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 2018

FINANCIAL AND OPERATION HIGHLIGHTS

- For the six months ended 30 June 2018, the revenue of the Group amounted to RMB2,668.5 million, representing a decrease of 10.9% as compared with the same period of last year.

- For the six months ended 30 June 2018, the gross profit of the Group amounted to RMB562.9 million and the gross profit margin of the Group amounted to 21.1%, representing an increase in gross profit margin of 0.5 percentage points as compared with the same period of last year.

- For the six months ended 30 June 2018, the total comprehensive income attributable to owners of the parent amounted to RMB293.4 million, representing an increase of 4.0% as compared with the same period of last year.

- During January to June 2018, the Group landed daily maintenance projects for environmental protection facilities of 2 coal-fired power plants of State Power Investment Corporation Limited, and won the bids for the maintenance project for desulfurization facilities of 1 coal-fired power plant of China Huaneng Group Co., Ltd., and achieved a material breakthrough in operating market of environmental protection facilities outside the system of China Datang Group.

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 2018 (the "**Reporting Period**"), together with the comparable figures of the same period in 2017. The financial information of the Group for the six months ended 30 June 2018 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 2018
(Amounts expressed in thousands of RMB unless otherwise stated)

		Six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Revenue from contracts with customers	4	**2,668,530**	2,994,018
Cost of sales		**(2,105,590)**	(2,377,383)
Gross profit		**562,940**	616,635
Selling and distribution expenses		**(20,530)**	(23,537)
Administrative expenses		**(115,320)**	(125,921)
Other income and gains	5	**42,157**	26,195
Finance costs	6	**(91,787)**	(90,668)
Exchange loss, net		**(5,332)**	(35,005)
Profit before tax		**372,128**	367,699
Income tax expense	7	**(67,728)**	(69,961)
PROFIT FOR THE PERIOD		**304,400**	297,738

	Notes	Six months ended 30 June 2018 Unaudited RMB'000	2017 Unaudited RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**(3,690)**	(32)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(3,690)**	(32)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on equity instruments at fair value through other comprehensive income		**280**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**280**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(3,410)**	(32)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**300,990**	297,706
Profit attributable to:			
Owners of the parent		**295,226**	282,000
Non-controlling interests		**9,174**	15,738
		304,400	297,738
Total comprehensive income attributable to:			
Owners of the parent		**293,440**	281,982
Non-controlling interests		**7,550**	15,724
		300,990	297,706
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	9	**0.10**	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

	Notes	**30 June 2018**	31 December 2017
		Unaudited	Audited
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**7,304,208**	7,341,666
Intangible assets		**169,055**	162,234
Prepaid land lease payments		**19,299**	19,531
Available-for-sale financial investment		**–**	5,000
Financial assets at fair value through other comprehensive income		**4,767**	–
Deferred tax assets		**38,254**	36,239
Other non-current assets		**323,859**	287,560
Total non-current assets		**7,859,442**	7,852,230
CURRENT ASSETS			
Inventories		**135,406**	123,927
Construction contracts		**–**	363,490
Contract assets		**531,817**	–
Trade and bills receivables	11	**7,049,590**	7,191,795
Prepayments, deposits and other receivables	12	**954,755**	946,087
Restricted cash and time deposit	13	**44,285**	17,843
Cash and cash equivalents	13	**1,651,901**	1,666,080
Total current assets		**10,367,754**	10,309,222
CURRENT LIABILITIES			
Trade and bills payables	14	**5,197,018**	5,787,356
Other payables and accruals		**835,567**	1,110,673
Contract liabilities		**570,861**	–
Interest-bearing bank borrowings and other loans	15	**1,813,389**	1,234,066
Income tax payable		**29,874**	49,318
Total current liabilities		**8,446,709**	8,181,413
NET CURRENT ASSETS		**1,921,045**	2,127,809
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,780,487**	9,980,039

	Notes	**30 June 2018** **Unaudited** ***RMB'000***	31 December 2017 Audited *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings and other loans	15	**2,908,233**	3,016,766
Other non-current liabilities		**35,924**	36,912
Total non-current liabilities		**2,944,157**	3,053,678
Net assets		**6,836,330**	6,926,361
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,967,542**	2,967,542
Reserves		**3,679,122**	3,775,926
		6,646,664	6,743,468
Non-controlling interests		**189,666**	182,893
Total equity		**6,836,330**	6,926,361

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the parent								
	Share capital *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus reserve* *RMB'000*	Fair value reserve of financial assets at FVOCI* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Six months ended 30 June 2018 (unaudited)									
As at 1 January 2018	2,967,542	1,315,483	278,050	–	560	2,181,833	6,743,468	182,893	6,926,361
Adjustments on changes of accounting policies	–	–	–	(478)	–	(3,986)	(4,464)	1,425	(3,039)
As at 1 January 2018	2,967,542	1,315,483	278,050	(478)	560	2,177,847	6,739,004	184,318	6,923,322
Profit for the period	–	–	–	–	–	295,226	295,226	9,174	304,400
Other comprehensive income	–	–	–	280	(2,066)	–	(1,786)	(1,624)	(3,410)
Total comprehensive income	–	–	–	280	(2,066)	295,226	293,440	7,550	300,990
Dividends declared to owners of the parent *(Note 8)*	–	–	–	–	–	(385,780)	(385,780)	–	(385,780)
Dividends declared by a subsidiary to its non-controlling interests	–	–	–	–	–	–	–	(2,202)	(2,202)
As at 30 June 2018	2,967,542	1,315,483	278,050	(198)	(1,506)	2,087,293	6,646,664	189,666	6,836,330

	Attributable to owners of the parent								
	Share capital *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus reserve* *RMB'000*	Fair value reserve of financial assets at FVOCI* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Six months ended 30 June 2017 (unaudited)									
As at 1 January 2017	2,967,542	1,315,483	163,538	–	1,081	1,792,364	6,240,008	175,346	6,415,354
Profit for the period	–	–	–	–	–	282,000	282,000	15,738	297,738
Other comprehensive income	–	–	–	–	(18)	–	(18)	(14)	(32)
Total comprehensive income	–	–	–	–	(18)	282,000	281,982	15,724	297,706
Dividends declared to owners of the parent	–	–	–	–	–	(370,943)	(370,943)	–	(370,943)
Dividends declared by a subsidiary to its non-controlling interests	–	–	–	–	–	–	–	(32,032)	(32,032)
As at 30 June 2017	2,967,542	1,315,483	163,538	–	1,063	1,703,421	6,151,047	159,038	6,310,085

* These reserve accounts comprise the consolidated reserves of RMB3,679,122,000 and RMB3,183,505,000 as at 30 June 2018 and 2017, respectively, in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018
(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(10,485)**	(21,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**7,705**	3,455
Purchase of items of property, plant and equipment and intangible assets	**(331,698)**	(466,473)
Increase in time deposit	**(35,000)**	–
Net cash flows used in investing activities	**(358,993)**	(463,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	**1,747,236**	253,450
Repayments of bank borrowings and other loans	**(1,276,446)**	(726,347)
Costs of issue of shares	**(7,890)**	(32,221)
Dividends paid	**(2,490)**	–
Interest paid	**(99,761)**	(88,076)
Net cash flows from/(used in) financing activities	**360,649**	(593,194)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,829)**	(1,077,528)
Cash and cash equivalents at the beginning of the period	**1,666,080**	3,012,614
Effect of foreign exchange rate changes, net	**(5,350)**	(34,946)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,651,901**	1,900,140

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018
(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (together the "**Group**") are involved in the following principal activities: environmental protection facilities 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 statements are presented in thousands of Renminbi ("**RMB**"), unless otherwise stated.

The interim condensed consolidated financial statements have not been audited.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The Group elected to adopt IFRS 15 using the modified retrospective method, and applied IFRS 9 retrospectively that the Group did not restate the comparative information for the period beginning on 1 January 2017. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations are applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018.

The principal business of the Group includes environmental protection facility concession operation, the manufacture and sale of denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.

(a) Sale of goods

The Group is engaged in the manufacture and sale of denitrfication catalysts. Revenue is recognised when goods are delivered to the customers' premises which is taken to be the point in time when control of the assets is transferred to the customers. Therefore, the adoption of IFRS 15 did not have an impact on the timing and the amount of revenue recognition.

(b) *Rendering of construction services*

The Group provides construction services with respect to the engineering projects in relation to desulfurization and denitrification facilities at coal-fired power plants, wind power plants, solar power plants, coal-fired power plants and coal yards. Revenue from providing construction services is recognised in the accounting period during which the services are rendered.

Prior to adoption IFRS 15, the revenue from construction services was recognised on the percentage of completion method.

Under IFRS 15, the Group's revenue from construction services will continue to be recognised over time, using an output method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as contract assets, which was treated as amount due from contract customers included in construction contracts prior to adoption of IFRS 15. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as contract liabilities, which was treated as amount due to contract customers included in other payables and accruals prior to adoption of IFRS 15. Therefore, upon adoption of IFRS 15, the Group made reclassifications from construction contracts to contract assets, and from other payables and accruals to contract liabilities.

(c) Rendering of desulfurization and denitrification services

The Group is engaged in providing desulfurization and denitrification services to power plants under the concession operation contracts for a period of the life cycle of the power plants. The service revenues are recognised at an on-grid tariff of a certain amount per kWh for the electricity generated by the power plants.

Under IFRS 15, the Group concluded that revenue from desulfurization and denitrification services will continue to be recognised over time, using the method similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Advances received from customers

Generally, the Group receives short-term advances from its customers. Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less. In addition, reclassifications have been made from other payables and accruals to contract liabilities for the outstanding balance of advances from customers under IFRS 15.

(e) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for the disclosure on disaggregated revenue.

Upon adoption of IFRS 15, the consolidated statement of financial position as at 1 January 2018 was reclassified, resulting in recognition of current contract liabilities amounting to RMB537.1 million and decreases in other payables and accruals amounting to RMB537.1 million, and in recognition of contract assets amounting to RMB363.5 million and decreases in construction contracts amounting to RMB363.5 million. There is no effect on the opening balance of retained earnings.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and did not restate the comparative information for the period beginning on 1 January 2017.

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the"**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, and long-term receivables included under other non-current financial assets.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments were solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the profit or loss.

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, the consolidated statement of financial position as at 1 January 2018 was restated, assets with a carrying amount of RMB5 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and a net fair value loss of RMB0.48 million was recorded to the FVOCI reserve on 1 January 2018.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, including other receivables, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's contract assets and trade receivables. The increase in allowance resulted in adjustment to retained earnings and non-controlling interests.

The consolidated statement of financial position as at 1 January 2018 was restated, resulting in decrease in trade receivables, decrease in contract assets and increase in deferred tax assets amounting to RMB0.70 million, RMB2.37 million, and RMB0.51 million respectively. As a result, the opening balance of retained earnings was decreased by RMB3.99 million, and non-controlling interests increased by RMB1.43 million.

2.3 Accounting judgments and estimates

The preparation of the interim condensed consolidated financial statements 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 statements, except for the significant accounting judgements and estimates in relative to new accounting policies application mentioned above, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that are applied to the annual consolidated financial statements for the year ended 31 December 2017.

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 business for coal-fired power plants; the manufacture and sale of denitrification catalysts business; engineering business 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 business; and energy conservation business including energy conservation engineering and energy management contract.

(b) Renewable energy engineering

The renewable energy engineering business currently includes the engineering general contracting business 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, air cooling system engineering general contracting and coal yard monitoring system upgrade.

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 unallocated income and gains, 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, deposits and other receivables, unallocated restricted cash and time deposit, unallocated 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 for daily operation purpose, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfer are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(Amounts expressed in thousands of RMB unless otherwise stated)

Six months ended 30 June 2018 (unaudited)	**Environmental protection and energy conservation solutions**	**Renewable energy engineering**	**Thermal power engineering**	**Other businesses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue					
Sales to external customers	**2,320,585**	**124,299**	**153,810**	**69,836**	**2,668,530**
Intersegment sales	**14,879**	**–**	**–**	**26,334**	**41,213**
	2,335,464	**124,299**	**153,810**	**96,170**	**2,709,743**
Reconciliation:					
Elimination of intersegment sales					**(41,213)**
Revenue					**2,668,530**
Segment results	**516,743**	**10,284**	**8,319**	**(42,537)**	**492,809**
Reconciliation:					
Other income and gains					**42,157**
Exchange loss, net					**(5,332)**
Corporate and other unallocated expenses					**(65,719)**
Finance costs					**(91,787)**
Profit before tax					**372,128**
As at 30 June 2018 (unaudited)					
Segment assets	**16,484,047**	**1,186,691**	**118,769**	**591,766**	**18,381,273**
Reconciliation:					
Elimination of intersegment receivables					**(873,105)**
Corporate and other unallocated assets					**719,028**
Total assets					**18,227,196**
Segment liabilities	**7,176,065**	**1,272,527**	**164,804**	**702,170**	**9,315,566**
Reconciliation:					
Elimination of intersegment payables					**(873,105)**
Corporate and other unallocated liabilities					**2,948,405**
Total liabilities					**11,390,866**

(Amounts expressed in thousands of RMB unless otherwise stated)

Six months ended 30 June 2017 (unaudited)	Environmental protection and energy conservation solutions	Renewable energy engineering	Thermal power engineering	Other businesses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue					
Sales to external customers	2,169,294	717,114	–	107,610	2,994,018
Intersegment sales	–	–	–	5,948	5,948
	2,169,294	717,114	–	113,558	2,999,966
Reconciliation:					
Elimination of intersegment sales					(5,948)
Revenue					2,994,018
Segment results	531,754	41,552	–	(16,253)	557,053
Reconciliation:					
Other income and gains					26,195
Exchange loss, net					(35,005)
Corporate and other unallocated expenses					(89,876)
Finance costs					(90,668)
Profit before tax					367,699
As at 31 December 2017 (audited)					
Segment assets	16,563,443	1,093,429	64,401	689,273	18,410,546
Reconciliation:					
Elimination of intersegment receivables					(925,823)
Corporate and other unallocated assets					676,729
Total assets					18,161,452
Segment liabilities	7,392,795	1,298,409	72,693	508,193	9,272,090
Reconciliation:					
Elimination of intersegment payables					(925,823)
Corporate and other unallocated liabilities					2,888,824
Total liabilities					11,235,091

(Amounts expressed in thousands of RMB unless otherwise stated)

Geographical information

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

Information about major customers

Revenue of approximately RMB2,426 million for the six months ended 30 June 2018 was derived from sales of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) (collectively referred to as "**China Datang Group**") (for the six months ended 30 June 2017: RMB2,286 million).

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the analysis of the Group's revenue from contracts with customers:

	Six months ended 30 June 2018 (unaudited)				
Segments	Environmental protection and energy conservation solutions	Renewable energy engineering	Thermal power engineering	Other businesses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Type of goods or service					
Revenue from sales of goods	154,762	–	–	8,443	163,205
Revenue from construction services	630,477	124,299	153,810	61,289	969,875
Revenue from desulfurization and denitrification services	1,535,346	–	–	–	1,535,346
Revenue from other services	–	–	–	104	104
Total revenue from contracts with customers	2,320,585	124,299	153,810	69,836	2,668,530
Timing of revenue recognition					
Goods transferred at a point in time	154,762	–	–	8,443	163,205
Services transferred over time	2,165,823	124,299	153,810	61,393	2,505,325
Total revenue from contracts with customers	2,320,585	124,299	153,810	69,836	2,668,530

(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June 2017
	Unaudited
	RMB'000
Revenue	
Revenue from sales of goods	189,944
Revenue from construction services	1,469,004
Revenue from desulfurization and denitrification services	1,310,019
Revenue from other services	25,051
Total revenue	2,994,018

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Other income		
Bank interest income	**7,705**	3,455
Government grants	**34,452**	22,767
	42,157	26,222
Other gains /(losses), net		
Loss on disposal of items of property, plant and equipment	**–**	(27)
	42,157	26,195

(Amounts expressed in thousands of RMB unless otherwise stated)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest expenses on bank borrowings and other loans	**99,940**	94,863
Less: interest capitalized	**(8,153)**	(4,195)
	91,787	90,668

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current		
– PRC	**69,196**	74,545
– other country	**–**	955
Deferred	**(1,468)**	(5,539)
	67,728	69,961

(Amounts expressed in thousands of RMB unless otherwise stated)

8. DIVIDENDS

On 23 March 2018, the board of Directors of the Company (the "**Board**") proposed to distribute the final dividend for the year ended 31 December 2017 of RMB0.13 per share (before tax) amounted to RMB385.8 million in cash to the shareholders, which was approved by the shareholders of the Company at the 2017 annual general meeting on 29 June 2018. As at 30 June 2018, 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 2018 (for the six months ended 30 June 2017: nil).

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares for six months ended 30 June 2018 and 2017, respectively.

The Company did not have any potential dilutive shares in issue during the six months ended 30 June 2018 and 2017. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

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

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations *(RMB)*	**295,226,000**	282,000,000
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic/diluted earnings per share calculations *(share)*	**2,967,542,000**	2,967,542,000
Earnings per share		
Basic/diluted earnings per share *(RMB)*	**0.10**	0.10

(Amounts expressed in thousands of RMB unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of RMB224,967,000 (for the six months ended 30 June 2017: RMB506,122,000).

Items of property, plant and equipment with a net book value of RMB2,050 were disposed of by the Group during the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB268,000), resulting in a loss on disposal of RMB103 (for the six months ended 30 June 2017: loss of RMB27,000), which is included in "other income and gains" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally within one year.

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables	**6,610,335**	6,777,178
Less: provision for impairment	**(113,469)**	(106,275)
	6,496,866	6,670,903
Bills receivable	**552,724**	520,892
	7,049,590	7,191,795

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 1 year	**3,956,508**	3,988,580
Between 1 and 2 years	**1,013,182**	1,715,266
Between 2 and 3 years	**1,247,738**	871,093
Over 3 years	**945,631**	723,131
	7,163,059	7,298,070
Less: provision for impairment	**(113,469)**	(106,275)
	7,049,590	7,191,795

(Amounts expressed in thousands of RMB unless otherwise stated)

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Due from related parties	**266,085**	247,413
Prepayments	**318,836**	314,514
Other receivables	**79,377**	79,784
Other current assets	**301,500**	315,725
	965,798	957,436
Less: provision for impairment	**(11,043)**	(11,349)
	954,755	946,087

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

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Cash and bank balances	**1,696,186**	1,683,923
Less: restricted cash and time deposit*	**(44,285)**	(17,843)
Cash and cash equivalents	**1,651,901**	1,666,080

* As at 30 June 2018, the Group had time deposit amounting to RMB35 million at an annual interest rate of 1.95% with one year term. As at 30 June 2018 and 31 December 2017, restricted cash mainly represented deposits held for issued notes payable and letters of credit.

(Amounts expressed in thousands of RMB unless otherwise stated)

14. TRADE AND BILLS PAYABLES

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

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Bills payable	**32,849**	56,693
Trade payables	**5,164,169**	5,730,663
	5,197,018	5,787,356

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 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 1 year	**2,772,456**	3,420,623
Between 1 year to 2 years	**696,134**	1,091,211
Between 2 years to 3 years	**1,078,192**	658,152
Over 3 years	**650,236**	617,370
	5,197,018	5,787,356

(Amounts expressed in thousands of RMB unless otherwise stated)

15. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate *(%)*	**Maturity**	**30 June 2018 Unaudited** ***RMB'000***	31 December 2017 Audited *RMB'000*
Current				
Bank borrowings				
– unsecured	3.92%–5.00%	2018–2019	**1,273,346**	588,000
Other loans				
– unsecured	5.00%	2018	**50,000**	–
Current portion of long-term bank borrowings and other loans				
Bank borrowings – unsecured	4.28%–5.15%	2018–2019	**472,680**	629,913
Bank borrowings – guaranteed	4.28%–4.41%	2018–2019	**14,463**	13,253
Other loans – unsecured	5.15%	2018–2019	**2,900**	2,900
			490,043	646,066
			1,813,389	1,234,066
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	4.28%–5.15%	2019–2027	**2,608,643**	2,708,003
Bank borrowings – guaranteed	4.28%–4.41%	2021–2026	**89,410**	98,583
Other loans – unsecured	4.79%–5.15%	2020–2023	**210,180**	210,180
			2,908,233	3,016,766
			4,721,622	4,250,832
Interest-bearing bank borrowings and other loans denominated in				
– RMB			**4,721,622**	4,250,832

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Analyzed into:		
Bank borrowings repayable:		
Within one year	**1,760,489**	1,231,166
In the second year	**728,417**	566,074
In the third to fifth years, inclusive	**1,388,570**	1,532,890
Beyond five years	**581,066**	707,622
	4,458,542	4,037,752
Other loans repayable:		
Within one year	**52,900**	2,900
In the second year	**5,800**	5,800
In the third to fifth years, inclusive	**195,480**	195,480
Beyond five years	**8,900**	8,900
	263,080	213,080
	4,721,622	4,250,832

16. CAPITAL COMMITMENTS

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

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Contracted, but not provided for	**1,361,942**	1,346,919

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS

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

The following is a summary of significant related party transactions entered in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2018 and 2017. All transactions with related parties were conducted at prices and terms mutually agreed by the parties involved.

(a) Significant related party transactions

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Sales of goods and rendering of services to China Datang Group:		
Environmental protection and energy conservation solutions	**2,174,814**	2,031,977
Renewable energy engineering	**124,299**	151,813
Thermal power engineering	**78,604**	–
Other businesses	**48,738**	101,887
	2,426,455	2,285,677
Purchases of goods and receiving of services from China Datang Group:		
Water supply and electricity supply	**395,528**	276,890
Ancillary services under the concession operations	**41,107**	48,272
Logistics services	**2,967**	6,476
Property lease	**16,328**	17,180
Wind power electricity and other products	**–**	74,931
	455,930	423,749
Payment of financial leasing to a subsidiary of China Datang:		
Datang Financial Lease Co., Ltd. ("**Datang Financial Lease**")	**–**	133,761
Purchase of assets from China Datang Group:		
Purchase of assets	**7**	157,961

(Amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Loans with a subsidiary of China Datang		
China Datang Finance Co., Ltd. ("**Datang Finance**") *(Note a)*	**835,000**	–
Interest expense on loans to a subsidiary of China Datang		
Datang Finance	**3,177**	–
Interest income from a subsidiary of China Datang		
Datang Finance	**3,380**	–

Note a: For the six months ended 30 June 2018, Datang Finance has provided short-term loans amounting to RMB835 million to the Group, of which the Group has repaid RMB785 million to Datang Finance during the period.

Apart from above transactions, China Datang Capital Holdings Co., Ltd. ("**Datang Capital**") and the Company entered into a financial services agreement ("**Agreement**") on 14 June 2018. Financial services provided by Datang Capital to the Group under the Agreement include financial leasing and commercial factoring service.

Pricing Policy: Datang Capital has undertaken to provide the aforementioned financial services to the Group based on the following pricing principles:

(a) financial leasing – the rent paid by the Group to Datang Capital includes (i) procurement costs and (ii) interests. The relevant interests are determined based on the benchmark interest rates for borrowings as implemented by the People's Bank of China ("**PBOC**");

(b) commercial factoring service – the comprehensive interest rate relating to the commercial factoring services provided by Datang Capital to the Group shall be based on fair and reasonable market pricing and normal commercial terms. In particular, the rate shall not be higher than the interest rate level provided by independent third parties to the Group for the same type of service during the same period or the interest rate of the same type of service provided by Datang Capital to third parties with same credit rating.

(Amounts expressed in thousands of RMB unless otherwise stated)

(b) Outstanding balances with related parties

The outstanding balances with related parties at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Cash and cash equivalents		
Datang Finance	**1,032,646**	782,235
Trade and bills receivables		
China Datang Group	**5,860,332**	5,744,158
Prepayments, deposits and other receivables		
China Datang Group		
Prepayments	**99,701**	49,228
Other receivables	**166,384**	198,185
	266,085	247,413
Other non-current assets		
China Datang Group	**80,560**	93,870
Construction contracts		
China Datang Group	**–**	284,395
Contract assets		
China Datang Group	**491,506**	–

(Amounts expressed in thousands of RMB unless otherwise stated)

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Loans		
Datang Finance*	**135,000**	85,000
Trade and bills payables		
China Datang Group	**633,486**	711,197
Other payables and accruals		
China Datang Group	**22,762**	467,145
Contract liabilities		
China Datang Group	**473,178**	–

* The balances of loans from Datang Finance were unsecured.

(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 at 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.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

– ***Deposits and borrowings***

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

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Short term employee benefits	**3,476**	3,908
Post-employment benefits	**180**	206
Total compensation paid to key management personnel	**3,656**	4,114

(e) As at 30 June 2018 and 31 December 2017, the Group entered into the lease agreements with China Datang Group. The commitments were as follows:

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Lease of properties	**62,041**	75,277

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017. There have been no changes in the risk management system or in any risk management policies since 31 December 2017.

Compared to the last year end, there was no material change in the status of market risk and credit risk.

(b) Liquidity risk

Compared to 31 December 2017, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except for the net increase in short-term interest-bearing bank borrowings and other loans amounting to RMB579.3 million and the net decrease in long-term interest-bearing bank borrowings and other loans amounting to RMB108.5 million, respectively.

(Amounts expressed in thousands of RMB unless otherwise stated)

(c) Fair values

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

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Carrying amounts *RMB'000*	**Fair values** *RMB'000*	Carrying amounts *RMB'000*	Fair values *RMB'000*
Financial assets				
Financial assets included in other non-current assets	**80,122**	**80,518**	93,472	93,752
Financial liabilities				
Long term interest-bearing bank borrowings and other loans *(Note15)*	**2,908,233**	**2,871,520**	3,016,766	2,975,689

(Amounts expressed in thousands of RMB unless otherwise stated)

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2018 (unaudited)				
Financial assets at fair value through other comprehensive income	–	4,767	–	4,767

As at 30 June 2018, the Group did not have any financial liabilities measured at fair value. As at 31 December 2017, the Group did not have any financial assets and liabilities measured at fair value.

(Amounts expressed in thousands of RMB unless otherwise stated)

Assets for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2018 (unaudited)				
Financial assets included in other non-current assets	**–**	**80,518**	**–**	**80,518**
As at 31 December 2017 (audited)				
Financial assets included in other non-current assets	–	93,752	–	93,752

(Amounts expressed in thousands of RMB unless otherwise stated)

Liabilities for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2018 (unaudited)				
Long term interest-bearing bank borrowings and other loans	**–**	**2,871,520**	**–**	**2,871,520**
As at 31 December 2017 (audited)				
Long term interest-bearing bank borrowings and other loans	–	2,975,689	–	2,975,689

During the six months ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Management has assessed that the fair values of cash and cash equivalents, restricted cash and time deposit, trade and bill receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, 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 the end of the reporting periods, 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 interest-bearing bank borrowings and other loans 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 Group's own non-performance risks for interest-bearing bank borrowings and other loans as at the end of each of the reporting periods were assessed to be insignificant.

- The fair values of the financial assets included in other non-current assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

- With respect to the fair value measurement for the Group's financial assets at fair value through other comprehensive income that are unlisted equity securities without an active market, the Group's finance department has made benchmarking to the market price of certain comparable listed companies within the same or similar operation/industry and applied certain adjustments/discount for non-marketability.

19. EVENTS AFTER THE REPORTING PERIOD

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

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 17 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. INDUSTRY OVERVIEW

In March 2018, Premier Li Keqiang pointed out in the "Report on the Work of the Government" that China will be committed to achieving harmony between human and nature, taking major steps to address pollution, and urging for prevention, control and combat of pollution provided that accomplished environmental protection efforts have been consolidated. In 2018, the government would cut the sulphur dioxide and nitrogen oxide emissions by 3 percent and achieve a continuous decline in density of fine particulate matter (PM2.5) in key areas. The government would encourage upgrading in the steel and other industries to achieve ultra-low emissions. The government would raise standards on the emission of pollutants, and set deadlines for meeting required discharge standards. The government would continue efforts to prevent and control water and soil pollution, such that chemical oxygen demand and ammonia nitrogen emissions would be cut by 2 percent. Water environments in key river basins and sea areas would be improved through comprehensive measures, and thorough action would be taken to clean up black, malodorous water bodies. The government would strengthen the development of sewage treatment facilities, and improve policy on charges for their services.

In relation to the requirements and initiatives of environmental protection under the "Report on the Work of the Government", a series of objective and accurate environmental protection policies and planning were successively introduced in the first half of 2018:

In May 2018, the Ministry of Ecology and Environment issued "The Work Plan for Reform on Ultra-low Emissions for Iron and Steel Enterprises (Draft for Comment)" (《鋼鐵企業超低排放改造工作方案(徵求意見稿)》), proposing that all of the newly built (including those for relocation) iron and steel projects are required to meet the ultra-low emission standards. By the end of October 2020, iron and steel enterprises which are capable for transformation in key areas for prevention and control of air pollution (such as Beijing-Tianjin-Hebei Metropolitan Region and surrounding areas, Yangtze River Delta and Fen-Wei Plain (汾渭平原)) should basically complete the reform for ultra-low emissions. By the end of 2025, iron and steel enterprises throughout the nation capable for transformation urge for achieving ultra-low emissions. The introduction of such planning policy symbolizes the upcoming implementation of air pollution control measures in the non-electric industry in China. According to the policy objectives and estimation of schedule, the market space of ultra-low emissions in the iron and steel industry is no less than RMB80 billion. The demand for atmospheric environmental protection equipment and engineering services would last for 7–8 years.

In the end of June 2018, the State Council officially published the "Three-Year Action Plan for Defending the Blue Sky (《打贏藍天保衛戰三年行動計劃》) and constantly carried out air pollution prevention and control measures focused on these three key areas in Beijing-Tianjin-Hebei Metropolitan Region and surrounding areas, Yangtze River Delta area and Fen-Wei Plain (汾渭平原), striving to achieve the "four significance", that is, to further significantly reduce the PM2.5 density, significantly reduce the number of days of heavy pollution, significantly improve the air quality conditions, and significantly enhance the sense of well-being toward "blue sky" among the majority. The plan put forward a top-level policy requirement for various environmental protection enterprises working on air pollution prevention and control as well as various related environmental protection agencies in relation to pollution prevention and control measures in the next stage, and also specified the discharge targets and key areas. It is expected that the existing suppressive policy for environmental protection in Beijing-Tianjin-Hebei Metropolitan Region and surrounding areas would speed up the room for development of the air pollution control and monitoring industry, which then gradually penetrate into non-key areas in the future.

Along with the continuous advancement of trouble-shooting struggle for environmental protection in China, the environmental protection industry in China, particularly the atmospheric environmental protection industry, has entered into the fast track of precise governance and scientific governance, in a way that detailed planning policies focused on areas such as atmospheric pollution control and related pollutional industries are emerging. Simultaneously, the relevant standards and technical supportive policies for the environmental protection and atmospheric pollution control industries have gradually been implemented and refined, advancing steadily toward the direction of high-standard, high-quality control, and fully opening up a frontier for counterattack and sprint in Defending the Blue Sky.

II. BUSINESS OVERVIEW

1. Environmental Protection and Energy Conservation Solution Business

1.1. Environmental protection facility concession operation business

As at 30 June 2018, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 36,610MW, representing an increase of 700MW as compared with the end of last year, and the installed capacity for desulfurization concession operation projects under construction reached 12,000MW. The cumulative installed capacity in operation for denitrification concession operations reached 30,480MW, representing an increase of 700MW as compared with the end of last year, and the installed capacity for denitrification concession operation projects under construction reached 12,000MW. The installed capacity for desulfurization entrusted operation project reached 1,960MW.

During January to June 2018, the Group signed a contract for daily maintenance projects for environmental protection facilities of 2 coal-fired power plants, subsidiaries of State Power Investment Corporation Limited, and won the bids for the maintenance project for desulfurization facilities of 1 coal-fired power plant, subsidiary of China Huaneng Group Co. Ltd., and achieved a material breakthrough in operating market of environmental protection facilities outside the system of China Datang Group.

1.2. Denitrification catalysts business

During January to June 2018, the production volume and the sales volume of the denitrification catalysts business of the Group were 18,705.5m^3 and 13,991.2m^3, respectively. The following table sets forth the breakdown of the key figures of the Group's denitrification catalysts business during January to June 2018:

(Unit: m^3)

Production volume	Sales volume	Delivery volume
18,705.5	13,991.2	20,517.6

During January to June 2018, the Group sold 6,424.4m^3 of catalyst to customers other than China Datang Group, among which, 3,498.0m^3 of catalyst was sold to overseas customers and 442.0m^3 of catalyst was sold to customers from non-electric industry such as glass and alumina sectors.

In addition, during January to June 2018, the Group conducted business in relation to integrated use of an aggregate of 1,227.6m^3 of spent denitrification catalysts.

1.3. Environmental protection facilities engineering business

The following table sets forth the breakdown of the environmental protection facilities engineering business of the Group as at 30 June 2018：

Projects	Bid winning projects		Projects put into operation		Projects under construction	
	Number	*Capacity (MW)*	*Number*	*Capacity (MW)*	*Number*	*Capacity (MW)*
Desulfurization	4	3,380	1	700	15	13,790
Denitrification	2	1,980	4	3,200	7	10,000
Dust removal	3	1,650	5	4,040	13	14,250
Ultra-low emission	3	2,640	10	7,940	12	11,410
Industrial site dust management	5	4,910	3	2,100	35	57,619

The Group successfully expanded two kinds of business in environmental protection facility engineering, namely urea hydrolysis and colored smoke plume control. A total of 10 contracts were signed, of which 6 contracts were entered into with customers other than China Datang Group and 3 contracts were entered into with customers from non-electric industry.

1.4. Water treatment business

During January to June 2018, the Group entered into contracts for seven new water engineering projects. As at 30 June 2018, the Group has four water treatment operation projects, two of which have been put into operation, and the other two are under construction; 22 water engineering projects are under construction, six of which are water treatment island projects.

The Group completed the technical acceptance for a pilot program on desulfurization waste water zero discharge and made technological achievements, which brought it the 2018 Water Treatment Innovation Award in Power Industry (First Prize). It is currently actively promoting such project in the industry.

1.5. Energy conservation business

During January to June 2018, the Group entered into contracts for two new energy conservation engineering projects with a total contract value of RMB58.7 million. As at 30 June 2018, the Group has eight energy conservation engineering projects under construction with a total contract value of RMB452.1 million; the Group has three energy management contract projects under execution with a total investment of RMB64.1 million.

2. Renewable Energy Business

During January to June 2018, the Group entered into contracts for 3 new renewable energy projects and won 2 renewable energy projects through bidding, with an installed capacity of 470MW. As at 30 June 2018, the Group has a total of 3 renewable energy projects under construction with an installed capacity of 250MW.

3. Thermal Power Engineering Business

During January to June 2018, the Group entered into contract for one new thermal power engineering project with an installed capacity of 700MW and a contract value of RMB219.4 million.

4. Other Businesses

During January to June 2018, the Group continued to carry out air-cooling system engineering general contracting projects, and as at 30 June 2018, the Group has two projects under construction with an installed capacity of 1,900 MW.

5. Overseas Business

During January and June 2018, the Group newly signed 2 overseas projects, namely 1MW Rooftop Photovoltaic Power Project in Thailand and Dust Removal Project for Cement Production Line in Sibay, Russia, respectively.

As at 30 June 2018, the Group has four overseas projects under execution. Among which, a 50-MW biomass power generation EPC project in Thailand with a total contract value of RMB516 million commenced construction on 1 January 2018.

In addition, in light of the establishment of offices in South Asia, Southeast Asia, the Middle East, and South America and other regions in 2017, the Group has also set up offices in Eastern Europe in order to further expand the overseas business.

6. Research and Development

The scientific and technological achievement of "Development and Application of Key Technology for High-Efficiency Utilization in Full Operation of Exhaust Gas Residual Heat from Integrated Air Heaters (聯合暖風器的煙氣餘熱全工況高效利用關鍵技術開發與應用)" which was under independent research and development by the Company has passed the technical assessment of China Electricity Council ("**CEC**"), and the overall technological standard reached the international advanced level, of which the operating optimization technology under wide load reached international leading standard. Such technology has been successfully applied to the Ningde power plant in Fujian. According to the testing conducted by a competent authority, the coal consumption of power supply under rated operating condition decreased by 3.2g/kWh, while the coal consumption of power supply under 50% operating condition decreased by 2.8g/kWh.

The scientific and technological achievement of "Intelligent Control Technology and Application of SCR System for Coal-fired Power Plants (燃煤電站SCR系統智慧化控制技術及應用)" which was under independent research and development by the Company has passed the technical assessment of CEC and reached the international advanced standard. Such achievement has been successfully applied to 18 coal-fired power generating units, of which the application of No.2 generating unit of Wushashan power plant after testing conducted by the third party was proved with a 3.6% increase in efficiency of denitrification following renovation, which was equivalent to a 14.2% of ammonia saving.

During January to June 2018, the Group obtained a total of 94 utility model patents and 16 invention patents. The Technology Research Project on Full Lifecycle Management of Denitrification Catalyst for Coal-fired Power Plants of the Group received the Technology Improvement Award (Second Prize) from Power China. As at 30 June 2018, the Group had 26 technical standards under drafting. In 2018, the Group participated in the drafting of four technical standards, including three industry standards and one group standard.

In addition, the Company applied for three national key project topics jointly with universities, such as Zhejiang University, North China Electric Power University, Huazhong University of Science and Technology, namely the "Application demonstration of organic pollutants discharge control technology for boilers of large coal-fired power stations" (大型燃煤電站鍋爐有機污染物排放控制技術的應用示範), "Integrated design and whole equipment technology for water recovery and treatment system of coal-fired generating units" (燃煤機組水分回收與處理系統集成設計與裝備成套技術) and "Integration and engineering demonstration of high-efficiency heavy metal control technology" (高效重金屬控制技術集成及工程示範), all of which have been officially incorporated into the national key research and development plan in May 2018, consisting of key special projects for clean and high-efficiency utilization of coal and new energy conservation technology.

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

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

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

1. Overview

The Group's revenue from contracts with customers decreased by 10.9% to RMB2,668.5 million for the six months ended 30 June 2018 as compared with RMB2,994.0 million for the same period in 2017. The Group's profit for the six months ended 30 June 2018 amounted to RMB304.4 million, representing an increase of RMB6.7 million as compared with RMB297.7 million for the same period in 2017. Profit attributable to the owners of the parent amounted to RMB295.2 million for the six months ended 30 June 2018. As at 30 June 2018, the Group's cash and cash equivalents decreased by 0.9% to RMB1,651.9 million as compared with RMB1,666.1 million as at 31 December 2017. The Group's total assets increased by 0.4% to RMB18,227.2 million as at 30 June 2018 as compared with RMB18,161.5 million as at 31 December 2017. The Group's total liabilities increased by 1.4% to RMB11,390.9 million as at 30 June 2018 as compared with RMB11,235.1 million as at 31 December 2017. The Group's return on total assets for the six months ended 30 June 2018 was 1.7%, as compared with 1.7% for the same period in 2017.

2. Results of Operation

2.1. Revenue from contracts with customers

The Group's revenue from contracts with customers decreased by 10.9% to RMB2,668.5 million for the six months ended 30 June 2018 as compared with RMB2,994.0 million for the same period in 2017, primarily due to the decrease of revenue in renewable energy engineering business.

2.2. Cost of sales

The Group's cost of sales decreased by 11.4% to RMB2,105.6 million for the six months ended 30 June 2018 as compared with RMB2,377.4 million for the same period in 2017. The decrease of the Group's cost of sales was due to the decrease of cost of sales along with the decrease of revenue in renewable energy engineering business and the raising price of certain raw materials in environmental protection facilities concession operation business.

2.3. Selling and distribution expenses

The Group's selling and distribution expenses decreased by 12.8% to RMB20.5 million for the six months ended 30 June 2018 as compared with RMB23.5 million for the same period in 2017, mainly due to the Group's adoption of streamlined management to save selling and distribution expenses.

2.4. Administrative expenses

The Group's administrative expenses decreased by 8.4% to RMB115.3 million for the six months ended 30 June 2018 as compared with RMB125.9 million for the same period in 2017, mainly due to the decrease of research and development expenses.

2.5. Other income and gains

The Group's other income and gains increased by 61.1% to RMB42.2 million for the six months ended 30 June 2018 as compared with RMB26.2 million for the same period in 2017, mainly due to the increase in government grants in environmental protection facilities concession operation business.

2.6. Finance costs

The Group's finance costs increased by 1.2% to RMB91.8 million for the six months ended 30 June 2018 as compared with RMB90.7 million for the same period in 2017, primarily due to the Group's adjustment of debt structure.

2.7. Profit before tax

As a result of the foregoing factors, the Group's profit before tax increased by 1.2% to RMB372.1 million for the six months ended 30 June 2018 as compared with RMB367.7 million for the same period in 2017.

2.8. Income tax expense

The Group's income tax expense was RMB67.7 million for the six months ended 30 June 2018, representing a decrease of 3.3% from RMB70.0 million for the same period in 2017.

2.9. Profit for the period

The Group's profit for the period increased by RMB6.7 million from RMB297.7 million for the six months ended 30 June 2017 to RMB304.4 million for the six months ended 30 June 2018. For the six months ended 30 June 2018, the Group's profit for the period as a percentage of its total revenue increased to 11.4% as compared with 10.0% for the same period in 2017.

2.10. Profit attributable to owners of the parent

The profit attributable to owners of the parent increased by RMB13.2 million to RMB295.2 million for the six months ended 30 June 2018 as compared with RMB282.0 million for the same period in 2017.

2.11. Profit attributable to non-controlling interests

The profit attributable to non-controlling interests decreased by 41.4% to RMB9.2 million for the six months ended 30 June 2018 as compared with RMB15.7 million for the same period in 2017.

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 2018 and 30 June 2017, respectively, as well as the percentage of change:

	For the six months ended 30 June				
	2018		2017		
	Revenue	**Percentage of total revenue before elimination**(1)	Revenue	Percentage of total revenue before elimination(1)	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**1,535,346**	**55.0**	1,310,019	42.4	17.2
Denitrification catalysts	**235,357**	**8.4**	274,860	8.9	(14.4)
Environmental protection facilities engineering	**506,779**	**18.2**	483,795	15.7	4.8
Water treatment business	**83,093**	**3.0**	174,719	5.7	(52.4)
Energy conservation business	**56,378**	**2.0**	12,058	0.4	367.6

	For the six months ended 30 June				
	2018		2017		
	Revenue	**Percentage of total revenue before elimination**[1]	Revenue	Percentage of total revenue before elimination[1]	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Total revenue of environmental protection and energy conservation solutions before elimination	**2,416,953**	**86.6**	2,255,451	73.1	7.2
Intra-segment elimination[2]	**(81,489)**		(86,157)		
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	**2,335,464**		2,169,294		7.7
Inter-segment elimination[3]	**(14,879)**		–		
External revenue of environmental protection and energy conservation solutions	**2,320,585**		2,169,294		7.0
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	**124,299**	**4.5**	717,114	23.2	(82.7)
Inter-segment elimination	**–**		–		
External revenue of renewable energy engineering business	**124,299**		717,114		(82.7)

	For the six months ended 30 June				
	2018		2017		
	Revenue	**Percentage of total revenue before elimination[(1)]**	Revenue	Percentage of total revenue before elimination[(1)]	Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Thermal Power Engineering:					
Total revenue of thermal power engineering	**153,810**	**5.5**	–		
Inter-segment elimination	**–**		–		
External revenue of thermal power engineering	**153,810**		–		
Other Businesses:					
Total revenue of other businesses	**96,170**	**3.4**	113,558	3.7	(15.3)
Inter-segment elimination[(4)]	**(26,334)**		(5,948)		
External revenue of other businesses	**69,836**		107,610		(35.1)
Total revenue before intra- and inter-segment elimination[(5)]	**2,791,232**	**100.0**	3,086,123	100.0	(9.6)
Total intra- and inter-segment elimination[(6)]	**(122,702)**		(92,105)		
Total revenue	**2,668,530**		2,994,018		(10.9)

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 facilities concession operation, respectively.

(3) Inter-segment elimination of revenue from environmental protection and energy conservation solutions segment mainly arises from the inter-segment sales to other businesses segments made by the sub-segments within environmental protection and energy conservation solutions segment, mainly including the inter-segment sales from ash and slag handling facilities engineering sub-segment to other businesses segment and the inter-segment sales from bulk materials transportation sub-segment to other businesses segment.

(4) Inter-segment elimination of revenue from other businesses segment mainly arises from the inter-segment sales between other businesses segment and environmental protection and energy conservation solutions segment, respectively.

(5) Represents the aggregate amount of the revenue of all segments/sub-segments before any intra-or inter-segment elimination.

(6) Represents the aggregate amount of all intra- and inter-segment elimination.

The following table sets forth a breakdown of the Group's gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the six months ended 30 June 2018 and 30 June 2017, respectively, as well as the percentage of change in gross profit:

	For the six months ended 30 June				
	2018		2017		
	Gross profit[1]	**Gross profit margin[2]**	Gross profit[1]	Gross profit margin[2]	Change of gross profit
	RMB'000	**%**	*RMB'000*	%	%
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**448,702**	**29.2**	445,176	34.0	0.8
Denitrification catalysts	**46,768**	**19.9**	101,320	36.9	(53.8)
Environmental protection facilities engineering	**63,028**	**12.4**	47,343	9.8	33.1
Water treatment business	**9,916**	**11.9**	14,909	8.5	(33.5)
Energy conservation business	**5,934**	**10.5**	1,838	15.2	222.8
Total gross profit of environmental protection and energy conservation solutions	**574,348**	**23.8**	610,586	27.1	(5.9)

	For the six months ended 30 June				
	2018		2017		
	Gross profit[(1)]	**Gross profit margin[(2)]**	Gross profit[(1)]	Gross profit margin[(2)]	Change of gross profit
	RMB'000	*%*	*RMB'000*	*%*	*%*
Total gross profit of renewable energy engineering	**10,473**	**8.4**	41,621	5.8	(74.8)
Total gross profit of thermal power engineering	**8,319**	**5.4**	–	–	N/A
Total gross profit of other businesses	**(21,595)**	**(22.5)**	3,886	3.4	(655.8)
Total gross profit[(3)]	**562,940**	**21.1**	616,635	20.6	(8.7)

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 is based on the amounts after all intra- and inter-segment elimination among the segments/sub-segments. 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 2018, the Group's cash and cash equivalents decreased by 0.9% to RMB1,651.9 million as compared with RMB1,666.1 million as at 31 December 2017. Such decrease was mainly attributable to the continuing use of proceeds from the initial public offering for expenditure of construction projects, and replenishment of working capital and so on in 2018.

5. Working Capital

As at 30 June 2018, the Group's net current assets decreased by 9.7% to RMB1,921.0 million as compared with RMB2,127.8 million as at 31 December 2017, primarily due to an increase in current liabilities resulting from the use of more short-term borrowings for turnaround of operating fund, in order to ensure the construction progress of the environmental protection facilities engineering projects.

6. Indebtedness

As at 30 June 2018, the Group's borrowings increased by 11.1% to RMB4,721.6 million as compared with RMB4,250.8 million as at 31 December 2017.

7. Capital Expenditure

The Group's capital expenditure decreased by 54.5% to RMB317.0 million for the six months ended 30 June 2018 as compared with RMB696.9 million for the six months ended 30 June 2017. Capital expenditure mainly comprises construction cost of newly-built environmental protection facilities concession operation projects and cost of ultralow emission refurbishment projects.

8. Net Gearing Ratio

As at 30 June 2018, 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 31.0%, representing an increase of 3.8 percentage points as compared with 27.2% as at 31 December 2017, which was mainly due to the increase in short-term borrowings.

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

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group, and will continue to enter into such transactions in the future. During January to June 2018, the total value of products and services provided by the Group to China Datang Group (other than concession operations) was approximately RMB0.89 billion, representing approximately 33.4% of the total revenue of the Group. During January to June 2018, the total value of the services provided by the Group to China Datang Group under the concession operations (desulfurization and denitrification) was approximately RMB1.54 billion, representing approximately 57.5% of the total revenue of the Group. The Group has been actively expanding its client base, for example, during January to June 2018, the Group entered into contracts in the amount of RMB1.25 billion with clients other than China Datang Group with an increase of 14.7% as compared with that during January to June 2017.

Liquidity risks

The Group had negative operating cash flows for the six months ended 30 June 2018. The Group cannot assure that its operating cash flows for any future period will be positive. The Group's ability to generate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to adopt various measures to collect receivables in order to significantly improve operating cash flow. In addition, the Group has been proactively seeking finance to support the development and expansion of its business. As at 30 June 2018, the Group had available bank facilities of RMB8.9 billion.

Industry risks

The Group's business primarily focuses on the environmental protection and energy conservation for coal-fired power plants, the market demand for its business relies heavily on the growth rate of the coal-fired power generation output in the PRC. In particular, the revenue generated from concession operations will be directly affected by the power generation output of coal-fired power plants. As pollution has become an increasingly severe environmental issue in the PRC, the PRC government has shown considerable concern for the adjustment to the national energy structure and development. Therefore, there can be no assurance that coal-fired power generation output in the PRC will continue to grow at the current pace. If the increase of coal-fired power generation output in the PRC slows down, it may result in a decrease of utilization hours of coal-fired power generation units, or a lower demand for the Group's products and services, which 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 2018, we had 1,203 employees, substantially all of whom were based in the PRC. The Group has individually established labor union branches. Currently, the Group has entered into employment agreements with all employees, in which the position, duties, remuneration, employment benefits, training, confidentiality obligations relating to trade secrets and grounds for termination are specified pursuant to the PRC Labor Law and other relevant regulations.

The table below sets forth the number of employees as at 30 June 2018 by their functions:

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	291	24.2%
Engineering and technical personnel	241	20.0%
Sales personnel	130	10.8%
Research and development personnel	391	32.5%
Administrative and management personnel	97	8.1%
Manufacture personnel	27	2.2%
Others	26	2.2%
Total	1,203	100%

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

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

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

During the Reporting Period, the Group provided 17 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, occupational injury insurance, unemployment insurance and maternity insurance.

VI. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

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

1. Comprehensive advancing profitability of various business segments

In respect of environmental protection facility business, the Group will comprehensively strengthen professional management capacity by advancing the industry benchmarking through an all-round lifecycle to the preliminary stage of the projects, decision, construction, operation and maintenance. The Group will further reduce the energy consumption and cost indicator to enhance its competitiveness; continuously carry out optimized operation, comprehensive benchmarking and cost management and control, and implement incentive internal rolling performance appraisals to further broaden sources and reduce expenditure as well as reduce costs and increase efficiency. Also, the Company will enhance marketing exploration of concession operations outside the system of China Datang Group through innovating concession operation development mode, in order to further advance the concession operation profitability.

In respect of denitrification catalysts business, the Group will speed up the research on synergistic denitrification and dehydration catalysts formulation to improve the dehydration capability of the catalysts while maintaining their denitrification efficiency; further enhance the re-generation of catalyst and the post-processing technology re-innovation to entirely promote the update of related products; make greater efforts to explore the external market, focusing on the southeast Asian market, further enlarging market shares in Korea and seizing European and American market.

In respect of other business, for the purpose of enhancement of cost control and management and improvement on industrial competitiveness, the Group will devote greater efforts to the application of new technologies and products, increase the profitability of environmental protection facilities engineering business in non-electric industry, including petroleum, petro-chemical, steel, metallurgy, industrial boiler, etc., and carry out in-depth project design optimization and on-site construction re-optimization.

2. **Exploring the external market of China Datang Group with firm determination**

In terms of domestic market, the Group will pay attention to the market exploration on environmental protection facility concession operation, denitrification catalysts, construction of environmental protection facilities in non-electric industry, colored plume control, water treatment, energy conservation and other professional fields. Taking advantage of distributed energy and complementary development of multi-energy, the Group will also develop regional energy and heat supply, flexibility regulation of coal power plant and biomass power generation market, in order to explore new business fields.

In terms of overseas market, based on five offices in South Asia, Southeast Asia, Middle East, South America and East Europe, the Group will explore the surrounding market and proactively promote the implementation of overseas projects. Strengthening communication with related governments and embassies to strive for the initiative of previous operation, the Group also focuses on increasing the contact with policy financial institutions to expand financing channels effectively, and deepening cooperation with large state-owned enterprises with extensive experience in overseas projects to achieve "borrowing funds for development of business" and a win-win situation.

3. **Improving technology innovation and technical output capacity**

The Group will improve the introduction and re-innovation of industrialization technology, the optimization and upgrading of technology of control on plume removal and, in particular, enhancement of developing plume control technology in non-electric industry to advance its market competitiveness. The Group will focus on the development and introduction of water saving, waste water zero discharge, soil remediation, energy conservation and other technologies. Meanwhile, the Company will explore new markets to improve its profitability by means of digestion, absorption and re-innovation of current technologies.

The Group will speed up the new breakthrough in product manufacturing, so as to expand and optimize the catalyst recycling market, and achieve a win-win situation in both economic efficiency and environmental benefits. Through technology introduction and independent research and development, the Group will promote research and development and application of technical products such as medium and low temperature denitrification catalysts, synergistic dehydration and denitrification catalysts, gas denitrification catalysts and rare earth denitrification catalysts, so as to further develop core products.

4. **Insisting on the talent and strong corporate strategy**

The Group will optimize the talent employment and education mechanism through implementing educational training and talent development, continuously carrying out technology and talent management such as the "leading expert" and "professional technology position listing", and developing the function of incentive mechanism, so as to raise the working enthusiasm of aggregate personnel and cultivate compound talents of higher-level.

The Group will enhance the team building and talent training of overseas business. Strengthening the overseas business talent reservation and maintaining stable and permanent talent reservation by developing the core personnel to important overseas positions, the Group provided them with promotion opportunities. The Group also continued to advance the strength of overseas business professional team, such as engineering construction, business, law, finance and taxation and material management to ensure that superior resources could be adequately leveraged.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

DIVIDEND DISTRIBUTION PLAN FOR THE SIX MONTHS ENDED 30 JUNE 2018

According to the resolution of the Board passed on 17 August 2018, the Board did not recommend to distribute any interim dividend to shareholders of the Company for the six months ended 30 June 2018.

MATERIAL LITIGATION OR ARBITRATION EVENTS

As at 30 June 2018, 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.

CHANGES IN ACCOUNTING POLICIES

There was no change in accounting policies of the Group during the Reporting Period, except for the adoption of new accounting standards effective as of 1 January 2018.

For details, please refer to Note 2.2 to the interim condensed consolidated financial statements in this results announcement.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2018, 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.

As at 30 June 2018, the Company's total amount of proceeds used was HK$1,482.9 million, and the remaining net balance of proceeds was approximately HK$549.4 million.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2018, the Group had no material acquisition or disposal.

SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MAJOR INVESTMENTS

For the six months ended 30 June 2018, 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 2018.

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There was no other important event affecting the Group which has taken place since 30 June 2018 and up to the date of this results announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The Company will dispatch in due course to shareholders of the Company the 2018 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.*
JIN Yaohua
Chairman

Beijing, PRC, 17 August 2018

As of the date of this announcement, the non-executive Directors are Mr. Jin Yaohua, Mr. Liu Chuandong, Mr. Liu Guangming and Mr. Li Yi; the executive Directors are Mr. Deng Xiandong and Mr. Lu Shengli; and the independent non-executive Directors are Mr. Ye Xiang, Mr. Mao Zhuanjian and Mr. Gao Jiaxiang.

* *For identification purposes only*