(860,139)
Cash and cash equivalents at the beginning of the period	1,244,882	1,531,739
Effect of foreign exchange rate changes, net	<u>309</u>	<u>(320)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>972,286</u></u>	<u><u>671,280</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(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 POLICIES AND DISCLOSURES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 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 2021.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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

2.2 Changes in accounting policies and disclosures (Continued)

The adoption of the new and revised IFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the six months ended 30 June 2022 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the six months ended 30 June 2022.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations 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 2021.

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)

Six months ended 30 June 2022 (unaudited)	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 4)					
Sales to external customers	2,197,083	99,793	-	21,915	2,318,791
	2,197,083	99,793	-	21,915	2,318,791
Revenue					<u>2,318,791</u>
Segment results	349,389	12,966	-	41	362,396
<i>Reconciliation:</i>					
Other income and losses					35,466
Other expenses, net					(4,275)
Finance costs (other than interest on lease liabilities which is included in corporate and other unallocated expenses)					(97,029)
Corporate and other unallocated expenses					<u>(54,684)</u>
Profit before tax					<u>241,874</u>
As at 30 June 2022 (unaudited)					
Segment assets	17,322,683	1,096,303	81,979	47,588	18,548,553
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,178,633)
Corporate and other unallocated assets					<u>1,704,303</u>
Total assets					<u>18,074,223</u>
Segment liabilities	7,794,536	1,163,295	129,383	188,470	9,275,684
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,178,633)
Corporate and other unallocated liabilities					<u>4,108,576</u>
Total liabilities					<u>11,205,627</u>

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2021 (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	2,119,377	43,206	927	33,087	2,196,597
Intersegment sales	–	–	–	354	354
	2,119,377	43,206	927	33,441	2,196,951
<i>Reconciliation:</i>					
Elimination of intersegment sales					(354)
Revenue					<u>2,196,597</u>
Segment results	187,076	366	(5)	17,317	204,754
<i>Reconciliation:</i>					
Other income and losses					56,019
Finance costs (other than interest on lease liabilities which is included in corporate and other unallocated expenses)					(105,533)
Corporate and other unallocated expenses					<u>(53,267)</u>
Profit before tax					<u>101,973</u>
As at 31 December 2021 (audited)					
Segment assets	15,940,093	1,488,684	36,432	90,167	17,555,376
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,974,394)
Corporate and other unallocated assets					<u>2,847,404</u>
Total assets					<u>18,428,386</u>
Segment liabilities	9,662,489	1,338,619	59,941	138,630	11,199,679
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,974,394)
Corporate and other unallocated liabilities					<u>2,447,525</u>
Total liabilities					<u>11,672,810</u>

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

Revenue of approximately RMB1,977 million was derived from sales of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) (“**China Datang Group**”) (for the six months ended 30 June 2021: RMB1,934 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:

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from contracts with customers	2,318,791	2,196,313
Revenue from other sources		
– Gross rental income	–	284
	<u>2,318,791</u>	<u>2,196,597</u>

4. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers:

Operating segments	Six months ended 30 June 2022 (unaudited)				Total RMB'000
	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	
Types of goods or service					
Sale of industrial products	171,285	-	-	16,475	187,760
Construction services	133,447	99,793	-	5,440	238,680
Desulfurization and denitrification services	<u>1,892,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,892,351</u>
Total revenue from contracts with customers	<u>2,197,083</u>	<u>99,793</u>	<u>-</u>	<u>21,915</u>	<u>2,318,791</u>
Timing of revenue recognition					
Goods transferred at a point in time	171,285	-	-	16,475	187,760
Services transferred over time	<u>2,025,798</u>	<u>99,793</u>	<u>-</u>	<u>5,440</u>	<u>2,313,031</u>
Total revenue from contracts with customers	<u>2,197,083</u>	<u>99,793</u>	<u>-</u>	<u>21,915</u>	<u>2,318,791</u>
	Six months ended 30 June 2021 (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	152,204	-	-	25,783	177,987
Construction services	195,489	43,206	927	7,020	246,642
Desulfurization and denitrification services	<u>1,771,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,771,684</u>
Total revenue from contracts with customers	<u>2,119,377</u>	<u>43,206</u>	<u>927</u>	<u>32,803</u>	<u>2,196,313</u>
Timing of revenue recognition					
Goods transferred at a point in time	152,204	-	-	25,783	177,987
Services transferred over time	<u>1,967,173</u>	<u>43,206</u>	<u>927</u>	<u>7,020</u>	<u>2,018,326</u>
Total revenue from contracts with customers	<u>2,119,377</u>	<u>43,206</u>	<u>927</u>	<u>32,803</u>	<u>2,196,313</u>

4. REVENUE (Continued)

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

Operating segments	Six months ended 30 June 2022 (unaudited)				
	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers					
External customers	<u>2,197,083</u>	<u>99,793</u>	<u>-</u>	<u>21,915</u>	<u>2,318,791</u>
	<u>2,197,083</u>	<u>99,793</u>	<u>-</u>	<u>21,915</u>	<u>2,318,791</u>
Total revenue from contracts with customers	<u><u>2,197,083</u></u>	<u><u>99,793</u></u>	<u><u>-</u></u>	<u><u>21,915</u></u>	<u><u>2,318,791</u></u>
	Six months ended 30 June 2021 (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	2,119,377	43,206	927	32,803	2,196,313
Intersegment sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>354</u>	<u>354</u>
	<u>2,119,377</u>	<u>43,206</u>	<u>927</u>	<u>33,157</u>	<u>2,196,667</u>
Intersegment adjustments and eliminations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(354)</u>	<u>(354)</u>
Total revenue from contracts with customers	<u><u>2,119,377</u></u>	<u><u>43,206</u></u>	<u><u>927</u></u>	<u><u>32,803</u></u>	<u><u>2,196,313</u></u>

5. OTHER INCOME AND LOSSES

	Six months ended 30 June	
	2022	2021
	Unaudited RMB'000	Unaudited RMB'000
Other income		
Interest income	4,760	4,910
Government grants	24,866	52,830
Exchange gains	<u>5,999</u>	<u>–</u>
	<u>35,625</u>	<u>57,740</u>
Other losses, net		
Loss on disposal of items of property, plant and equipment	(159)	–
Exchange losses	<u>–</u>	<u>(1,721)</u>
	<u>(159)</u>	<u>(1,721)</u>
	<u><u>35,466</u></u>	<u><u>56,019</u></u>

6. OTHER EXPENSES, NET

	Six months ended 30 June	
	2022	2021
	Unaudited RMB'000	Unaudited RMB'000
Exchange differences arising from provision for pending litigation losses	<u>4,275</u>	<u>–</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	6,061	6,427
Interest expenses on bank borrowings and other loans	97,029	108,846
Less: interest capitalised	—	(3,313)
	<u>103,090</u>	<u>111,960</u>

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	41,600	36,268
Deferred income tax	364	(720)
	<u>41,964</u>	<u>35,548</u>

9. DIVIDENDS

On 31 March 2022, the board of Directors of the Company (the “Board”) proposed to distribute the final dividend for the year ended 31 December 2021 of RMB0.0298 per share (before tax) amounted to RMB88,433,000 in cash to the shareholders, which was approved by the shareholders of the Company at the 2021 annual general meeting on 30 June 2022. As at 30 June 2022, 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 2022.

On 26 March 2021, the Board proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 per share (before tax) amounted to RMB132,352,000 in cash to the shareholders, which was approved by the shareholders of the Company at the 2020 annual general meeting on 30 June 2021. As at 30 June 2021, the final dividend had not been paid to the shareholders of the Company.

The Board did not recommend any interim dividend for the six months ended 30 June 2021.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue for the six months ended 30 June 2022 and 2021, respectively.

The Company did not have any potential dilutive shares in issue during the six months ended 30 June 2022 and 2021. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

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

Earnings	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations (<i>RMB</i>)	<u>197,038,000</u>	<u>86,645,000</u>
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic/diluted earnings per share calculations (<i>share</i>)	<u>2,967,542,000</u>	<u>2,967,542,000</u>
Earnings per share		
Basic/diluted earnings per share (<i>RMB</i>)	<u>0.07</u>	<u>0.03</u>

11. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of RMB44,047,000 (for the six months ended 30 June 2021: RMB35,861,000).

Items of property, plant and equipment with a book value of RMB199,000 were disposed of by the Group during the six months ended 30 June 2022, resulting in a loss of RMB159,000, which is included in “other income and losses” in the interim condensed consolidated statement of profit or loss and other comprehensive income (for the six months ended 30 June 2021: nil).

12. TRADE, BILLS RECEIVABLES AND CONTRACT ASSETS

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Trade receivables	8,258,136	7,838,390
Less: provision for impairment	(297,766)	(292,965)
	<u>7,960,370</u>	<u>7,545,425</u>
Bills receivable	<u>455,115</u>	<u>624,508</u>
Contract assets arising from:		
Construction services	267,460	240,005
Sale of industrial products	<u>44,305</u>	<u>27,186</u>
	311,765	267,191
Less: provision for impairment	<u>(3,426)</u>	<u>(3,426)</u>
	<u>308,339</u>	<u>263,765</u>
	<u><u>8,723,824</u></u>	<u><u>8,433,698</u></u>

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

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

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Within 1 year	4,896,517	4,630,198
Between 1 and 2 years	1,290,164	1,260,312
Between 2 and 3 years	543,429	435,405
Over 3 years	1,983,141	2,136,983
	8,713,251	8,462,898
Less: provision for impairment	(297,766)	(292,965)
	<u>8,415,485</u>	<u>8,169,933</u>

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

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Prepayments	106,439	100,769
Deposits	47,044	52,441
Other receivables	179,321	151,828
Other current assets	255,833	288,828
	588,637	593,866
Less: provision for impairment	(28,260)	(28,260)
	<u>560,377</u>	<u>565,606</u>

14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Cash and bank balances	1,062,629	1,366,486
Less: restricted cash (<i>Note</i>)	(90,343)	(121,604)
	<hr/>	<hr/>
Cash and cash equivalents	972,286	1,244,882
Cash and bank balances denominated in:		
– RMB	1,053,856	1,358,014
– US dollars	883	842
– Hong Kong dollars	6,565	6,283
– Indian rupees	1,325	1,347
	<hr/>	<hr/>
	1,062,629	1,366,486
	<hr/> <hr/>	<hr/> <hr/>

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.

15. TRADE AND BILLS PAYABLES

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Bills payable	78,044	115,091
Trade payables	4,419,862	4,463,973
	<hr/>	<hr/>
	4,497,906	4,579,064
	<hr/> <hr/>	<hr/> <hr/>

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 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Within 1 year	2,084,363	2,329,536
1 year to 2 years	666,071	579,393
2 years to 3 years	521,602	354,407
More than 3 years	1,225,870	1,315,728
	<u>4,497,906</u>	<u>4,579,064</u>

16. PROVISIONS

	Warranties RMB'000	Other losses RMB'000	Total RMB'000
At 1 January 2021 (Audited)	2,820	4,500	7,320
Additional provision	–	123,151	123,151
Amounts utilised during the year	<u>(1,560)</u>	<u>(4,500)</u>	<u>(6,060)</u>
At 31 December 2021 (Audited)	1,260	123,151	124,411
Amounts utilised during the period	<u>(177)</u>	<u>(75,848)</u>	<u>(76,025)</u>
At 30 June 2022 (Unaudited)	1,083	47,303	48,386
Provision reclassified as current liabilities	<u>(780)</u>	<u>(47,303)</u>	<u>(48,083)</u>
Non-current provision	<u>303</u>	<u>–</u>	<u>303</u>

17. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate (%)	Maturity	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Current				
Bank borrowings				
– unsecured	2.80%-3.70%	2022-2023	2,616,495	2,676,495
Other loans				
– unsecured	3.90%-4.50%	2022-2023	71,270	78,080
– short-term bonds (<i>Note a</i>)	2.20%	2022	500,000	500,000
			<u>3,187,765</u>	<u>3,254,575</u>
Current portion of long-term bank borrowings and other loans				
Bank borrowings – unsecured	3.75%-4.31%	2022-2023	873,080	404,574
Bank borrowings – guaranteed (<i>Note b</i>)	4.30%	2023	9,000	9,000
Other loans – unsecured	5.15%	2023	5,800	86,550
Other loans – lease liabilities	4.41%	2023	35,106	35,106
			<u>922,986</u>	<u>535,230</u>
			<u>4,110,751</u>	<u>3,789,805</u>
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	3.75%-4.31%	2023-2027	673,755	1,275,587
Bank borrowings – guaranteed (<i>Note b</i>)	4.30%	2026	1,000	5,500
Other loans – unsecured	5.15%	2023	6,000	8,900
Other loans – bonds	3.65%	2024	600,000	600,000
Other loans – lease liabilities	4.41%	2023-2038	279,147	272,994
			<u>1,559,902</u>	<u>2,162,981</u>
			<u>5,670,653</u>	<u>5,952,786</u>
Interest-bearing bank borrowings and other loans denominated in:				
– RMB			<u>5,670,653</u>	<u>5,952,786</u>

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

Note a:

On 20 January 2022 and 30 March 2022, the Company issued two tranches of super short-term bonds with a par value of RMB100 amounting to RMB500 million each. The bonds had an annual effective interest rate of 2.40% and 2.20% respectively. The first tranche of short-term-bond was already matured and returned in April 2022, and the second tranche of short-term bond was matured and returned in July 2022.

Note b:

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

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year	3,498,575	3,090,069
In the second year	386,108	781,294
In the third to fifth years, inclusive	288,647	494,711
Beyond five years	—	5,082
	<u>4,173,330</u>	<u>4,371,156</u>
Other loans repayable:		
Within one year	612,176	699,736
In the second year	40,477	38,993
In the third to fifth years, inclusive	703,432	682,836
Beyond five years	141,238	160,065
	<u>1,497,323</u>	<u>1,581,630</u>
Total	<u><u>5,670,653</u></u>	<u><u>5,952,786</u></u>

18. CAPITAL COMMITMENTS

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Contracted, but not provided for		
Buildings	–	827
Plant and equipment	77,556	155,018
Equity investment (<i>Note</i>)	15,048	15,048
	<u>92,604</u>	<u>170,893</u>

Note: On 30 December 2021, the Company has entered into the joint venture agreement with Datang Henan Power Generation Co., Ltd (大唐河南發電有限公司), a wholly-owned subsidiary of China Datang, in relation to the proposed formation of the joint venture company with a registered capital of RMB30,096,000. Pursuant to the joint venture agreement, the Company shall make a capital contribution of RMB15,048,000, representing 50% equity interest in the joint venture company. The capital contribution has not been paid as at 30 June 2022.

19. RELATED PARTY TRANSACTIONS

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

In addition to the related party transactions disclosed elsewhere in the financial information, the following is a summary of the significant related party transactions entered into the ordinary course of business between the Group and its related parties during the six months ended 30 June 2022 and 2021. 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

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and rendering of services to China Datang Group		
Environmental protection and energy conservation solutions	1,876,735	1,894,199
Renewable energy engineering	99,793	39,419
	<u>1,976,528</u>	<u>1,933,618</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>125,565</u>	<u>12,954</u>
Purchases of goods and receiving of services from China Datang Group		
Water supply and electricity supply	472,977	400,109
Ancillary services under the concession operations	172,773	108,956
Logistics services	-	14,256
Wind power electricity and other products	-	67,901
	<u>645,750</u>	<u>591,222</u>
Purchases of goods and receiving of services from the associates and joint ventures of China Datang Group		
Water supply and electricity supply	<u>34,773</u>	<u>14,560</u>
Interest expense on loans from subsidiaries of China Datang Group		
China Datang Finance Co., Ltd. (“Datang Finance”)	5,197	526
Datang Financial Lease Co., Ltd. (“Datang Financial Lease”)	844	10,366
Datang Commercial Factoring Co., Ltd. (“Datang Commercial Factoring”)	726	1,584
	<u>6,767</u>	<u>12,476</u>
Interest income from deposits from a subsidiary of China Datang Group		
Datang Finance	<u>2,855</u>	<u>3,073</u>

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

The outstanding balances with related parties at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Cash and cash equivalents		
Datang Finance	<u>840,403</u>	<u>1,115,765</u>
Trade, bills receivables and contract assets		
Trade and bills receivables		
China Datang Group	<u>6,457,992</u>	6,632,222
The associates and joint ventures of China Datang Group	<u>892,647</u>	<u>547,274</u>
	<u>7,350,639</u>	<u>7,179,496</u>
Contract assets		
China Datang Group	<u>78,616</u>	173,777
The associates and joint ventures of China Datang Group	<u>16,581</u>	<u>21,397</u>
	<u>95,197</u>	<u>195,174</u>
	<u>7,445,836</u>	<u>7,374,670</u>
Prepayments, other receivables and other assets		
Prepayments		
China Datang Group	<u>133,759</u>	<u>17,356</u>
Other receivables		
China Datang Group	<u>50,770</u>	51,116
The associates and joint ventures of China Datang Group	<u>842</u>	<u>866</u>
	<u>51,612</u>	<u>51,982</u>
	<u>185,371</u>	<u>69,338</u>
Other non-current assets		
China Datang Group	<u>33,983</u>	<u>33,545</u>

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties (Continued)

	30 June 2022	31 December 2021
	Unaudited	Audited
	RMB'000	RMB'000
Interest-bearing bank borrowings and other loans (other than lease liabilities)		
Datang Finance	11,800	22,780
Datang Financial Lease	–	80,750
Datang Commercial Factoring	–	70,000
	<u>11,800</u>	<u>173,530</u>
Trade and bills payables		
China Datang Group	1,323,736	1,283,103
The associates and joint ventures of China Datang Group	101,476	28,449
	<u>1,425,212</u>	<u>1,311,552</u>
Other payables and accruals		
China Datang Group	8,883	115,070
The associates and joint ventures of China Datang Group	162	10,354
	<u>9,045</u>	<u>125,424</u>

19. RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

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

– *Deposits and borrowings*

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

19. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	2,298	3,858
Post-employment benefits	—	229
	<u>2,298</u>	<u>4,087</u>
Total compensation paid to key management personnel	<u>2,298</u>	<u>4,087</u>

(e) Property leases

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

	30 June	31 December
	2022	2021
	Unaudited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets	<u>275,579</u>	<u>289,940</u>
Lease liabilities	<u>304,281</u>	<u>304,180</u>
	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge	<u>12,013</u>	<u>11,912</u>
Interest expense	<u>5,539</u>	<u>6,398</u>
Payments	<u>—</u>	<u>3,060</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	
	31		31
30 June	December	30 June	December
2022	2021	2022	2021
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>1,280,755</u>	<u>1,889,987</u>	<u>1,266,668</u>	<u>1,879,888</u>
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Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank borrowings and other loans, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value disclosure of financial instruments. The corporate finance team reports directly to management. As at 30 June 2022 and 31 December 2021, the corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by management.

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

- The fair values of the 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 2022 and 31 December 2021 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.

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			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2022 (unaudited)				
Equity investments designated at fair value through other comprehensive income				
Trade and bills receivables	-	92,799	-	92,799
As at 31 December 2021 (audited)				
Equity investments designated at fair value through other comprehensive income	-	26,389	-	26,389*
Trade and bills receivables	-	180,493	-	180,493

* In January 2022, the Group and China Datang Group Overseas Investment Co., Ltd. ("**Datang Overseas Investment**") entered into the equity transfer agreement, pursuant to which, the Group has agreed to transfer, and Datang Overseas Investment has agreed to acquire the 10% equity interest in China Datang Overseas Power Operating Co., Ltd. held by the Group with the amount of RMB26,389,000, and the fair value of the unlisted equity investments designated at fair value through other comprehensive income as at 31 December 2021 was measured based on the contract price.

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

	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Equity investments at fair value through other comprehensive income – unlisted		
At 1 January	26,389	28,914
Total losses recognised in other comprehensive income	-	(4,748)
Disposal	(26,389)	-
At 30 June	-	24,166

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 2022 and 31 December 2021.

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 2021: 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 desulfurization and wet chimney with Gujarat State Electricity Corporation Limited (“**GSECL**”). Due to the impact of COVID-19, the construction progress was delayed and GSECL issued a formal notice which accused the Company of default and 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 considers that the corresponding advance receipts of RMB25,835,000 will 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 period, 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 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, but the likelihood of occurrence of other compensations about these contract disputes cannot be estimated reliably up to the date of this announcement.

22. EVENTS AFTER THE REPORTING PERIOD

On 31 August 2022, the Board approved the resolution in relation to the proposed new establishment of a wholly-owned subsidiary by the Company in Huai'an city, Jiangsu Province, the PRC, with its proposed registered share capital of approximately RMB38 million. The proposed new establishment is a part of the Group's development strategy to further improve the industrial chain of denitrification catalysts, to optimize the industrial layout and product system, to increase the manufacturing capacity of honeycomb catalyst and to expand the scale of catalyst disposal and regeneration.

Save as disclosed in this announcement, there were no other significant events affecting the Group occurred since 30 June 2022 and up to the date of this announcement.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 31 August 2022.

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 2022, there are mainly the following highlights and industry trends:

1. Synergy of pollution control, ecological protection and response to climate change

Under the Opinions on Deepening the Fight against Pollution Prevention and Control, it clarified that we should adhere to the systematic concept, play a good defense war against blue sky, clear water and pure land with higher standards, take the realization of the synergy of pollution reduction and carbon reduction as the general starting point for promoting the comprehensive green transformation of economic and social development, deploy and synergetically promote pollution control, ecological protection, response to climate change and other related work, and it emphasizes the relevance and coupling of various policies and measures focusing on putting forward innovative measures in the aspects of pollution reduction and carbon reduction synergy, multi-pollutant collaborative control and regional collaborative governance of various elements, so as to improve the systematization and integrity of comprehensive governance. The Opinions on Deepening the Fight against Pollution Prevention and Control provide policy guarantee for the Company's air pollution control, water affairs and sludge treatment businesses.

2. A series of new energy development policies supported the new peak realization of development of renewable energy industry

Under the Plan for Modern Energy System during the 14th Five Year Period, the Guiding Opinions on Energy Work in 2022, the Implementation Plan for the Development of New Energy Storage in the 14th Five Year Period, the Implementation Plan for the High-quality Development of New Energy and other documents, we should adhere to the systematic concept, deeply implement the new strategies of energy security, strive to expand the renewable energy industry, carry out the top-level planning for the PRC's energy work in 2022, and clarify the main objectives of the energy work in 2022. Energy structural optimization will become the main theme of China's energy industry in the next few years. The development of new energy power will also drive the vigorous development of photovoltaic, wind power, energy storage and other related industries, and will bring huge space for the development of the Group's integrated intelligent energy business.

3. More refined deployment in emission reduction of major pollutants

On 24 January 2022, the State Council issued the Comprehensive Work Plan for Energy Conservation and Emission Reduction during the 14th Five Year Period to improve the implementation of dual control of energy consumption in intensity and total amount, and total emission control system of major pollutants, organize the implementation of key projects for energy conservation and emission reduction, further improve the energy conservation and emission reduction policies and mechanism, promote the significant improvement of energy efficiency and the continuous reduction of the total emission of major pollutants, and realize the synergy of energy conservation, carbon reduction and pollution reduction. It is proposed that by 2025, the national energy consumption per unit of gross domestic product will be reduced by 13.5% compared with that in 2020, the total energy consumption will be under reasonable control, and the total emissions of chemical oxygen demand, ammonia nitrogen, nitrogen oxides and volatile organic compounds will be reduced by 8%, 8%, over 10% and over 10% respectively compared with those in 2020. The industrial development of the Company's emerging environmental governance segment embraces new opportunities.

II. BUSINESS OVERVIEW

1. Environmental Protection and Energy Conservation Solution Business

Environmental protection facility concession operation business

As at 30 June 2022, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 48,220MW. The cumulative installed capacity in operation for denitrification concession operations reached 41,210MW and the installed capacity of the desulfurization entrusted operation projects reached 1,960MW.

During January to June 2022, the Group was devoted to conducting energy consumption diagnosis and improvement of the "one policy for one plant" indicators, intensifying the indicator management and control and first-rate benchmarking, improving quality and efficiency, deepening equipment treatment, realizing the three-reduction in limestone consumption, emission and water consumption. The Group also accelerated the application of new technologies such as denitrification fine ammonia injection control technology, denitrification dilution wind heat source optimization and desulfurization efficiency optimization, saving about 15% of ammonia injection and reducing the power consumption of slurry circulating pump by 5-10%.

Denitrification catalysts business

During January to June 2022, the production volume and the sales volume of the denitrification catalysts business of the Group were 14,317.25m³ and 19,258.5m³, respectively. The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business during January to June 2022:

		<i>(Unit: m³)</i>
Production volume	Sales volume	Delivery volume
<u>14,317.25</u>	<u>19,258.48</u>	<u>19,841.95</u>

During January to June 2022, the Group sold 6,265.37m³ of catalyst to customers other than China Datang Group, among which, 3,151.62m³ of catalyst was sold to overseas customers and 956.25m³ of catalyst was sold to customers from non-electric industry such as glass and alumina sectors.

In addition, during January to June 2022, the Group conducted comprehensive usage business in relation to an aggregate of 2,121.57m³ of spent denitrification catalysts.

Environmental protection facilities engineering business

During January to June 2022, the Group won 1 environmental protection facilities engineering project in the power industry, which is a desulfurization project with an installed capacity of 700MW. As of 30 June 2022, the Group has 19 projects under construction, with a total installed capacity of 20,860MW.

Water treatment business

During January to June 2022, the Group entered into a contract for 1 new water treatment project and won bids for 2 water treatment projects. As at 30 June 2022, the Group has 4 water treatment operation projects and 7 water treatment projects under construction.

Energy conservation business

As of 30 June 2022, the Group has 9 EMC projects under execution with a total investment of RMB260.5 million.

2. Renewable Energy Business

2.1 Investment business

As of 30 June 2022, the Group had 3 distributed photovoltaic power projects under operation with a total installed capacity of 3.05MW.

2.2 Engineering business

During January to June 2022, the Group has entered into 1 renewable energy engineering project with an installed capacity of 100MW. As of 30 June 2022, the Group has a total of 4 renewable energy engineering projects under construction with a total installed capacity of 385MW.

3. Thermal Power Engineering Business

From January to June 2022, the Group has yet to commence the thermal power engineering business.

4. Overseas Business

During January to June 2022, the Group has not signed newly overseas project, 2 overseas projects were under execution.

5. Research and Development

In the first half of 2022, the Group obtained 67 patents, including 39 invention patents, and the Group has accumulatively obtained 1,396 patents in force.

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

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

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

1. Overview

The Group's revenue increased by 5.6% to RMB2,318.8 million for the six months ended 30 June 2022 as compared with RMB2,196.6 million for the same period in 2021. The Group's profit for the six months ended 30 June 2022 amounted to RMB199.9 million, representing an increase of RMB133.5 million as compared with RMB66.4 million for the same period in 2021. Profit attributable to the owners of the parent amounted to RMB197.04 million for the six months ended 30 June 2022. As at 30 June 2022, the Group's cash and cash equivalents decreased by 21.90% to RMB972.3 million as compared with RMB1,244.9 million as at 31 December 2021. The Group's total assets decreased by 1.92% to RMB18,074.2 million as at 30 June 2022 as compared with RMB18,428.4 million as at 31 December 2021. The Group's total liabilities decreased by 4.00% to RMB11,205.6 million as at 30 June 2022 as compared with RMB11,672.8 million as at 31 December 2021. The Group's return on total assets for the six months ended 30 June 2022 was 1.11%, as compared with 0.34% for the same period in 2021.

2. Results of Operation

Revenue

The Group's revenue increased by 5.6% to RMB2,318.8 million for the six months ended 30 June 2022 as compared with RMB2,196.6 million for the same period in 2021, primarily due to the increase in sales of franchised desulfurization and denitrification.

Cost of sales

The Group's cost of sales increased by 2.02% to RMB1,834.6 million for the six months ended 30 June 2022 as compared with RMB1,798.3 million for the same period in 2021. The increase in the cost of sales of the Group was due to the increase in the cost of franchised desulfurization and denitrification during the year along with the increase in revenue.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by 37.14% to RMB6.3 million for the six months ended 30 June 2022 as compared with RMB10.0 million for the same period in 2021.

Administrative expenses

The Group's administrative expenses decreased by 27.87% to RMB159.3 million for the six months ended 30 June 2022 as compared with RMB220.8 million for the same period in 2021, mainly due to that the Group implemented duration and contract reform of management, the performance bonus of management members was deferred to be granted in the second half of 2022.

Other income and losses

The Group's other income and losses decreased by 44.32% to RMB31.2 million for the six months ended 30 June 2022 as compared with RMB56.0 million for the same period in 2021.

Other expenses

For the six months ended 30 June 2022, the Group had no other expense.

Finance costs

The Group's finance costs decreased by 7.92% to RMB103.1 million for the six months ended 30 June 2022 as compared with RMB112.0 million for the same period in 2021, mainly due to the decrease of the Group's borrowing costs caused by the decrease in the annual interest rate of the Group's current borrowings compared with the annual interest rate of the borrowings in the same period of the previous year, and the repayment of existing loans and the replacement of principals of high-interest-rate borrowings with low-interest-rate borrowings.

Profit before tax

As a result of the foregoing factors, the Group's profit before tax increased by 137.19% to RMB241.9 million for the six months ended 30 June 2022 as compared with RMB102.0 million for the same period in 2021.

Income tax expense

The Group's income tax expense was RMB42.0 million for the six months ended 30 June 2022, representing an increase of 18.05% from RMB35.5 million for the same period in 2021.

Profit for the period

The Group's profit for the Reporting Period increased by RMB133.5 million from RMB66.4 million for the six months ended 30 June 2021 to RMB199.9 million for the six months ended 30 June 2022. For the six months ended 30 June 2022, the Group's profit during the Reporting Period as a percentage of its total revenue increased to 8.6% as compared with 3.0% for the same period in 2021.

Profit attributable to owners of the parent

The profit attributable to owners of the parent increased by RMB110.4 million to RMB197.0 million for the six months ended 30 June 2022 as compared with RMB86.6 million for the same period in 2021.

Profit attributable to non-controlling interests

The profit attributable to non-controlling interests increased by 114.2% to RMB2.87 million for the six months ended 30 June 2022 as compared with RMB-20.2 million for the same period in 2021.

3. Results on Business Segments

The following table sets forth a breakdown of the Group's revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the six months ended 30 June 2022 and 30 June 2021, respectively, as well as the percentage of change:

	For the six months ended 30 June				
	2022		2021		Change %
	Revenue RMB'000	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue RMB'000	Percentage of total revenue before elimination ⁽¹⁾ %	
Environmental Protection and Energy Conservation Solutions:					
Total revenue of environmental protection and energy conservation solutions before elimination	2,233,752	94.9	2,162,153	96.5	3.3
Intra-segment elimination ⁽²⁾	(36,669)		(42,776)		
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	2,197,083		2,119,377		3.7
Inter-segment elimination	-		-		
External revenue of environmental protection and energy conservation solutions	2,197,083		2,119,377		3.7
Renewable Energy Engineering:					
Total revenue of renewable energy engineering	99,793	4.2	43,206	2.0	131.0
Inter-segment elimination	-		-		
External revenue of renewable energy engineering	99,793		43,206		131.0
Thermal Power Engineering:					
Total revenue of thermal power engineering	0	-	927	-	(100.0)
Inter-segment elimination	-		-		
External revenue of thermal power engineering	0		927		(100.0)
Other Businesses:					
Total revenue of other businesses	21,915	0.9	33,441	1.5	(34.5)
Inter-segment elimination ⁽³⁾	-		(354)		
External revenue of other businesses	21,915		33,087		(33.8)
Total revenue before intra- and inter-segment elimination ⁽⁴⁾	2,355,460	100.0	2,239,727	100.0	5.2
Total intra- and inter-segment elimination ⁽⁵⁾	(36,669)		(43,130)		
Total revenue	2,318,791		2,196,597		5.6

Notes:

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

The following table sets forth a breakdown of the Group's gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the six months ended 30 June 2022 and 30 June 2021, respectively, as well as the percentage of change in gross profit:

	For the six months ended 30 June				
	2022		2021		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	470,266	21.4	371,615	17.2	26.5
Total gross profit of renewable energy engineering	13,860	13.9	366	0.8	3,686.9
Total gross profit of thermal power engineering	-	-	(5)	(0.5)	-
Total gross profit of other businesses	42	0.2	18,144	54.3	(99.8)
Total gross profit and gross profit margin ⁽³⁾	<u>484,168</u>	<u>20.9</u>	<u>398,278</u>	<u>18.1</u>	<u>21.6</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) 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 2022, the Group's cash and cash equivalents decreased by 21.90% to RMB972.3 million as compared with RMB1,244.9 million as at 31 December 2021. 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 2022, the Group's net current assets decreased by 13.16% to RMB948.7 million as compared with RMB1,092.5 million as at 31 December 2021, primarily due to the increase of receivables, and the decrease of interest-bearing bank borrowings and other loans.

6. Indebtedness

As at 30 June 2022, the Group's borrowings decreased by 4.74% to RMB5,670.7 million as compared with RMB5,952.8 million as at 31 December 2021.

7. Capital Expenditure

The Group's capital expenditure decreased by 35.71% to RMB102.7 million for the six months ended 30 June 2022 as compared with RMB159.7 million for the six months ended 30 June 2021.

8. Net Gearing Ratio

As at 30 June 2022, 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 40.62%, representing a decrease of 0.45 percentage point as compared with 41.07% as at 31 December 2021.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and energy conservation policies

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

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group and its associates, and will continue to enter into such transactions in the future. For the six months ended 30 June 2022, the total value of goods sold and services provided by the Group to China Datang Group and its associates was approximately RMB2,102.1 million, representing approximately 90.7% of the total revenue of the Group. For the six months ended 30 June 2022, the total value of goods purchased and services received by the Group from China Datang Group and its associates was approximately RMB680.5 million, representing approximately 37.1% of the total cost of the Group. The Group has been actively expanding its client base. For example, as at 30 June 2022, the Group entered into contracts in the amount of RMB255 million with clients other than China Datang Group and its associates, representing approximately 53% of the total contract amount of the Group.

Cash flow risks

The Group had positive operating cash flows for the six months ended 30 June 2022. The Group cannot assure that its operating cash flows for any future period will be positive. The Group's ability to generate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to implement diversified measures to collect receivables in order to significantly improve operating cash flow. In addition, the Group has been proactively seeking finance to support the development and expansion of its business. As at 30 June 2022, the Group had available bank facilities of RMB17.054 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 aggressively developing its overseas business, especially in the Belt and Road Initiative countries. The Group's global business expansion may be hindered by risks such as: lack of availability of overseas financing, possible difficulties in the management of personnel and business operations, lack of understanding of the local business environment, financial and management system or legal system, volatility in currency exchange rates, cultural differences, changes in political, regulatory or economic environments in the foreign countries or other regions, as well as the risk of barriers. If the Group fails to manage the above risks effectively, its overseas expansion may be hindered, which may in turn result in a material and adverse effect on its business prospects, results of operations and financial condition. The management of the Group is of the view that, the PRC government has been actively establishing friendly diplomatic relations with the Belt and Road Initiative countries and improving the overseas investment atmosphere. The Group has extensive project experience in some countries, for instance India and Thailand, which can serve as examples for its future overseas development, and the Group has established rather mature risk management and internal control systems to mitigate risks on overseas business to the greatest extent possible.

V. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, we had 1,020 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 2022 by their functions:

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	316	30.98%
Engineering and technical personnel	201	19.71%
Sales personnel	72	7.06%
Research and development personnel	311	30.49%
Administrative and management personnel	84	8.24%
Manufacture personnel	23	2.25%
Others	13	1.27%
Total	<u>1,020</u>	<u>100.00%</u>

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 21 training programs on business management, professional techniques and production skills, with 100% employees attending the trainings.

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

VI. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

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

Firstly, improve operation management level and profitability. For concession operation business, the Group will establish the “one policy for one plant” indicator system to continuously reduce energy consumption and material consumption levels, accelerate the transformation of 14 gypsum disposal projects into gypsum comprehensive utilization projects, take measures to improve the quality of gypsum, and improve the efficiency of asset operation. For catalysts business, the Group will reduce manufacturing costs in terms of production and bulk raw material procurement, vigorously promote the research and development of new catalysts, and increase the added value of products in terms of technological innovation, so as to continuously improve profitability. For engineering business, the Group will enhance the competitiveness of technical routes and design plans, make every effort to increase the bid-winning rate, and increase the number of contracts in hand, so as to create conditions for a full turnaround.

Secondly, strengthen in-depth planning of new energy business. The Group will further implement systematic decision-making, realize the fundamental transformation from “load driving power supply” to “interaction of power supply and load” by means of integrated energy services such as smart power grid, micro-grid, multi-energy complementation, “electricity sales +” virtual power plant, etc. The Group will make every effort to optimize the design to reduce investment costs, implement cost control of the whole process and all elements, and improve the project income level. The Group will speed up to find the entry point of energy storage projects, take the opportunity of participating in the construction of Ningxia Zhongning compressed air energy storage project to fully summarize construction experience, and deeply explore potential businesses. The Group will strengthen its involvement in the integration of electrochemical energy storage system, actively participate in the construction of shared energy storage projects, and realize technology introduction, assimilation and re-innovation, so as to lay a foundation for subsequent business development.

Thirdly, promote in-depth environmental governance. The Group will further plan to form mature development ideas for disposal and recycling of retired wind turbine blades and photovoltaic modules, noise control and other businesses, deeply explore market demand for sewage treatment, actively promote the implementation of carbon capture demonstration projects, and further acquire core technologies for carbon capture, storage and utilization. The Group will mainly promote the ecology-oriented development model of “ecological environment governance + industrial introduction”, and systematically plan the industrial layout and business model in the two directions of “governance” and “introduction”. The Group will comprehensively and systematically evaluate the profitability and management model of the Sanmenxia gypsum production line, effectively establish mature product operation and sales channels, and expand production capacity of building gypsum by relying on concession operation resources.

Fourthly, strengthen the upgrading of traditional technologies and development of new technologies. The Group will strengthen the improvement of design optimization capabilities and technological upgrading of engineering businesses such as traditional desulfurization, denitrification and dust removal, urea hydrolysis, coal yard closure and renewable energy, strengthen the promotion and application of technologies such as low-flash, rotary atomization drying zero emission and treatment of heavy metal wastewater by ferric oxide microcrystal method, and further reduce costs and improve technical reliability. The Group will strengthen the research on green and low-carbon technologies, focus on the near-zero emission multi-pollutant deep removal technology as well as the exploration and research and development of new environmentally friendly products, study derivative technologies related to integrated energy services, and strengthen technical research on wastewater and solid waste treatment and utilization, so as to effectively drive transformation and upgrading of the Company through technological changes.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, except for deviation from the code provision C.2.1 under the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Listing Rules as described below, the Company has complied with the code provisions of the Corporate Governance Code.

According to code provision C.2.1 of the Corporate Governance Code, the roles of chairman of the Board and the general manager should be distinguished and assumed by different persons. However, due to work re-arrangement, Mr. Wang Yanwen has resigned as the chairman of the Board since June 2022, and the executive Director and general manager, Mr. Shen Zhen, took up the responsibilities of the chairman of the Board until the election of a new chairman of the Board by the Company. The Company will complete the election of the new chairman of the Board as soon as possible in accordance with legal procedures. For details, please refer to the announcement of the Company dated 30 June 2022.

A single gender board will not be considered to have achieved diversity from 1 January 2022. As the Company has a single gender Board, we will review the structure and composition of the Board, and appoint a Director of a different gender on or before 31 December 2024.

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

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

DIVIDEND DISTRIBUTION PLAN FOR THE SIX MONTHS ENDED 30 JUNE 2022

According to the resolution of the Board passed on 31 August 2022, the Board did not recommend to distribute any interim dividend to shareholders of the Company for the six months ended 30 June 2022.

MATERIAL LITIGATION OR ARBITRATION EVENTS

As at 30 June 2022, 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 2022, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company’s listed securities.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company has been listed on the Main Board of the Stock Exchange since 15 November 2016. The net proceeds from the initial public offering and partial exercise of the 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 2022 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 2022 (HK\$ million)	Unutilised net proceeds as at 30 June 2022 (HK\$ million)	Expected time of full utilization of remaining balance
To finance the capital expenditures for expanding the desulfurization and denitrification concession operations	1,219.50	1,219.50	1,219.50	0.00	–
To develop new sources of growth in the revenue and profit, including but not limited to EMC business for coal-fired power plants, water treatment business, and providing customers with overall solution plans of ultra-low emissions	304.80	304.80	304.80	0.00	–
To repay some of the existing bank loans in order to lower the finance costs and improve the financial leverage ratio	203.20	203.20	203.20	0.00	–
For working capital and other general corporate purposes	203.20	203.20	203.20	0.00	–
For research and development expenditures	101.60	93.60	55.52	38.08	December 2025
Investment in renewable energy projects	–	8.00	0.00	8.00	December 2022
Total	2,032.30	2,032.30	1,986.22	46.08	

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2022, the Group had no material acquisition or disposal.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MAJOR INVESTMENTS

For the six months ended 30 June 2022, the Group did not hold any significant investment and has not executed any agreement in respect of material acquisitions, investments or capital asset and did not have any other future plans relating to material acquisitions, investments or capital asset as at the date of this announcement. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

REVIEW OF INTERIM RESULTS ANNOUNCEMENT

The audit committee of the Company (the “**Audit Committee**”) has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 31 August 2022, the Board approved the resolution in relation to the proposed new establishment of a wholly-owned subsidiary by the Company in Huai’an city, Jiangsu Province, the PRC, with its proposed registered capital of approximately RMB38 million. The proposed new establishment is a part of the Group’s development strategy to further improve the industrial chain of denitrification catalysts, to optimize the industrial layout and product system, to increase the manufacturing capacity of honeycomb catalyst and to expand the scale of catalyst disposal and regeneration.

Save as disclosed in this announcement, no other important events affecting the Group occurred since 30 June 2022 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The Company will dispatch in due course to shareholders of the Company the 2022 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.*
Shen Zhen
Executive Director

Beijing, the PRC, 31 August 2022

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

* *For identification purposes only*