



大唐環境產業集團股份有限公司

Datang Environment Industry Group Co., Ltd.*

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

Stock Code: 1272



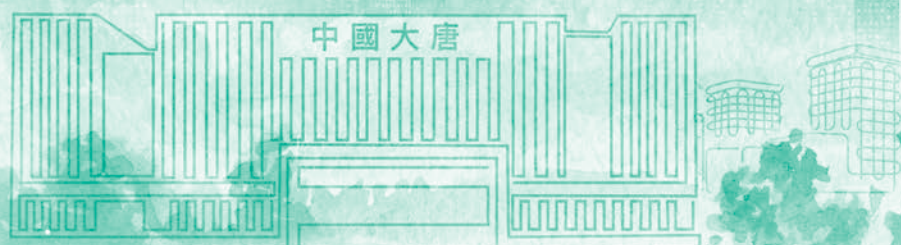
2018

INTERIM REPORT

* For identification purpose only

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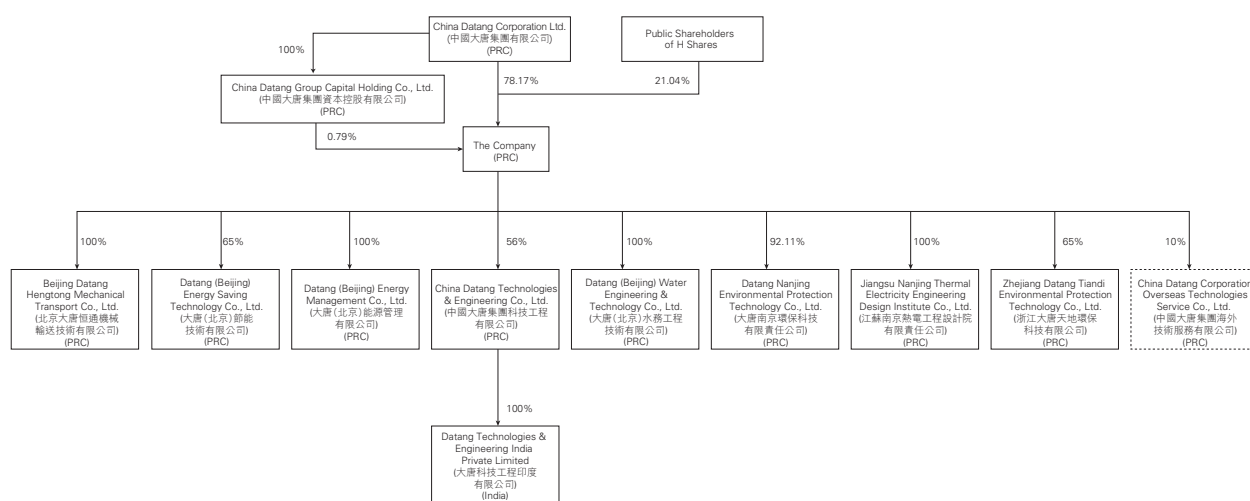


Company Profile

The predecessor of the Company (stock code: 1272) was China Datang Group Environment Technology Co., Ltd. (中國大唐集團環境技術有限公司), which was established in July 2011. Since the establishment of the Company and after several years of rapid development and a series of business restructuring, the Company has been successfully listed on the Main Board of the Stock Exchange since 15 November 2016. As at 30 June 2018, the Company had a total of 2,967,542,000 issued Shares, among which the Controlling Shareholder, China Datang, holds, directly and indirectly, an aggregate of approximately 78.96%.

The Group is the sole platform for the development of environmental protection and energy conservation business under China Datang Group. 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.

As at 30 June 2018, the Company's major corporate structure was as follows:



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 point 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.

Financial Highlights

The following table sets forth the Group's interim condensed consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	<u>For the six months ended 30 June</u>	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Revenue from contracts with customers	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	42,157	26,195
Finance costs	(91,787)	(90,668)
Exchange loss, net	(5,332)	(35,005)
Profit before tax	372,128	367,699
Income tax expenses	(67,728)	(69,961)
PROFIT FOR THE PERIOD	304,400	297,738
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
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)

Financial Highlights (Continued)

	For the six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
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)	0.10	0.10

Financial Highlights (Continued)

The following table sets forth selected items from the Group's interim condensed consolidated statements of financial position as at the dates indicated:

	As at 30 June 2018 (unaudited) <i>RMB'000</i>	As at 31 December 2017 (audited) <i>RMB'000</i>
ASSETS		
Total current assets	10,367,754	10,309,222
Total non-current assets	7,859,442	7,852,230
Total assets	18,227,196	18,161,452
LIABILITIES AND EQUITY		
Total current liabilities	8,446,709	8,181,413
Total non-current liabilities	2,944,157	3,053,678
Total equity	6,836,330	6,926,361
Total liabilities and equity	18,227,196	18,161,452

The following table sets forth a summary of the Group's interim condensed consolidated statements of cash flows for the periods indicated:

	<u>For the six months ended 30 June</u>	
	2018 (unaudited) <i>RMB'000</i>	2017 (unaudited) <i>RMB'000</i>
Net cash flows used in operating activities	(10,485)	(21,316)
Net cash flows used in investing activities	(358,993)	(463,018)
Net cash flows from/(used in) financing activities	360,649	(593,194)

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.

Management Discussion and Analysis (Continued)

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 significances”, 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 pollutorial 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 10,680MW. 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 18,705.5m³ and 13,991.2m³, 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: m³)

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

During January to June 2018, the Group sold 6,424.4m³ of catalyst to customers other than China Datang Group, among which, 3,498.0m³ of catalyst was sold to overseas customers and 442.0m³ 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 1,227.6m³ of spent denitrification catalysts.

Management Discussion and Analysis (Continued)

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 in 2018, 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 a total 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 EPC projects, and as at 30 June 2018, the Group has two projects under construction with an installed capacity of 1,900MW.

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 interim report 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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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		Change %
	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	
Environmental Protection and Energy Conservation Solutions:					
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
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)		-		

Management Discussion and Analysis (Continued)

	For the six months ended 30 June				
	2018		2017		Change %
	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	
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)
Thermal Power Engineering:					
Total revenue of thermal power engineering	153,810	5.5	-		
Inter-segment elimination	-		-		
External revenue of thermal power engineering	153,810		-		

Management Discussion and Analysis (Continued)

	For the six months ended 30 June				
	2018		2017		Change %
	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	Revenue <i>RMB'000</i>	Percentage of total revenue before elimination ⁽¹⁾ %	
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)

Management Discussion and Analysis (Continued)

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		Change of gross profit
	Gross profit ⁽¹⁾ <i>RMB'000</i>	Gross profit margin ⁽²⁾ %	Gross profit ⁽¹⁾ <i>RMB'000</i>	Gross profit margin ⁽²⁾ %	
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

Management Discussion and Analysis (Continued)

	For the six months ended 30 June				
	2018		2017		Change of gross profit %
	Gross profit ⁽¹⁾ <i>RMB'000</i>	Gross profit margin ⁽²⁾ %	Gross profit ⁽¹⁾ <i>RMB'000</i>	Gross profit margin ⁽²⁾ %	
Total gross profit of environmental protection and energy conservation solutions	574,348	23.8	610,586	27.1	(5.9)
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.

Management Discussion and Analysis (Continued)

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 ultra-low 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.

Management Discussion and Analysis (Continued)

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%

Management Discussion and Analysis (Continued)

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, work-related injury insurance, unemployment insurance and maternity insurance.

VI. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

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

1. **Comprehensively 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, environmental protection facilities engineering 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.

Changes in Share Capital and Shareholdings of Substantial Shareholders

I. CHANGES IN SHARE CAPITAL OF THE COMPANY

	Number of Shares as at 30 June 2018	Number of Shares as at 31 December 2017	Increase/ decrease (+, -) during the Reporting Period
Domestic Shares	2,343,245,800	2,343,245,800	0
H Shares	624,296,200	624,296,200	0
Total	2,967,542,000	2,967,542,000	0

II. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

III. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, to the best of the Directors' knowledge, having made all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and, which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Class of Shares	Capacity	As at 30 June 2018		
			Number of Shares/ underlying Shares held or deemed to be held (Share)	Approximate percentage of Shares/ underlying Shares ⁽¹⁾ (%)	Percentage in the total Shares ⁽²⁾ (%)
China Datang	Domestic Shares	Beneficial owner	2,343,245,800 (Long position)	100	78.96
Anbang Investment Holdings Co. Limited (安邦投資控股有限公司) ⁽³⁾	H Shares	Beneficial owner	120,540,000 (Long position)	19.31	4.06
Anbang Group Holdings Co. Limited (安邦集團控股有限公司) ⁽³⁾	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
Anbang Life Insurance Co., Ltd. (安邦人壽保險股份有限公司) ⁽³⁾	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
Anbang Insurance Group Co., Ltd. (安邦保險集團股份有限公司) ⁽³⁾	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
China Chengtong Investment Company Limited ⁽⁴⁾	H Shares	Beneficial owner	61,557,000 (Long position)	9.86	2.07
China Chengtong Holdings Group Ltd. ⁽⁴⁾	H Shares	Interest in controlled corporation	61,557,000 (Long position)	9.86	2.07
China Energy Engineering Corporation Limited (中國能源建設集團有限公司)	H Shares	Beneficial owner	61,557,000 (Long position)	9.86	2.07

Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

As at 30 June 2018					
Name of Substantial Shareholder	Class of Shares	Capacity	Number of Shares/ underlying Shares held or deemed to be held (Share)	Approximate percentage of Shares/ underlying Shares ⁽¹⁾ (%)	Percentage in the total Shares ⁽²⁾ (%)
State Grid International Development Limited (國家電網國際發展有限公司) ⁽⁵⁾	H Shares	Beneficial owner	61,467,000 (Long position)	9.85	2.07
State Grid Corporation of China (國家電網公司) ⁽⁵⁾	H Shares	Interest in controlled corporation	61,467,000 (Long position)	9.85	2.07
Three Gorges Capital Holdings Co., Ltd. (三峽資本控股有限公司) ⁽⁶⁾	H Shares	Beneficial owner	59,506,000 (Long position)	9.53	2.01
China Three Gorges Corporation (中國長江三峽集團公司) ⁽⁶⁾	H Shares	Interest in controlled corporation	59,506,000 (Long position)	9.53	2.01
China Huaneng Group Hong Kong Limited (中國華能集團香港有限公司) ⁽⁷⁾	H Shares	Beneficial owner	49,002,000 (Long position)	7.85	1.65
China Huaneng Group (中國華能集團公司) ⁽⁷⁾	H Shares	Interest in controlled corporation	49,002,000 (Long position)	7.85	1.65
China Huadian Hong Kong Limited (中國華電香港有限公司) ⁽⁸⁾	H Shares	Beneficial owner	48,628,000 (Long position)	7.79	1.64
China Huadian Corporation (中國華電集團公司) ⁽⁸⁾	H Shares	Interest in controlled corporation	48,628,000 (Long position)	7.79	1.64
Taiping General Insurance Co., Ltd. (太平財產保險有限公司) ⁽⁹⁾	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38

Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

As at 30 June 2018					
Name of Substantial Shareholder	Class of Shares	Capacity	Number of Shares/ underlying Shares held or deemed to be held (Share)	Approximate percentage of Shares/ underlying Shares ⁽¹⁾ (%)	Percentage in the total Shares ⁽²⁾ (%)
China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司) ⁽⁹⁾	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance (HK) Company Limited (中國太平保險集團(香港)有限公司) ⁽⁹⁾	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance Group Ltd. (中國太平保險集團有限責任公司) ⁽⁹⁾	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Franklin Asset Management Co., Limited (中國人壽富蘭克林資產管理有限公司) ⁽¹⁰⁾	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
China Life Asset Management Company Limited (中國人壽資產管理有限公司) ⁽¹⁰⁾	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Insurance Company Limited (中國人壽保險股份有限公司) ⁽¹⁰⁾	H Shares	Beneficial owner	20,519,000 (Long position)	3.29	0.69
		Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Insurance (Group) Company (中國人壽保險(集團)公司) ⁽¹⁰⁾	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
		Interest in controlled corporation	20,519,000 (Long position)	3.29	0.69
		Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38

Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

Notes:

- (1) The calculation is based on the percentage of shareholding in a total of 2,343,245,800 Domestic Shares and a total of 624,296,200 H Shares respectively as at 30 June 2018.
- (2) The calculation is based on the percentage of shareholding in a total of 2,967,542,000 Shares as at 30 June 2018.
- (3) Anbang Investment Holdings Co., Limited is a wholly-owned subsidiary of Anbang Group Holdings Co. Limited. Anbang Group Holdings Co. Limited is a wholly-owned subsidiary of Anbang Life Insurance Co., Ltd., which is wholly-owned by Anbang Insurance Group Co., Ltd..
- (4) China Chengtong Investment Company Limited is a wholly-owned subsidiary of China Chengtong Holdings Group Ltd..
- (5) State Grid International Development Limited is a wholly-owned subsidiary of State Grid Corporation of China.
- (6) Three Gorges Capital Holdings Co., Ltd. is the wholly-owned subsidiary of China Three Gorges Corporation.
- (7) China Huaneng Group Hong Kong Limited is a wholly-owned subsidiary of China Huaneng Group.
- (8) China Huadian Hong Kong Company Limited is a wholly-owned subsidiary of China Huadian Corporation.
- (9) Taiping General Insurance Co., Ltd. is a subsidiary of China Taiping Insurance Holdings Company Limited. China Taiping Insurance Holdings Company Limited is a subsidiary of China Taiping Insurance (HK) Company Limited, which is a wholly-owned subsidiary of China Taiping Insurance Group Ltd..
- (10) China Life Asset Management Company Limited is a controlling shareholder of China Life Franklin Asset Management Co., Limited. China Life Asset Management Company Limited is a subsidiary of China Life Insurance Company Limited, which is controlled by China Life Insurance (Group) Company.

Save as disclosed above, as at 30 June 2018, to the best knowledge of the Directors, the Directors were not aware of any persons who had interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

I. 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.

II. 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 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 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.

III. THE 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 for the six months ended 30 June 2018.

IV. 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.

V. 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 interim report.

Significant Events (Continued)

VI. PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 20% of the issued share capital of the Company was held by the public as at the date of this interim report, which was in compliance with the requirements and public float waiver approved by the Stock Exchange under the Listing Rules. For details of the public float waiver, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules” in the Prospectus.

VII. MATERIAL CONTRACTS

On 12 March 2018, the Company entered into the Supplemental Agreement to the Integrated Product and Service Framework Agreement (the “Supplemental Agreement”) with China Datang, pursuant to which, the Company provided China Datang with products and services in relation to thermal power plant contracting business, with an annual cap of RMB1,200 million for 2018. The term of the Supplemental Agreement is from the effective date to 31 December 2018. As China Datang is the Controlling Shareholder, it is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Supplemental Agreement and the Transactions constitute continuing connected transactions of the Company under the Listing Rules. Given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Transactions calculated with reference to the revised annual cap is more than 5%, the Supplemental Agreement, the Transactions and the revised annual cap are subject to the reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Supplemental Agreement was approved by independent Shareholders at the extraordinary general meeting held on 27 April 2018. For details, please refer to the announcement of the Company and the circular of extraordinary general meeting dated 12 March 2018.

On 14 June 2018, the Company and Datang Capital entered into a financial services agreement (“Financial Services Agreement”), pursuant to which Datang Capital provided the Company with finance lease and commercial factoring services. Among which, annual caps of financial lease service for each year of 2018, 2019 and 2020: maximum daily balance of leasing principal is RMB910 million, annual interest and other payments are RMB90 million; the annual caps of commercial factoring services for each year of 2018, 2019 and 2020 are RMB500 million. The term for the Financial Services Agreement commences from the effective date of agreement until 31 December 2020. China Datang is the Controlling Shareholder while Datang Capital is a wholly owned subsidiary of China Datang, and, therefore, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Financial Services Agreement and the Transactions constitute continuing connected transactions of the Company under the Listing Rules. Given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the transactions calculated with reference to the revised annual cap is more than 5%, the Financial Services Agreement, the transactions and the revised annual cap are subject to

the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Financial Services Agreement and relevant transactions contemplated thereunder constitute discloseable transaction under Chapter 14A of the Listing Rules. The Financial Services Agreement was approved by independent Shareholders at the 2017 AGM held on 29 June 2018. For details, please refer to the announcement of the Company and the supplemental circular of the 2017 AGM dated 14 June 2018.

Save as disclosed above, during the Reporting Period, none of the Company or any of its subsidiaries entered into material contracts with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contract between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services.

VIII. 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.

IX. RESERVES

Details of the changes in reserves of the Group during the Reporting Period are set out in the interim condensed consolidated statement of changes in equity.

X. USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

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

Significant Events (Continued)

The use of net proceeds from the initial public offering for the six months ended 30 June 2018 is set out as follows:

	Use of net proceeds as disclosed in the Prospectus (HK\$ million)	Actual use of net proceeds up to 30 June 2018 (HK\$ million)	Unutilised net proceeds up to 30 June 2018 (HK\$ million)	Expected time of full utilization of remaining balance
To finance the capital expenditures for expanding the desulfurization and denitrification concession operations	1,219.5	868.8	350.7	June 2019
To develop new sources of growth in the revenue and profit, including but not limited to EMC business for coal-fired power plants, water treatment business, and providing customers with overall solution plans of ultra-low emissions	304.8	205.6	99.2	December 2019
To repay some of the existing bank loans in order to lower the financial costs and improve the leverage ratio	203.2	203.2	0.0	–
For working capital and other general corporate purposes	203.2	201.5	1.7	December 2019
For research and development expenditures	101.6	3.8	97.8	December 2019
Total	2,032.3	1,482.9	549.4	

XI. ASSET TRANSACTIONS

During the Reporting Period, the Group had no significant assets transactions other than in the ordinary and usual course of business.

XII. INSOLVENCY AND RESTRUCTURING

During the Reporting Period, the Group was not involved in any insolvency or restructuring matters.

XIII. SIGNIFICANT TRUSTEESHIP, CONTRACTING AND LEASE

During the Reporting Period, the Group was not involved in significant trusteeship, contracting or lease of any other company's assets, nor placing its assets to or under any other companies' trusteeship, contracting or lease which would require disclosure.

XIV. MATERIAL ACQUISITIONS AND DISPOSALS

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

XV. 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 Latest Practicable Date. 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 as a whole.

XVI. FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

During the Reporting Period, the Group had not used any financial instruments for hedging purposes.

XVII. CHARGED AND PLEDGED ASSETS

During the Reporting Period, the Group had no charged or pledged assets.

XVIII. BANK BORROWINGS AND OTHER LOANS

The details of bank borrowings and other loans of the Group as at 30 June 2018 are set out in Note 15 to the interim condensed consolidated financial statements in this interim report.

XIX. CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities.

XX. CHANGES TO BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES UNDER RULE 13.51B(1) OF THE LISTING RULES

With effect from 31 January 2018, Mr. Liu Jianxiang resigned as the employee representative supervisor of the Company and Mr. Chen Li served as the employee representative supervisor of the Company.

With effect from 23 March 2018, Mr. Liang Xiuguang served as a deputy general manager of the Company.

With effect from 29 June 2018, Mr. Liang Yongpan resigned as the non-executive Director and a member of the Strategy Committee of the Company. Mr. Li Yi was appointed as a non-executive Director and a member of the Strategy Committee of the Company with effect from 29 June 2018. Mr. Li Yi has also been serving as a non-executive director of Datang Renewable (a company listed on the Stock Exchange, stock code: 1798), with effect from 26 June 2018.

With effect from 27 February 2018, Mr. Ye Xiang, the Director of the Company, has also been serving as an independent non-executive director of 51 Credit Card Inc. (a company listed on the Stock Exchange, stock code: 2051).

With effect from 29 June 2018, Mr. Liu Liming resigned as the Supervisor of the Company, and Mr. Miao Shihai has been serving as a Supervisor of the Company since then.

With effect from 20 July 2018, Ms. Zhu Mei served as a deputy general manager of the Company.

With effect from 17 August 2018, Mr. Liu Yinshun has resigned as a deputy general manager of the Company, Mr. Zeng Bing has resigned as the secretary to the Board, joint company secretary and authorised representative of the Company, Mr. Zhang Keyan has resigned as the chief accountant of the Company, Mr. Liu Weihua, Mr. Wang Changqing and Mr. Ren Haitao served as deputy general managers of the Company, Mr. Wang Guanghui served as the chief accountant of the Company, and Ms. Zhu Mei served as the secretary to the Board, joint company secretary and authorised representative of the Company.

For details, please refer to the announcements of the Company dated 31 January 2018, 23 March 2018, 14 June 2018, 23 July 2018 and 17 August 2018 with respect to the changes in Directors, Supervisors and Senior Management, respectively.

Save as disclosed above, there is no other change to the biographical details of the Directors, Supervisors and chief executives of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period.

XXI. REVIEW OF INTERIM REPORT

The audit committee of the Company (the "Audit Committee") has reviewed the unaudited interim condensed consolidated financial statements and the interim report of the Group for the six months ended 30 June 2018.

XXII. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent event affecting the Group which has taken place after the Reporting Period and up to the Latest Practicable Date.

XXIII. OTHER IMPORTANT MATTERS

During the Reporting Period, none of the Company, the Directors or the Supervisors was punished by administrative means or criticized through circular by the SFC or publicly condemned by the Stock Exchange.

Profile of Directors, Supervisors and Senior Management

I. NON-EXECUTIVE DIRECTORS

Mr. Jin Yaohua (金耀華)

aged 58, is the chairman of the Board and a non-executive Director. Mr. Jin had over 35 years of extensive work experience in the power industry. Before joining the Company, Mr. Jin successively served as the technician, engineer, deputy director, director, and secretary of Communist Party Branch at the Thermal Workshop of Huabei Power (華北電力試驗所) from August 1982 to January 1994. He then worked in the Science Research Institute of Huabei Power (華北電力科學研究院) serving successively as the deputy secretary of the Communist Party Committee, vice dean and deputy secretary from January 1994 to September 1996. Mr. Jin was the secretary of the Communist Party Committee and deputy manager of Zhangjiakou Power Plant (張家口發電廠) from September 1996 to February 1998; and he was the manager of Qinghuangdao Thermal Power Plant (秦皇島熱電廠) from February 1998 to November 1999. Between November 1999 and January 2003, Mr. Jin successively served as the deputy chief engineer, chief engineer and deputy general manager of Beijing Datang Power Generation Co., Ltd. (北京大唐發電股份有限公司). Mr. Jin held various positions at China Datang since January 2003, including the director of the safety production department, deputy chief engineer and chief engineer; and he has been serving as the deputy general manager of China Datang commencing since August 2010. Mr. Jin obtained a bachelor's degree in thermal surveying and automation of power plants at the School of Water Resources and Electric Power of Wuhan University (武漢水利電力學院) in 1982. Mr. Jin was recognized as a senior engineer by the North China Electric Power Administration Bureau (華北電業管理局) in October 1992.

Mr. Liu Chuandong (劉傳東)

aged 55, is a non-executive Director. Mr. Liu had more than 35 years of experience in financial management in the power industry. Prior to joining the Company, Mr. Liu served successively as the person in charge of the Youth League Committee, deputy director (in charge) of the finance department, deputy chief accountant and head of the finance department of Shandong Jining Power Plant (山東濟寧發電廠) from July 1981 to March 1996. From March 1996 to November 1997, Mr. Liu worked as the head of the accounting and audit division of the finance department and the deputy director of the finance department at Shandong Electric Power Industry Bureau (山東省電力工業局). He was the chief accountant at Jinan Yingda International Trust Co., Ltd. (濟南英大國際信託投資公司) from November 1997 to September 1999; the chief accountant and member of the Communist Party Committee of Shandong Power Generation Company (山東電力發電公司) from September 1999 to December 2001; and the deputy chief accountant at Shandong Branch of Huaneng Power International Inc. (華能國際電力股份有限公司山東分公司) from December 2001 to May 2003. During the periods from May 2003 to June 2006, July 2008 to April 2011, and May 2012 to January 2014, Mr. Liu successively served as the senior officer of property and capital at the finance and property management department, deputy director of fund settlement and management center, deputy director of finance and property management department, and director of fund settlement and management center at China Power Investment Corporation (中國電力投資集團公司). Mr. Liu worked for CPI Financial Co., Ltd. (中電投財務有限公司) during the periods from June 2006 to July 2008 and from April 2011 to January 2014, serving successively as the deputy general manager, member of the Communist Party Committee, deputy director of fund settlement and management center, general manager and deputy secretary of the Communist Party Committee. Mr. Liu was a member of the Communist Party Committee of CPI Ronghe Holdings Investment Group Company (中電投融和控股投資有限公司) from December 2011 to January 2014; the general manager and secretary of the Communist Party Committee of China Datang Group Finance Co., Ltd. (中國大唐集團財務有限公司) from January 2014 to May 2014; and the director of the financial management department of China Datang from May 2014 to November 2015. Mr. Liu has been the secretary of the Communist Party Committee of Capital Holding from May 2014 to June 2018 and the chief accountant and member of the Communist Party Community of China Datang since November 2015. In addition, Mr. Liu also holds directorships in other listed companies. He served as a director of Datang Huayin (a company listed on the Shanghai Stock Exchange, stock code: 600744) from June 2015 to June 2016. Mr. Liu has been serving as a non-executive director of Datang International Power Generation Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601991; a company listed on the Stock Exchange, stock code: 991) since July 2016. Mr. Liu graduated from Shandong Electric Power School (山東電力學校) in 1981, majoring in thermal power equipment in power plants. He further graduated from the Central Party School of the Communist Party of China (中央黨校) in 2001, majoring in economics. He was also accredited as a senior accountant by the Power Industry Bureau of Shandong Province (山東省電力工業局) in February 1998.

Mr. Liu Guangming (劉光明)

aged 46, is a non-executive Director. Mr. Liu has over 10 years of extensive experience in the power industry. Before joining the Company, Mr. Liu worked in China Huadian Corporation serving successively as head of directors and supervisors office and head of 2nd division of cadre management of Human Resources Department from July 2005 to February 2008. Between February 2008 and June 2010, Mr. Liu served as an assistant general manager of China Huadian Corporation Capital Holdings Limited (中國華電集團資本控股公司). He worked for China Huadian Corporation Finance Company Limited (中國華電集團財務有限公司) from June 2010 to May 2014 as a deputy general manager and a party member. From May 2014 to March 2016, he served as the general manager and deputy secretary of Communist Party Committee at China Datang Group Finance Co., Ltd. (中國大唐集團財務有限公司). From March 2016 to July 2018, he has been serving as the head of capital operation and assets management department of China Datang. Since March 2018, he has been serving as the chief economist of China Datang. In addition, Mr. Liu also holds directorships in other listed companies. He has served as a director of Guangxi Guiguan Electric Power Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600236) since June 2016, a director of Datang Huayin (a company listed on the Shanghai Stock Exchange, stock code: 600744) since June 2016 and a non-executive director of Datang Renewable (a company listed on the Stock Exchange, stock code: 1798) since June 2016. Mr. Liu obtained a master's degree in electric power system and automation from North China Electric Power University (華北電力大學) in June 2005. He was accredited as a senior engineer by State Power Corporation of China (國家電力公司) in December 2003.

Mr. Li Yi (李奕)

aged 51, is a non-executive Director. Mr. Li has nearly 30 years of extensive experience in the power industry. Before joining the Company, Mr. Li served successively in Changchun No. 1 Thermal Power Plant (長春熱電一廠) from August 1990 to March 2000 as a mechanic in Turbine Engine Department, technician, deputy director and the director of the Turbine Engine Department, as well as the division chief of Biotechnology Division, deputy chief engineer and division chief of Biotechnology Division, and deputy chief engineer and standing manager of the Head Office. From March 2000 to November 2006, he held various positions in Changshan Thermal Power Plant (長山熱電廠), including deputy director, director and member of the Party Committee. Mr. Li was the general manager of Datang Changchun No. 2 Cogeneration Power Co., Ltd. (大唐長春第二熱電有限責任公司) and Changchun Thermal Power Development Co., Ltd. (長春熱電發展有限公司) from November 2006 to November 2007. From November 2007 to April 2009, Mr. Li served as the director of the ideological and political work department and the secretary of Party Committee of Datang Jilin Power Generation Co., Ltd. (大唐吉林發電有限公司). During the period of April 2009 to July 2010, he served as the general manager of Datang Jilin Renewable Power Co., Ltd. (大唐吉林瑞豐新能源發電有限公司). Mr. Li served successively in Datang Shandong Power General Plant (大唐山東發電有限公司) from July 2010 to December 2014 as the director of Engineering Management Department, deputy chief engineer and the director of Engineering Management Department, as well as deputy general manager, and the member of the Party Committee (equivalent to Deputy Head Rank in the Headquarter of the Group). In the periods of December 2014 to December 2016 and December 2016 to December 2017, he held the position of the deputy director of the safety production department of the China Datang and the deputy director of the safety production department of the China Datang and the deputy director of the training center of Beijing International Clean Energy Power Generation (北京國際清潔能源發電培訓中心) respectively. From December 2017 to April 2018, he was the director of the Safety Management and Production Department of the China Datang, Datang International Power Generation Co., Ltd. and Datang Renewable, and the deputy director of the training center of Beijing International Clean Energy Power Generation. In addition, Mr. Li also holds directorships in other listed companies. He has served as a non-executive director of Datang Renewable (a company listed on the Stock Exchange, stock code: 1798) since 26 June 2018. Mr. Li obtained the Bachelor of Engineering in Power Engineering from Southeast University in July 1990 and a Master's Degree in Economics from the School of Economics of Jilin University in June 2004. In December 2000, Mr. Li was qualified as a senior engineer by the Senior Technical Expert Qualifications Boards of State Electric Power Corporation (國家電力公司高級專業技術資格評審委員會).

II. EXECUTIVE DIRECTORS

Mr. Deng Xiandong (鄧賢東)

aged 53, has been serving as the general manager of the Company since July 2013, an executive Director of the Company since August 2013, the vice secretary of the Communist Party Committee of the Company since January 2015, and concurrently serving as the deputy chief engineer of China Datang since July 2018. Mr. Deng possessed over 30 years of work experience in the power industry and used to be responsible for the business operation and management of various electric power enterprises. Before joining the Company, Mr. Deng worked as a specialized technician of the production division at Xia Huan Yuan Power Plant (下花園發電廠) and Zhangjiakou Power Plant (張家口發電廠) from July 1987 to March 1993, and he served as the specialized technician of the powder production workshop and deputy manager of the production technology department of Zhangjiakou Power Plant from March 1993 to December 1998. During the period from December 1998 to September 2004, he served successively as the deputy plant manager, deputy chief engineer and head of equipment division and chief engineer at Plant A of Beijing Datang Power Zhangjiakou Power Plant (北京大唐發電張家口發電廠). Moreover, Mr. Deng was the general manager of Shanxi Datang International Yungang Thermal Power Company Limited (山西大唐國際雲岡熱電有限責任公司) from September 2004 to August 2006. From August 2006 to March 2009, Mr. Deng served successively as the deputy director of the Yunnan Representative Office of China Datang, the member of Communist Party Committee, deputy general manager and deputy director of planning and development department of the Yunnan Branch of China Datang. From August 2006 to June 2007, he worked successively as the general manager, member of Communist Party Committee of the Yunnan Branch of Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司). From June 2007 to April 2008, he was the secretary of the Communist Party Committee and general manager of Yunnan Datang International Electric Power Generation Company Limited (雲南大唐國際電力有限公司). From March 2009 to July 2013, Mr. Deng served as the vice secretary and secretary of Communist Party Committee, deputy general manager (in charge) and general manager of Datang Shandong Power Generation Co., Ltd. (大唐山東發電有限公司). Mr. Deng graduated from Northeast China Institute of Electric Power (東北電力學院) and obtained a bachelor's degree in thermal power engineering for power plants in 1987. He further obtained a master's degree in power engineering at North China Electric Power University (華北電力大學) in 2004. Mr. Deng was accredited as a senior engineer by the North China Power Administration Bureau of the Ministry of Power Industry (電力工業部華北電業管理局) in September 1998.

Mr. Lu Shengli (路勝利)

aged 58, was the vice secretary of Communist Party Committee of the Company and a Supervisor from December 2013 to January 2015. He has been serving as the secretary of Communist Party Committee of the Company from January 2015 to July 2018, the deputy general manager of the Company since January 2015, and has been the executive Director of the Company since June 2015. Mr. Lu had over 20 years of extensive experience in the power industry. Before joining the Company, Mr. Lu served successively as a member and director of the first division of the Supervisory Administration Bureau of the Ministry of Electric Power (電力部監察局) from August 1994 to August 1996. From August 1996 to January 2003, he worked successively as the deputy manager and manager of the third supervisory division of the supervisory administration of the State Power Corporation (國家電力公司). From January 2003 to December 2003, he was the manager of the first division of the supervision department of China Datang. During the period from December 2003 and November 2006, Mr. Lu served successively as the member of the Communist Party Committee, head of the disciplinary and supervisory committee and chairman of the labor union of Longtan Hydropower Development Co., Ltd. (龍灘水電開發有限公司). From November 2006 to December 2013, he was the vice secretary of Communist Party Committee, secretary of the disciplinary and supervisory committee and chairman of the labor union of China National Water Resources & Electric Power Materials & Equipment Co., Ltd. (中國水利電力物資有限公司). Mr. Lu graduated from Engineering Institute of the People's Liberation Army for Engineering Soldiers (中國人民解放軍工程兵工程學院) and obtained a bachelor's degree in mechanical engineering in 1983. He further obtained a master's degree in business administration at Ukrainian-American Humanitarian University (烏克蘭烏美人文大學) in 2002. Mr. Lu was accredited as a senior engineer by the Ministry of Power Industry (電力工業部) in October 1995.

III. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ye Xiang (叶翔)

aged 54, is an independent non-executive Director. Mr. Ye possessed over 20 years of extensive work experience in the industries relating to finance, banking and regulation. Mr. Ye was an economist of the PBOC from August 1994 to July 1998, and he worked for Hong Kong Monetary Authority (香港金融管理局) as a senior analyst from August 1998 to July 2000. Mr. Ye served as the executive director of the Bank of China International Holdings Limited (中銀國際控股有限公司) from August 2000 to July 2001. During the period from August 2001 to October 2007, he served successively as the director of China affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye has been acting as the managing director of Vision Gain Capital limited (匯信資本有限公司) since November 2007; an independent director of UBS Securities LLC (瑞銀證券有限責任公司) since March 2010; and a member of the Public Shareholders Group of the SFC since April 2015. In addition, Mr. Ye has held directorship in other listed companies, including the position of independent non-executive director of Wuling Motors Holdings Limited (五菱汽車集團控股有限公司) (a company listed on the Stock Exchange, stock code: 0305) since October 2008 and the position of independent director of Shenzhen Shenxin Taifeng (Group) Co., Ltd. (深圳市深信泰豐(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000034) from June 2011 to May 2016, and has been serving as an independent non-executive director of 51 Credit Card Inc. (a company listed on the Stock Exchange, stock code: 2051) since February 2018. Mr. Ye obtained a doctoral degree in economics at the Financial Research Institute of the PBOC (中國人民銀行總行金融研究所) in 1995. Mr. Ye was accredited as a chartered financial analyst by the CFA Institute in September 2004.

Mr. Mao Zhuanjian (毛專建)

aged 65, is an independent non-executive Director. Mr. Mao possessed extensive experience in the environmental protection, energy conservation and clean production of the power industry. Mr. Mao currently serves as the senior expert of the energy conservation and environmental protection division of CEC (中國電力企業聯合會節能環保分會), member of the specialized committee for energy and environment of China Energy Research Society (中國能源研究會能源與環境專業委員會), member of the specialized committee for electric power and environmental protection of the Chinese Society for Electrical Engineering (中國電機工程學會電力環保專業委員會) and member of the low-carbon economics taskforce of the China Association of Plant Engineering Consultants (中國設備監理協會低碳經濟工作委員會). Before joining the Company, Mr. Mao was the engineer and deputy head of the environmental protection office of the planning department of the Ministry of Water and Power Industry (國家水電部) from February 1986 to November 1988. Between November 1988 and November 1993, Mr. Mao served as the deputy head of the Environmental Protection and Management Division (環境保護管理處) under the environmental protection center for CEC (中國電力企業聯合會環境保護中心). From November 1995 to September 2005, he served as director of the consulting division of CEC Electric Power Construction Technical Center (中電聯電力建設技術中心) under the State Power Corporation. From October 2005 to June 2017, he served successively as the manager of environmental protection division and the manager of climate change response division under the CEC, the vice secretary for the National Collaborative Network for Desulfurization and Denitrification Technologies for the Power Industry (全國電力行業脫硫脫硝技術協作網), and the deputy secretary and deputy secretary general for the energy conservation and environmental protection sub-division under the CEC. Mr. Mao graduated from Guizhou Industrial College (貴州工學院) in 1976, majoring in inorganic chemistry. Mr. Mao was accredited as a professor-level senior engineer by the Ministry of Power Industry in April 1999 and was engaged by the energy conservation and environmental protection sub-division under CEC as a core professional for CEC (中國電力企業聯合會核心專家) in June 2014. Mr. Mao was twice accredited as an expert in the expert reserves for environmental protection and energy conservation professionals for the power industry (電力行業環保節能專家庫專家) by CEC in October 2013 and August 2014, respectively.

Mr. Gao Jiaxiang (高家祥)

aged 44, is an independent non-executive Director. Mr. Gao has considerable work experience in internal and external corporate audit, investment, merger and acquisition, restructuring and corporate valuation. Before joining the Company, Mr. Gao served as an audit manager at Xinxiang Juzhongyuan Certified Public Accountants (新鄉巨中元會計師事務所有限責任公司) from May 1996 to July 2003. He then worked at the Beijing branch of Nanfang Minhe Certified Public Accountants (南方民和會計師事務所北京分所) as the manager of audit department from August 2003 to June 2006. He worked as the manager at Beijing Zhonghe Dingxin Certified Public Accountants (北京中和鼎信會計師事務所) from July 2006 to August 2007 and the manager at Beijing Tianyuanquan Certified Public Accountants (北京天圓全會計師事務所) from September 2007 to February 2009. He then served as the chief financial officer of Beijing Guanshi Foundation International Investment Management Company Limited (北京管氏基業國際投資管理有限公司) from March 2009 to June 2017. Mr. Gao served as the chief financial officer of Risun Chemical Co., Ltd. (旭陽化工有限公司) during the period from June 2017 to October 2017, and has been serving as an executive director and the general manager of Beijing Huamai Huizhong Technology Co., Ltd. (北京華麥惠眾科技有限公司) since October 2017. Mr. Gao graduated from Central University of Finance and Economics (中央財經大學) in January 2009 and obtained a bachelor's degree in accounting. He then obtained an MBA from Central University of Finance and Economics (中央財經大學) in June 2016. He was accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants in April 2003 and as a certified tax agent by Henan Certified Tax Agent Management Center in June 2002.

IV. SUPERVISORS

Mr. Wang Yuanchun (王元春)

aged 54, is the chairman of the Supervisory Committee. He had over 30 years of work experience in the power related industries. Prior to joining the Company, Mr. Wang served successively as the director of the boiler department, specialized technician of the biotechnology division, manager of the biotechnology division, and deputy plant manager and the engineer of Hancheng Power Plant (韓城發電廠) under Datang Shaanxi Power Generation Co., Ltd. (大唐陝西發電有限公司) from July 1986 to September 1999. Mr. Wang worked as the deputy head of Baoji Power Plant (寶雞發電廠) from September 1999 to April 2001, the deputy general manager at the North West Power Development Co., Ltd. (西北電力開發有限責任公司) from April 2001 to October 2001, and the general manager at Xi'an Baqiao Thermal Power Co., Ltd. (西安灞橋熱電有限責任公司) from October 2001 to June 2003. From June 2003 to November 2006, he successively served as the deputy general manager, general manager, member of and secretary of the Communist Party Committee at Hancheng No. 2 Power Co., Ltd. (韓城第二發電有限責任公司). From November 2006 to July 2013, he successively served as the deputy manager of the engineering management department of China Datang, the member of the Communist Party Committee, vice secretary and secretary of the Communist Party Committee, deputy general manager and general manager at the Shanxi Branch of China Datang (中國大唐山西分公司). Mr. Wang has been serving as the deputy director of the disciplinary team of the Communist Party Committee of China Datang since July 2013 and the director of monitoring division (the office of disciplinary team) of the Communist Party Committee of China Datang from July 2013 to October 2017, and the director and secretary of Communist Party Committee of China Datang Techno-Economic Research Institute (中國大唐集團技術經濟研究院) from February 2015 to December 2017. Mr. Wang obtained a bachelor's degree in thermal power engineering for power plants in 1986 from Xi'an Jiaotong University (西安交通大學), where he further obtained a master's degree in electronic and information engineering from the same university in 2001. Mr. Wang was accredited as a senior engineer by the Northwest Electric Power Administration (西北電業管理局) in December 1997.

Mr. Miao Shihai (繆士海)

aged 52, is a supervisor. Mr. Miao has nearly 30 years of work experience in the power related industries. Before joining the Company, Mr. Miao was an employee and the director of the Finance Department in Shandong Shiheng Power Plant (山東石橫發電廠) from August 1988 to December 1998, the director of Finance Department of Shandong Luneng Taishan Cable Co., Ltd. (魯能泰山電纜電器有限公司) from December 1998 to January 2005, the officer in charge of finance in Shandong Luneng Taishan Cable Co., Ltd. (山東魯能泰山電纜股份有限公司) from August 2003 to January 2005, the chief accountant of Shanxi Luneng Jinbei Aluminum Co., Ltd. (山西魯能晉北鋁業有限公司) from January 2005 to April 2010, the leader of the working group of Sanya International Culture Exchange Center (三亞國際文化交流中心) from April 2010 to August 2010, a member of the party committee, deputy general manager and the chief accountant of Hainan Luneng Guangda Properties Co., Ltd. (海南魯能廣大置業有限公司) and Hainan Sanya Harbour New City Development Co., Ltd. (海南三亞灣新城開發有限公司) from August 2010 to September 2011, a member of the party committee, deputy general manager and chief accountant of Shanxi Luneng Jinbei Aluminum Co., Ltd. from September 2011 to June 2012, was the supervisor of audit department, deputy general manager (executive) of CPI Financial Company Limited (中電投財務有限公司) from June 2012 to July 2013, the deputy director (executive) of Comprehensive Management Department of CPI Ronghe Financial Holding Co., Ltd. and CPI Financial Company Limited from July 2013 to May 2014, the manager of Institutional Building and Management Department of Datang Capital from September 2014 to March 2015, the secretary of the party branch, and general manager and secretary of the party branch in Datang Financial Lease Co., Ltd. from April 2015 to December 2016, the deputy general manager and a member of the party committee (equivalent to Deputy Head Rank in the Headquarter of the Group) of Datang Capital from December 2016 to August 2017, the deputy director in Finance Management Department of China Datang from August 2017 to December 2017, the deputy director in Finance Department of China Datang and director of Finance Management Department of Datang Renewable from December 2017 to April 2018, the deputy director of the audit department of China Datang, Datang International Power Generation Company Limited and China Datang Corporation Renewable Power Co., Ltd. since April 2018. Mr. Miao obtained the association degree in industrial business management from Shanghai University of Electric Power in July 1988 and a Master's degree in Accounting from the Hebei Branch of Correspondence Institute of the Party School of the CPC Central Committee in July 2012. In December 2012, Mr. Miao was qualified as a senior economist by the China Power Investment Corporation.

Profile of Directors, Supervisors and Senior Management (Continued)

Mr. Chen Li (陳利)

aged 51, is an employee representative supervisor. Mr. Chen has served as a director of the ideological and political work department of the Company since October 2017, and has been serving as the deputy chief economist and director of the ideological and political work department of the Company since February 2018. Mr. Chen has nearly 30 years of work experience in power industry. Before joining the Company, from July 1989 to April 2008, Mr. Chen worked for Beijing General Power Equipment Plant (北京電力設備總廠) and successively served as the assistant engineer for product design of the research institute, a deputy plant manager of the closed busbars plant, a deputy plant manager and the division head of sales and marketing division, plant manager, deputy chief engineer of the plant management office, deputy chief engineer and director of the information center, deputy chief engineer and the manager of the quality assurance department, deputy chief engineer and deputy general manager of grinding mill division and director of sales and marketing technical division. From April 2008 to February 2009, Mr. Chen served as the deputy general manager of mechanical transportation division of China Datang Technologies and Engineering Co., Ltd. (中國大唐集團科技工程有限公司) (“Technology & Engineering Company”). From February 2009 to September 2009, he served as a deputy general manager of Beijing Datang Hengtong Mechanical Transport Co., Ltd. (北京大唐恒通機械輸送技術有限公司). From September 2009 to February 2012, he served as the deputy head of the production preparation team for denitrification catalyst of Technology & Engineering Company. From February 2012 to October 2012, he served as the deputy general manager (in charge) of Datang Nanjing Environmental Protection Technology Co., Ltd. (大唐南京環保科技有限公司). From October 2012 to June 2014, he served as the executive deputy general manager of Beijing Datang Hengtong Mechanical Transport Co., Ltd.. From June 2014 to January 2015, he served as the deputy general manager (in charge) of Beijing Datang Hengtong Mechanical Transport Co., Ltd.. Mr. Chen served successively as the deputy director (in charge) of the general manager’s office (international cooperation department), the director of the general manager’s office (international cooperation department), the director of inspection audit unit, the director of ideological and political work department, the director of ideological and political work department and the director of inspection audit unit of the Company from January 2015 to October 2017. Mr. Chen graduated from Xi’an Jiaotong University (西安交通大學) majoring in electrical appliances of electrical engineering and obtained a bachelor’s degree in engineering in 1985. Mr. Chen was accredited as a senior engineer by the State Power Corporation on 31 December 1999.

V. SENIOR MANAGEMENT

Mr. Shen Zhen (申鎮)

aged 46, was the general manager of the environmental protection branch of the Company from November 2010 to January 2015 and has been serving as a deputy general manager of the Company since January 2015 and the secretary to the Communist Party Committee of the Company since July 2018. Mr. Shen had approximately 20 years of extensive experience in the power industry. From September 2004 to November 2010, Mr. Shen served successively as the manager of the engineering and project management department, deputy general manager of the desulfurization business department, deputy general manager of cooling technology business department, deputy director (in charge) of the general manager's working department and director of the engineering management department at Technologies & Engineering Company. Prior to joining the Company, Mr. Shen was a specialized engineer at Boiler Company of Beijing Electric Power Construction Company (北京電力建設公司鍋爐專業公司) from July 1995 to April 2000 and was appointed as the manager of the engineering management department of Guohua Ebara Environmental Engineering Co., Ltd. (國華荏原環境工程有限責任公司) from April 2000 to September 2004. Mr. Shen graduated from Southeast University (東南大學) with a bachelor's degree in thermal power engineering in 1995. He further obtained an MBA degree from Tsinghua University (清華大學) in 2007. Mr. Shen is an accredited grade-one constructor (一級建造師) recognized by the Ministry of Construction (國家建設部) in March 2005 and a senior engineer recognized by the Beijing Senior Specialized Technique Titles Evaluation Committee (北京市高級專業技術資格評審委員會) of Personnel in October 2007.

Mr. Liu Weihua (劉維華)

aged 57, has been serving as a deputy general manager of the Company since 17 August 2018. Mr. Liu has nearly 40 years of extensive experience in power industry. Prior to joining the Company, Mr. Liu served as a soldier of Unit 87401 of People's Liberation Army of China from November 1979 to December 1980. From December 1980 to June 1988, he served as a worker and technician of Electric Power Division of Jilin Thermal Power Plant (吉林熱電廠電氣分場). From June 1988 to November 2006, he worked at Changchun No. 2 Thermal Power Plant (長春熱電二廠) (renamed subsequently as Changchun No. 2 Cogeneration Power Co., Ltd. (長春第二熱電有限責任公司)), where he served successively as a special worker, an inspector of the inspection office, the deputy secretary of the Youth League Committee, Party branch secretary of the party and mass department, vice president and president of the Labor Union, deputy general manager and secretary of the Party Committee of the Electric Power Division. He served as the director of Datang Changshan Power Plant (大唐長山電廠) from November 2006 to September 2009, served concurrently as the director of Preparation Team of Datang Da'an Power Generation Project (大唐大安發電項目籌建處) and head of Party Committee Preparation Team (黨委籌備組) from January 2008 to September 2009, and served concurrently as the director of Preparation Team of Datang Songyuan Power Generation Project (大唐松原發電項目籌建處) from March 2008 to September 2009. From September 2009 to July 2018, he worked at Datang International Power Generation Co., Ltd. Guangdong Branch (大唐國際發電股份有限公司廣東分公司), where he served successively as a member of the Party Organization, the deputy general manager, a member of the Party Organization, the managing deputy general manager, general manager, secretary to the Party Organization, general manager and deputy secretary of the Party Organization. He served concurrently as the general manager of Guangdong Fengsheng Shantou Power Generation Co., Ltd. (廣東豐盛汕頭發電有限公司) from September 2009 to December 2012, the director of the preparation office of Guangdong Datang International Fengsheng Power Plant (廣東大唐國際豐盛電廠) from February 2010 to December 2012, the managing deputy general manager of Guangdong Datang International Chaozhou Power Generation Company Limited (廣東大唐國際潮州發電有限公司) from January 2011 to December 2012, and the general manager and deputy secretary of the Party Committee of China Datang Guangdong Branch (中國大唐集團有限公司廣東分公司) from December 2017 to July 2018. Mr. Liu took undergraduate correspondence courses on power plant and power system automation from the School of Power Engineering of Northeast China Institute of Electric Power (東北電力學院) from September 1981 to July 1987, and majored in project management at Northeast Electric Power University (東北電力大學) from December 2004 to March 2008 and obtained a master's degree in engineering. In December 2002, he was granted the qualification of senior engineer by Senior Specialised Technique Qualification Evaluation Committee of State Power Corporation of China (國家電力公司高級專業技術資格評審委員會).

Mr. Mao Hui (毛輝)

aged 43, has been serving as a deputy general manager of the Company since 10 March 2017. Mr. Mao has approximately 20 years of extensive experience in power industry. From January 2005 to February 2012, Mr. Mao served several positions in Technology & Engineering Company, which is currently a subsidiary of the Company, including chief assistant of its general manager office, a deputy director of its science and technology management department and director of its human resource department. From February 2012 to January 2015, Mr. Mao served as director of human resource department of the Company, during which, Mr. Mao also served as general manager of Technology & Engineering Company from January 2014 to January 2015 and secretary to the Communist Party Committee of Technology & Engineering Company from March 2014 to January 2015. From January 2015 to December 2016, Mr. Mao continued to serve as general manager and secretary to the Communist Party Committee of Technology & Engineering Company. Prior to joining the Group, he served as an engineer of auxiliary power division of Hunan Thermal Power Construction Corporation (湖南火電建設公司) from August 1997 to March 1999, as an engineer of power transmission and transformation department of China Huadian Engineering Co., Ltd. (中國華電工程(集團)有限公司) ("China Huadian") from April 1999 to December 2000, and chief information manager of general manager office of China Huadian from January 2001 to December 2004. Mr. Mao graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in engineering in July 1997, majoring in electrical appliance. He further obtained an MBA degree from Tsinghua University (清華大學) in July 2009. Mr. Mao was accredited as a senior engineer by China Datang in December 2009.

Mr. Zeng Bing (曾兵)

aged 42, has served as the chief economist of the Company from 10 March 2017 to 17 November 2017, the secretary to the Board, joint company secretary and authorised representative of the Company from 10 March 2017 to 17 August 2018, and the secretary to the disciplinary committee of the Company since August 2017. Mr. Zeng has approximately 20 years of experience in power industry. Prior to joining the Company, Mr. Zeng served several positions in Datang Yantan Hydropower Plant (大唐岩灘水力發電廠) from July 1997 to August 2006, including accountant, manager, deputy director and director of its financial department, and was mainly responsible for financial management, including budget management, accounting, fund management and tax management matters. From August 2006 to November 2013, he served as deputy director and director (in charge) of audit and supervision department of Guangxi Guiguan Electric Power Co., Ltd. (廣西桂冠電力股份有限公司) (the "Guiguan Power", a company listed on the Shanghai Stock Exchange, stock code: 600236), and was responsible for internal audit and internal control management. From October 2013 to January 2014, he served as the deputy general manager and secretary of the Communist Party committee of Datang Guiguan Shandong Power Investment Company Ltd. (大唐桂冠山東電力投資有限公司), a subsidiary of Guiguan Power, and was mainly responsible for financial management matters, including budget management, accounting, fund management and tax management matters. From January 2014 to October 2015, he served as director of securities affairs department of China Datang Guangxi Branch (中國大唐集團公司廣西分公司), Guiguan Power and Longtan Hydropower Development Co., Ltd. (龍灘水電開發有限公司) respectively, and was mainly responsible for daily compliance, regulatory reporting and communications and corporate governance matters, including preparing announcements and regular reports, organising board meetings, supervisor committee meetings and shareholder meetings, supervising transactions such as share repurchase, share issue, asset or equity acquisition and/or disposal. From October 2015 to December 2016, he served as the deputy general manager and secretary of the Communist Party committee of Guangxi Datang Electric Power Maintenance Co., Ltd. (廣西大唐電力檢修有限公司), and was mainly responsible for financial management, including budget management, accounting, fund management and tax management matters. Mr. Zeng graduated from Zhongnan University of Finance and Economics (中南財經大學) with a bachelor's degree in economics in July 1997, majoring in accounting. Mr. Zeng was accredited as a PRC certified accountant by the Ministry of Finance of the People's Republic of China in May 2004.

Mr. Liang Xiuguang (梁秀廣)

aged 39, has served as deputy general manager of the Company since 23 March 2018. Mr. Liang has nearly 20 years of experience in power industry. Before joining the Company, Mr. Liang worked for Shandong Huangdao Electric Power Plant (山東黃島發電廠) from July 2000 to September 2009, serving successively as boiler operator, secretary of the general office, deputy director of the general office and director of the politics department. When serving for Datang Shandong Renewable Energy Co., Ltd. (大唐山東新能源有限公司) from September 2009 to March 2012, Mr. Liang acted successively as head of the general office, deputy chief economist, deputy general manager and member of Party Committee. He served concurrently as deputy general manager of Datang Shandong Clean Energy Development Co., Ltd. (大唐山東清潔能源開發有限公司) from November 2010 to March 2012, and acted as deputy general manager and member of Party Committee of Datang Shandong Clean Energy Development Co., Ltd. from March 2012 to March 2013. From March 2013 to November 2013, Mr. Liang worked for Shenyang Huachuang Wind Power Co., Ltd. (瀋陽華創風能有限公司) as member of Party Committee and deputy general manager. He served successively as deputy general manager of the automation department, deputy director of materials management department (in charge of overall operation) and director of materials management department of the Company from November 2013 to January 2017. From January 2017 to March 2018, Mr. Liang acted as general manager and member of Party Committee of Technology & Engineering Company. Mr. Liang graduated from the Power Faculty of Shandong Electric Power College in July 2000, with major in thermal power, and took undergraduate courses on thermal energy and power engineering from the School of Continuing Education of Harbin Institute of Technology from March 2010 to July 2012. Subsequently, he obtained a master's degree in engineering from Xidian University in June 2017. Mr. Liang was granted the qualification of senior administration engineer by China Datang in December 2016.

Mr. Wang Changqing (王長清)

aged 46, has been serving as a deputy general manager of the Company since 17 August 2018. Mr. Wang Changqing joined Datang Environment Technologies & Engineering Co. Ltd. (大唐環境科技工程有限公司) (renamed subsequently as China Datang Technologies & Engineering Co. Ltd. (中國大唐集團科技工程有限公司)), a subsidiary of the Company, in September 2006, where he served successively as the deputy general manager of the denitrification business department, deputy general manager of the environmental protection business department and deputy general manager of the desulphurization and denitrification business department. He joined the Company in February 2012, and served successively as the deputy general manager and deputy director (in charge) of the general manager office of environmental protection branch, deputy general manager (in charge) of environmental protection branch, deputy general manager (in charge) and a member of the Party Committee of environmental protection branch, deputy general manager (in charge), a member of the Party Committee of environmental protection branch, as well as deputy director (in charge) of Datang Electric Power Design and Research Institute (大唐電力設計研究院), general manager and a member of the Party Committee of environmental protection branch, general manager and a member of the Party Committee of environmental protection branch, as well as general manager and a member of the Party Committee of Beijing Datang Hengtong Mechanical Transport Co., Ltd. (北京大唐恒通機械輸送技術有限公司), and general manager and deputy secretary to the Party Committee of environmental protection branch, as well as general manager and deputy secretary to the Party Committee of Beijing Datang Hengtong Mechanical Transport Co., Ltd. Prior to joining the Company, from August 1993 to September 2006, Mr. Wang Changqing worked at Ansteel Group (鞍鋼集團), where he served successively as an engineer and the chairman of labor union of the machinery department of Mining Design and Research Institute (礦業設計院), head of the mining machinery design group of Mining Design and Research Institute, director of the mechanical power office of Mining Design and Research Institute, and director of the machinery office of Ansteel Design Institute (鞍鋼設計院). Mr. Wang Changqing majored in machinery manufacturing technology and equipment at the School of Mechanical Engineering of Shenyang Institute of Technology (瀋陽工業學院) from September 1989 to July 1993, and obtained a bachelor's degree in engineering. In December 2013, he was granted the qualification of senior engineer by Senior Specialised Technique Qualification Evaluation Committee of Anshan Iron and Steel Group Corporation (鞍山鋼鐵集團公司高級工程師技術資格評審委員會).

Mr. Wang Guanghui (王光輝)

aged 50, has been serving as a director of the finance and property right management department from December 2017 to August 2018 and the chief accountant of the Company since 17 August 2018. Mr. Wang Guanghui has nearly 30 years of extensive experience in power industry. Prior to joining the Company, Mr. Wang Guanghui served as an accountant of the accounting department of Shandong Baiyanghe Power Plant (山東白楊河發電廠) from December 1990 to January 1995. From January 1995 to September 1997, he worked at Zhangdian Power Supply Bureau of Zibo Power Bureau in Shandong Province (山東淄博電業局張店供電局), where he served successively as an accountant of the finance office, as well as the director and chief accountant of the finance office. From September 1997 to December 2001, he worked at Qingdao Shanlv Cement Co., Ltd. (青島山鋁水泥有限公司工作), where he served successively as the assistant to the general manager and director of the finance department, as well as the chief accountant and director of the finance department. From December 2001 to July 2010, he worked at China Energy Fuel Delivery Co., Ltd. (中能燃料配送有限公司), where he served successively as the general manager and chief accountant of the financial settlement department, as well as the general manager, deputy general manager and chief accountant of the finance department. From March 2009 to May 2017, he served as the director of the financial settlement department directly under State Grid Energy Development Co., Ltd. (國網能源開發有限公司), and from May 2017 to December 2017, he served as the secretary of the general branch committee of the financial accounting center of Shandong Power Company Limited (神東電力公司). Mr. Wang Guanghui majored in industrial electrification at the School of Electromechanical Engineering of Shandong Institute of Building Material (branch) (山東建材工業學院分院) from September 1988 to July 1990, and obtained his college diploma; and majored in human resource management at the School of Business Administration of North China Electric Power University (華北電力大學) from September 2006 to July 2008, and obtained a bachelor's degree in management. In December 2012, he was granted the qualification of senior accountant by Senior Professional Technology Qualification Committee of State Grid Corporation of China (國家電網公司高級專業技術資格評審委員會).

Mr. Ren Haitao (任海濤)

aged 46, has been serving as the deputy general manager of the Company since 17 August 2018. Mr. Ren has over 20 years of extensive experience in power industry. Prior to joining the Company, Mr. Ren worked at China National Water Resources & Electric Power Materials & Equipment Corporation (中國水利電力物資有限公司) from June 1997 to December 2011, where he served successively as a staff member of the information office, a staff member of the corporate management department, the chief economist of the corporate management department, deputy director of the commerce department (in charge) and deputy director of the development and planning department, as well as served as the general manager and deputy director of the development and planning department of Tian'e Tangsheng Materials Co., Ltd. in Guangxi (廣西自治區天峨唐盛物資有限公司). From December 2011 to July 2018, he worked at China Datang Corporation (中國大唐集團公司) (renamed subsequently as China Datang Corporation Ltd. (中國大唐集團有限公司)), where he served successively as the director of the planning and inspection office of the material management department, the director of the planning and inspection office of the material management department (tender and bidding center) and the director of No. 1 tender and bidding office of the material management department (tendering and bidding center). Mr. Ren majored in statistics at Capital University of Economics and Business (首都經濟貿易大學) from September 1994 to June 1997, and obtained a master's degree in economics. In December 2004, he was granted the qualification of senior economist by Senior Specialised Technique Qualification Evaluation Committee of State Grid Corporation of China (國家電網公司高級專業技術資格評審委員會).

Ms. Zhu Mei (朱梅)

aged 51, has served as deputy general manager of the Company since 20 July 2018, and served as the secretary to the Board, joint company secretary and authorized representative of the Company since 17 August 2018. Ms. Zhu has nearly 30 years of extensive experience in power industry. Ms. Zhu served successively as a teacher at North China Power Administration Bureau University for Staff (華北電管局職工大學) and an economist of comprehensive planning department of North China Power Group Company (華北電力集團公司) from August 1988 to August 1999 prior to joining the Company. From August 1999 to August 2000, she served as a specialist of capital market department of Beijing Datang Power Generation Co., Ltd. (北京大唐發電股份有限公司). From March 2004 to June 2018, she acted successively as an investment planning director of the comprehensive planning department of North China Grid Company Limited (華北電網有限公司), a second level employee of the capital operation office of the development and planning department of China Datang, a second level employee of the capital operation office of the planning, investment and financing department of China Datang, a deputy director at the capital operation office of the planning, investment and financing department of China Datang, the deputy director of the capital operation office of capital operation and assets management department of China Datang, the director of the capital operation office of capital operation and assets management department of China Datang, and the director at securities finance first office of capital operation and assets management department of China Datang. Ms. Zhu obtained a bachelor degree of engineering in industrial management and engineering profession of management engineering department in the School of Management of Xi'an Jiaotong University in July 1988, a master's degree of economics in investment economics profession of investment department of Renmin University of China in January 1999, a master's degree of applied science of information system management profession in the faculty of engineering of University of Waterloo in Canada in October 2003. She was granted the qualification of senior economist from the Senior Economist Review Committee of North China Power Administration Bureau under the Ministry of Electric Power Industry in August 1999.

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
		RMB'000	RMB'000
	Notes		
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
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	–

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2018 Unaudited RMB'000	2017 Unaudited RMB'000
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 Unaudited RMB'000	31 December 2017 Audited 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

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

	<i>Notes</i>	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
NET CURRENT ASSETS		1,921,045	2,127,809
TOTAL ASSETS LESS CURRENT LIABILITIES		9,780,487	9,980,039
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

Jin Yaohua
Director

Deng Xiandong
Director

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								Total equity RMB'000
	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	
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
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 Unaudited RMB'000	2017 Unaudited 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

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 denitrification 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

(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.

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 9 Financial Instruments (Continued)

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 9 Financial Instruments (Continued)

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2018 (unaudited)	Environmental protection and energy conservation solutions <i>RMB'000</i>	Renewable energy engineering <i>RMB'000</i>	Thermal power engineering <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
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
<i>Reconciliation:</i>					
Elimination of intersegment sales					(41,213)
Revenue					<u>2,668,530</u>
Segment results	516,743	10,284	8,319	(42,537)	492,809
<i>Reconciliation:</i>					
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					<u>372,128</u>
As at 30 June 2018 (unaudited)					
Segment assets	16,484,047	1,186,691	118,769	591,766	18,381,273
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(873,105)
Corporate and other unallocated assets					719,028
Total assets					<u>18,227,196</u>
Segment liabilities	7,176,065	1,272,527	164,804	702,170	9,315,566
<i>Reconciliation:</i>					
Elimination of intersegment payables					(873,105)
Corporate and other unallocated liabilities					2,948,405
Total liabilities					<u>11,390,866</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2017 (unaudited)	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Segment revenue					
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
<i>Reconciliation:</i>					
Elimination of intersegment sales					(5,948)
Revenue					<u>2,994,018</u>
Segment results	531,754	41,552	–	(16,253)	557,053
<i>Reconciliation:</i>					
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					<u>367,699</u>
As at 31 December 2017 (audited)					
Segment assets	16,563,443	1,093,429	64,401	689,273	18,410,546
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(925,823)
Corporate and other unallocated assets					676,729
Total assets					<u>18,161,452</u>
Segment liabilities	7,392,795	1,298,409	72,693	508,193	9,272,090
<i>Reconciliation:</i>					
Elimination of intersegment payables					(925,823)
Corporate and other unallocated liabilities					2,888,824
Total liabilities					<u>11,235,091</u>

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

The majority of the non-current assets are located in the PRC, and the majority of revenues are generated from 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:

Segments	Six months ended 30 June 2018 (unaudited)				Total RMB'000
	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	
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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

	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
	<hr/>
Total revenue	<u>2,994,018</u>

5. OTHER INCOME AND GAINS

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(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 Unaudited RMB'000	2017 Unaudited 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 Unaudited RMB'000	2017 Unaudited RMB'000
Current		
– PRC	69,196	74,545
– other country	–	955
Deferred	(1,468)	(5,539)
	67,728	69,961

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018
(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 AGM 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 Unaudited	2017 Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations <i>(RMB)</i>	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 <i>(share)</i>	2,967,542,000	2,967,542,000
Earnings per share		
Basic/diluted earnings per share <i>(RMB)</i>	0.10	0.10

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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 Unaudited RMB'000	31 December 2017 Audited 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

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 Unaudited RMB'000	31 December 2017 Audited 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited 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 Unaudited RMB'000	31 December 2017 Audited 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018
(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 Unaudited RMB'000	December 31 2017 Audited 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 Unaudited RMB'000	31 December 2017 Audited 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(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 Unaudited RMB'000	2017 Unaudited 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

	Six months ended 30 June	
	2018 Unaudited RMB'000	2017 Unaudited 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 Group Capital Holding 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(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 Unaudited RMB'000	31 December 2017 Audited 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Contract assets		
China Datang Group	491,506	–
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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Having considered the 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 Unaudited RMB'000	2017 Unaudited 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

- (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 Unaudited RMB'000	31 December 2017 Audited 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(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 <i>RMB'000</i>	Fair values <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>	Fair values <i>RMB'000</i>
Financial assets				
Financial assets included in other non-current assets	80,122	80,518	93,472	93,752
Financial liabilities				
Long term interest- bearing bank borrowings and other loans (Note 15)	2,908,233	2,871,520	3,016,766	2,975,689

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair values (Continued)

Assets measured at fair value

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair values (Continued)

Assets for which fair values are disclosed

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair values (Continued)

Liabilities for which fair values are disclosed

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair values (Continued)

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB unless otherwise stated)

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.

Definition and Glossary of Terms

“2017 AGM”	the annual general meeting of the Company for the year of 2017, which was held at 2:00 p.m. on Friday, 29 June 2018 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC
“Board”	the board of Directors of the Company
“China Datang”	China Datang Corporation Ltd. (中國大唐集團有限公司), (formerly known as China Datang Corporation (中國大唐集團公司)), a state-owned enterprise established on 9 April 2003 in accordance with the PRC laws and the Controlling Shareholder and a promoter of the Company
“China Datang Group”	China Datang and its subsidiaries (excluding the Group)
“our Company” or “Datang Environment”	Datang Environment Industry Group Co., Ltd. (大唐環境產業集團股份有限公司) was converted to a joint stock limited company on 26 June 2015, unless otherwise stated, including its predecessor China Datang Group Environment Technology Co., Ltd. (中國大唐集團環境技術有限公司) (a limited liability company established on 25 July 2011 pursuant to the PRC law and was renamed to Datang Technology Industry Co., Ltd. (大唐科技產業有限公司) in September 2013 and further to Datang Technology Industry Group Co., Ltd. (大唐科技產業集團有限公司) in December 2013)
“Controlling Shareholder”	has the meaning ascribed under the Listing Rules, and in this interim report, refers to the controlling shareholder of the Company, China Datang
“Datang Capital”	China Datang Group Capital Holding Co., Ltd. (中國大唐集團資本控股有限公司), a company established on 30 November 2011 pursuant to the PRC laws, and a subsidiary of China Datang, the Controlling Shareholder
“Datang Finance”	China Datang Finance Co., Ltd. (中國大唐集團財務有限公司), a company incorporated in the PRC with limited liability, and a non-wholly owned subsidiary of China Datang
“Datang Huayin”	Datang Huayin Electric Power Co., Ltd. (大唐華銀電力股份有限公司), a joint stock limited company established on 22 March 1993 in accordance with the PRC laws and a subsidiary of China Datang, which is listed on the Shanghai Stock Exchange (stock code: 600744)

Definition and Glossary of Terms (Continued)

“Datang Renewable”	China Datang Corporation Renewable Power Co., Ltd. (中國大唐集團新能源股份有限公司), a joint stock limited company established on 23 September 2004 in accordance with the PRC laws and a subsidiary of China Datang, which is listed on the Main Board of the Stock Exchange (stock code: 1798)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the Company’s share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EMC”	a business model that the energy conservation companies provide energy-conservation services to customers according to the energy-conservation service contracts entered into with customers, and recover the investment and gain profit from the energy efficiency achieved upon the completion of energy conservation facilities refurbishment
“EPC”	engineering, procurement and construction, a common form of contracting arrangement whereby the contractor is commissioned by the customer to carry out works, such as design, procurement, construction and trial operations, either through the contractor’s own employees or by subcontracting part or all of the works, and be responsible for the quality, safety, timely delivery and cost of the project
“Group”, “our Group”, “we” or “us”	the Company and all or any of our subsidiaries (as the context so requires)
“H Share(s)”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, subscribed for and traded in Hong Kong dollars and listed and traded on the Stock Exchange
“Latest Practicable Date”	12 September 2018, being the latest practicable date prior to the printing of this interim report for ascertaining certain information contained in this interim report
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definition and Glossary of Terms (Continued)

“PBOC” or “People’s Bank of China”	the People’s Bank of China
“PRC”	the People’s Republic of China, unless it has specifically specified, it excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 3 November 2016 with respect to the listing of the Company on the Main Board of the Stock Exchange
“Reporting Period”	the six months ended 30 June 2018
“RMB”	Renminbi, the current lawful currency of the PRC
“Senior Management”	senior management of the Company
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, composed of the Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)” or “Supervisory Committee”	supervisor(s) or supervisory committee of the Company
“%”	percent

Corporate Information

LEGAL NAME OF THE COMPANY

大唐環境產業集團股份有限公司

ENGLISH NAME OF THE COMPANY

Datang Environment Industry Group Co., Ltd.*

DIRECTORS

Non-executive Directors

Mr. Jin Yaohua (*Chairman*)
Mr. Liu Chuandong
Mr. Liu Guangming
Mr. Li Yi (*Appointed in June 2018*)
Mr. Liang Yongpan (*Resigned in June 2018*)

Executive Directors

Mr. Deng Xiandong (*General Manager*)
Mr. Lu Shengli

Independent non-executive Directors

Mr. Ye Xiang
Mr. Mao Zhuanjian
Mr. Gao Jiaxiang

SUPERVISORS

Mr. Wang Yuanchun (*Chairman*)
Mr. Miao Shihai (*Appointed in June 2018*)
Mr. Chen Li (*Appointed in January 2018*)
Mr. Liu Liming (*Resigned in June 2018*)
Mr. Liu Jianxiang (*Resigned in January 2018*)

LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Jin Yaohua

AUTHORIZED REPRESENTATIVES

Mr. Deng Xiandong
Ms. Zhu Mei (*Appointed in August 2018*)
Mr. Zeng Bing (*Resigned in August 2018*)

JOINT COMPANY SECRETARIES

Ms. Zhu Mei (*Appointed in August 2018*)
Ms. Wong Sau Ping (*ACIS; ACS*)
Mr. Zeng Bing (*Resigned in August 2018*)

COMMITTEES UNDER THE BOARD

Audit Committee

Mr. Gao Jiaxiang (*Chairman*)
Mr. Ye Xiang
Mr. Liu Chuandong

Nomination Committee

Mr. Jin Yaohua (*Chairman*)
Mr. Mao Zhuanjian
Mr. Gao Jiaxiang

Remuneration and Evaluation Committee

Mr. Ye Xiang (*Chairman*)
Mr. Mao Zhuanjian
Mr. Deng Xiandong

Strategy Committee

Mr. Deng Xiandong (*Chairman*)
Mr. Liu Guangming
Mr. Li Yi (*Appointed in June 2018*)
Mr. Liang Yongpan (*Resigned in June 2018*)

Investment Committee

Mr. Mao Zhuanjian (*Chairman*)
Mr. Ye Xiang
Mr. Deng Xiandong

REGISTERED OFFICE

No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC

HEAD OFFICE IN THE PRC

No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUDITORS

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Certified Public Accountants
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Ernst & Young Hua Ming LLP
16/F, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Ave., Dong Cheng District, Beijing, the PRC

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15 Queen's Road Central, Hong Kong

As to the PRC law

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Chaoyang District, Beijing, PRC

PRINCIPAL BANKS

China Development Bank Corporation
No. 16 Taipingqiao Avenue, Xicheng District, Beijing, the PRC

China Construction Bank Corporation Beijing Xuanwu Sub-branch
No. 314 Guang'anmennei Street, Xicheng District, Beijing, the PRC

Industrial and Commercial Bank of China Limited Beijing Haidian Sub-branch
No. 100 Zhongguancun East Road, Haidian District, Beijing, the PRC

Agricultural Bank of China Beijing Xuanwu Sub-branch
Tower D, Global Finance & News Center, No. 1A Xuanwumenwai Avenue, Xicheng District, Beijing, the PRC

Bank of Beijing Co., Ltd. Shangdi Sub-branch International Science and Technology Innovation Park, No. 1 Shangdi Xinx Road, Haidian District, Beijing, the PRC

Ningbo Bank Corporation
Beijing Zhongguancun Sub-Branch
6th Floor, 1 Haidian Avenue, Haidian District, Beijing, the PRC

Agricultural Bank of China Limited Beijing Luoma City Sub-branch
F1, Block A, Fenghua Haojing,
No. 6-4 Guang'an Men Nei Da Jie,
Xicheng District, Beijing

Huaxia Bank Co., Ltd.
Beijing Mentougou Sub-branch
1/F & 2/F, Guotai Department Store,
No. 57 Dayu Xinqiao Street,
Mentougou District, Beijing

China Minsheng Bank
Wanliu Branch
Block 2, 6 Wanliuzhong Road,
Haidian District, Beijing

Corporate Information (Continued)

H SHARE REGISTRAR

Computershare Hong Kong Investor Services
Limited
Shops 1712–1716, 17/F, Hopewell Centre,
183 Queen’s Road East, Wanchai, Hong Kong

STOCK ABBREVIATION AND STOCK CODE

DATANG ENVIRO (1272)

INVESTOR INQUIRIES

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* *For identification purpose only*