



DONGJIANG ENVIRONMENTAL COMPANY LIMITED*
東江環保股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 00895)



* For identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

LIU Ren (*Chairman*)
LI Yong Peng (*Vice chairman, Chief executive*)
(*appointed on 28 June 2017*)
ZHANG Kai (*appointed on 26 June 2017*)
CHEN Shu Sheng (*Chief executive*)
(*retired on 28 June 2017*)

NON-EXECUTIVE DIRECTORS

LIU Bo Ren
DENG Qian
HUANG Yi Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Hin Wing
QU Jiu Hui
ZHU Zheng Fu

SUPERVISORS

ZHANG An Li
HUANG Wei Ming
LI Yue (*appointed on 29 December 2017*)
SHU Yi Xin (*resigned on 29 December 2017*)

COMPANY SECRETARY

WANG Tian

AUDIT COMMITTEE

WONG Hin Wing (*Chairman*)
QU Jiu Hui
ZHU Zheng Fu

REMUNERATION AND APPRAISAL COMMITTEE

ZHU Zheng Fu (*Chairman*)
QU Jiu Hui
WONG Hin Wing

NOMINATION COMMITTEE

QU Jiu Hui (*Chairman*)
LIU Ren
WONG Hin Wing

STRATEGIC DEVELOPMENT COMMITTEE

LIU Ren (*Chairman*)
LI Yong Peng (*appointed on 28 June 2017*)
QU Jiu Hui
CHEN Shu Sheng (*retired on 28 June 2017*)

AUTHORISED REPRESENTATIVES

LIU Ren
WANG Tian

STOCK CODES

A shares listed on Shenzhen Stock Exchange: 002672
H shares listed on The Stock Exchange of Hong Kong
Limited: 00895

AUTHORISED REPRESENTATIVE TO ACCEPT SERVICE OF PROCESSES AND NOTICES

Li & Partners

AUDITORS

ShineWing Certified Public Accountants

LEGAL ADVISERS

Li & Partners (*as to Hong Kong law*)
北京國楓律師事務所 (*as to China law*)

PRINCIPAL BANKER

China Merchants Bank

HONG KONG H SHARE REGISTRAR

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

1st Floor, 3rd Floor, North of 8th Floor
9th-12th Floor
Dongjiang Environmental Building
No. 9 Langshan Road
North Zone of Hi-tech Industrial Park
Nanshan District, Shenzhen
The People's Republic of China

COMPANY'S WEBSITE

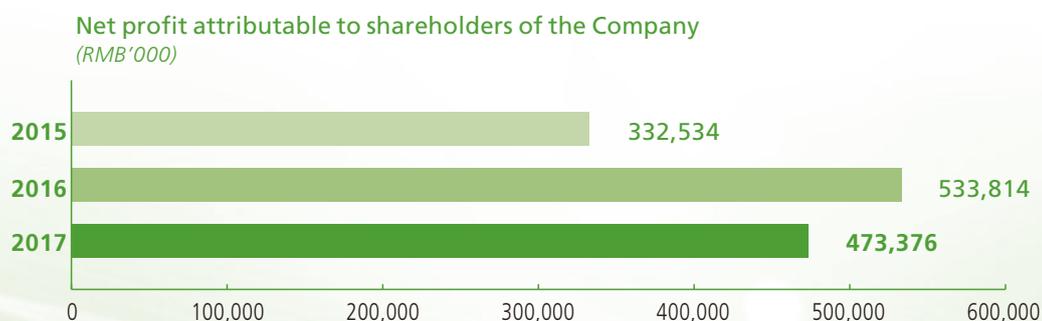
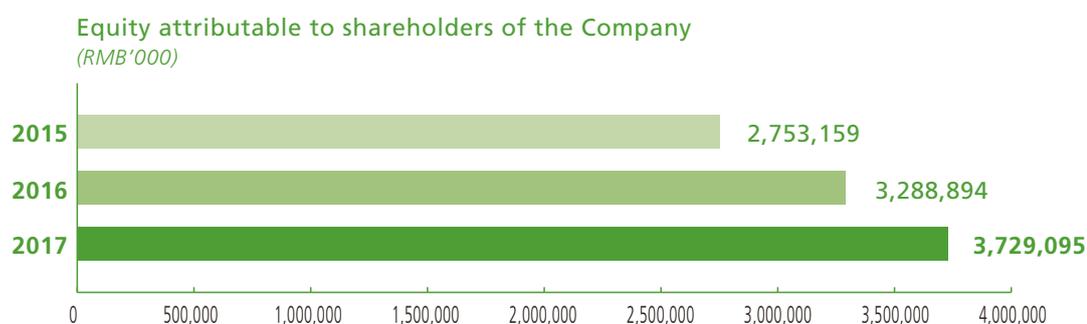
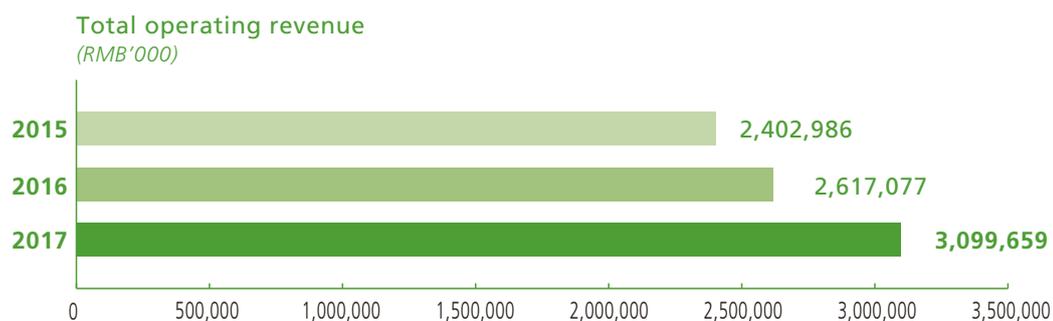
<http://www.dongjiang.com.cn>

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F, World Wide House, Central, HK

FINANCIAL SUMMARY

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Results					
Total operating revenue	3,099,659	2,617,077	2,402,986	2,047,511	1,582,936
Gross profit	1,112,149	945,320	778,727	665,310	482,537
Gross profit margin	35.88%	36.12%	32.41%	32.49%	30.48%
Net profit attributable to shareholders of the Company	473,376	533,814	332,534	251,610	208,282
Financial position					
Total assets	9,240,147	8,189,149	6,685,217	4,985,470	3,267,457
Total liabilities	4,918,300	4,323,456	3,465,681	2,146,894	817,494
Minority interests	592,752	576,799	466,375	396,237	208,195
Equity attributable to shareholders of the Company	3,729,095	3,288,894	2,753,159	2,442,338	2,241,767



CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Dongjiang Environmental Company Limited* (the “**Company**”), I am pleased to report the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2017 (the “**Reporting Period**”).

OVERVIEW

Unswervingly following the guidance of the corporate development strategy, the Company focused on the main business of hazardous waste treatment, maintained its leading position by making innovative and proactive explorations and expansions, and developed other business related to environmental protection such as municipal waste treatment, sewage treatment and environment monitoring, so as to realize the coordinated and efficient development of multiple business forms, achieve standardized and modularized operation, enhance the industrial integration and coordination capability, promote the development and innovation of the environmental protection industry, and contribute to the quality development of the economic society.

Since 2017, as China marched into the critical period which focused on improving environmental quality during “13th Five-Year Plan”, the positive signal can be seen gradually in the development of the environmental protection industry. The implementation of key policies such as environmental protection taxes and pollutant discharge license and the continued normalization of environmental protection inspections effectively stimulated the release of governance demands and steadily promoted the healthy development of the industry. The environmental protection industry ushered in the golden development period of an accelerated process of “effect-orientation”.

2017 was the first complete year after the Company transformed into a state-controlled listed company. Taking advantage of favorable opportunities, the Company realized the obvious progress in production and operation in an orderly and stable manner, successfully fulfilled annual operation objectives and achieved stable growth of its profits despite great challenges and difficulties by leveraging on various measures such as accelerating business expansion and layout, innovating business development models, speeding up new and special project construction and production, increasing income and reducing expenditure, and strengthening management.

During the Reporting Period, the Company achieved an operating revenue of RMB3,099,660,000, representing a year-on-year increase of 18.44%; the net profits attributable to owners of the parent company after deducting the non-recurring profit or loss amounted to RMB463,523,500 with an increase of 22.23%; among them, the industrial hazardous waste treatment business and resource utilization business achieved an operating revenue of RMB1,167,436,800 and RMB1,181,528,800, respectively with a high-speed year-on-year growth. By the end of the year, leveraging on the key project construction, technological transformation, and qualification optimization measures, the Company's hazardous waste treatment capacity reached 1,600,000 tons, and actually disposed of hazardous waste of more than 1,000,000 tons, ranking the first in China. The Company proactively fulfilled the corporate responsibilities, and created social benefits. It conducted harmless treatment of hazardous waste totaling approximately 400,000 tons in Guangdong Province, accounting for 70% of the total quantity of harmless treatment of the whole province. Meanwhile, it disposed of hazardous waste for universities, scientific research institutions and monitoring institutions of Guangdong Province, and provided more than 450 times of environmental emergency service for various governments throughout the year as the partner of precursor chemicals and drug-producing waste destruction technology service, making outstanding contributions to the ecological civilization development all over the country and the environment protection in Guangdong Province.

CHAIRMAN'S STATEMENT

During the Reporting Period, the Company achieved good results in terms of connotative growth and extensional expansion. The Company signed four hazardous waste comprehensive treatment and disposal projects respectively in Dongguan, Foshan, Caofeidian, Tangshan and Mianyang, Sichuan with a total design qualification of more than 510,000 tons/year. It completed the construction of six new projects, initiated four renovation and expansion projects, and finished two technical innovation and optimization and qualification expansion projects. The adequate reserve of potential projects guaranteed the future sustainability of the Company. It expanded the regional layout with the business network covering more than 30 cities and 20 industries, and service for more than 20,000 customers. In addition, the Company proactively developed new business models, and entered into strategic cooperation with Conch Venture to carry out the solid waste co-disposal with cement kiln throughout the country, which innovated and supplemented the business model of hazardous waste treatment, contributed to the further enhancement of its core competitiveness, consolidated the industrial status, and led the industrial development.

OUTLOOK

2018 is the beginning year to comprehensively implement the spirit of the 19th CPC National Congress and the 40th anniversary of the reform and opening-up. The reports of the 19th CPC National Congress indicate that the socialism with Chinese characteristics has entered the new era, and the strategic planning such as the ecological civilization development and pollution prevention campaign will create broader development prospects of the environmental protection industry. Meanwhile, the hazardous waste industry is confronted with huge reforms and crises such as stricter hazardous waste disposal policies, excess disposal capacity arising from over investment, and challenges brought forth by new business modes and technologies. Faced with the above opportunities and challenges, the Company will move forward with the goal of building a first-class enterprise with a prominent main industry, advanced management, leading technology, outstanding performance, and international competitiveness as the leader in the industry.

ACKNOWLEDGEMENTS

Finally, on behalf of the Board, I would like to express my gratitude to the shareholders, clients, suppliers, partners, and staff who make unremitting effort to the Group's development.

Dongjiang Environmental Company Limited*

LIU Ren

Chairman

Shenzhen•Guangdong•PRC

29 March 2018

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Since 2017, as China entered into the critical period which focused on improving environmental quality during “13th Five-Year Plan”, positive signal can be seen gradually in the development of the environmental protection industry. The implementation of key policies such as environmental protection taxes and pollutant discharge license and the continued normalization of environmental protection inspections effectively stimulated the release of governance demands and steadily promoted the healthy development of the industry. The environmental protection industry ushered in the golden development period of an accelerated process of “effect-orientation.”

Against this background, in 2017, with the overall business policy of “professional operation, innovation drive, resources integration and leading development”, the Company focused on the main business of hazardous waste treatment and optimized strategic planning, leveraged on various measures such as innovating business models, vigorously advancing project construction, quickly releasing production capacities through multiple channels and accelerating business expansion and layout, so as to achieve solid revenue and profit growth to maintain leading position in the industry and move forward with the goal of building a first-class enterprise with a prominent main industry, advanced management, leading technology, outstanding performance, and international competitiveness.

In 2017, the Company achieved an operating revenue of RMB3,099,658,600, representing an increase of 18.44% as compared to the same period of 2016; the net profit attributable to the shareholders of the listed Company was approximately RMB473,376,000, representing a decrease of approximately 11.32% as compared to the same period of last year; After deducting the non-recurring profit or loss, the net profit attributable to the shareholders of the listed Company was approximately RMB463,523,500, representing an increase of approximately 22.23% as compared to the same period of last year. As at the end of 2017, the total assets were approximately RMB9,240,147,400, representing an increase of approximately 12.83% as compared to the beginning of the Reporting Period; the equity interests attributable to the shareholders of the listed Company was approximately RMB3,729,095,500, representing an increase of approximately 13.38% as compared to the beginning of the Reporting Period.

(I) Optimize strategic planning and focus on the main business of hazardous waste treatment

According to years of development experience and advantages, combined with the national macro-policy, the development trend of environmental protection industry, industry competition, etc., the management team optimized the Company’s development strategy for the next five years through in-depth research: adhered to the solid waste treatment as the core, made supporting development of two major areas of regional environmental governance and environmental protection services.

Solid waste treatment is the core business of the Company, and “focusing on hazardous waste treatment” will be the main task for the development of the Company during the current period. During the Reporting Period, the industrial waste treatment business of the Company achieved business revenue of RMB1.167 billion, representing an increase of 38.44%; the industrial waste resource utilization registered business revenue of RMB1.182 billion, an increase of 49.33%. Focusing on strategic development, the Company continued to increase its efforts to expand hazardous waste projects and signed several contracts for hazardous waste comprehensive treatment and disposal projects. After the completion of the project, the newly added qualifications totaled approximately 510,000 tons. On the other hand, the Company timely grasped the development trend of the industry and signed strategic cooperation agreements with Conch Venture and South Korea Deshan Industry Co., Ltd. respectively to give full play to its own strength and actively associate all parties’ resources to lay a good foundation for follow-up sustained development.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company actively developed two major areas of regional environmental governance and environmental protection services, providing the conditions for the company to implement the innovative business model of technology + services by building the capacity of hazardous waste EPC general contracting and establishing a comprehensive service provider brand for hazardous waste treatment. During the Reporting Period, the environmental engineering and service business of the Company realized revenue of RMB280 million, representing an increase of 14.01%; the sum of signed contracts amounting to approximately RMB400 million, including several hazardous waste EPC projects, and the new business model gradually brought benefits.

(II) *Vigorously promote project construction and quickly release production capacity through multiple channels*

Accelerating project construction, expanding the business scale and promoting business growth are also the main ways for the Company to deepen its critical business on hazardous waste, optimize its business structure, and achieve leapfrog development. Especially in the current situation of intensified competition in the industry, vigorously promoting the construction of key projects is conducive to the rapid release of production capacity, solve client needs and consolidate the Company's leading position in the industry.

During the Reporting Period, the Company actively promoted the construction of key hazardous waste projects, of which, the completed projects include: 1) the incineration project with an annual capacity of 20,000 tons and the physical and chemical treatment project with an annual capacity of 10,000 tons and comprehensive utilization project with an annual capacity of 30,000 tons by Hubei Tianyin; 2) the incineration project with an annual capacity of 9,100 tons and the physical and chemical treatment project with an annual capacity of 950 tons by Zhuhai Yongxingsheng; 3) the physical and chemical treatment project with an annual capacity of 26,500 tons and comprehensive utilization project with an annual capacity of 96,500 tons by Dongguan Hengjian. It promoted the project construction of Jiangxi Dongjiang, Hengshui Ruitao, Weifang Lanhai, Xiantao Lvyi, Fujian Quanzhou and Nanping. Secondly, it completed the optimization of technical innovation and qualification expansion projects such as Jiangmen Dongjiang and Yongxingsheng and started the technological renovation and expansion projects such as Shaoxing Huaxin, the coastal solid waste, Xiamen Dongjiang. Through comprehensive organization and optimization, the Company's capacity qualifications are effectively matched with market demand to avoid idled conforming equipment and maximize production efficiency.

In response to the rapid development of the environmental protection industry and the fierce competition in high-quality projects, the Company responded quickly and actively developed high-quality projects in accordance with business and regional layout planning. Through the acquisition of Foshan Fulong Environmental Protection Project and Dongguan Fengye Environmental Protection Project, it further consolidated the foundation for the development of the Pearl River Delta; acquired the Caofeidian project in Tangshan, Hebei, and improved the business coverage of Beijing-Tianjin-Hebei; and signed a strategic cooperation agreement with the government of Mianyang City, Sichuan Province so as to form strategic location of the radiation in the southwest region. This series of investments will not only help expand the scale of the primary industry of hazardous waste, establish a complete industrial chain, optimize the regional market layout, but also lay a good foundation for the Company's sustained and stable growth.

Through the above-mentioned series of key project construction, technological transformation, and qualification optimization measures, by the end of 2017, the Company's hazardous waste treatment capacity has reached 1,600,000 tons, which will help further strengthen the Company's development potential, cultivate a strategic supporting industry base, and effectively guarantee the continuous growth of performance.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Establish a market management system centered on client needs

During the Reporting Period, the Company actively promoted the market business model, copied the mature experience in the Guangdong region to East China, Hubei, Jiangxi, North China, fully tapped the market potential of various regions and played a role in regional production capacity synergy by optimizing the structure of the market management organization, improving the distribution of marketing staff and improving business development strategies.

At present, the Company has established a market-oriented management system that meets client needs and has achieved remarkable results within the country's business coverage. Among them, through the establishment of a nationwide customer service call center, the Company has actively strengthened customer service standards and processes, refined the corresponding management mechanisms, and effectively enhanced customer identity and stickiness; at the same time, the Company steadily promoted the CRM system, contract approval system and widely promoted and applied them nationwide, effectively standardized, unified client and contract management, effectively enhanced the client service satisfaction. Benefiting from high-quality services and excellent customer experience, during the Reporting Period, the number of corporate customers exceeded 20,000, an increase of 40% as compared to the same period of last year, with the market share further increased.

(IV) Innovate financing methods and reduce financing costs

During the Reporting Period, the Company actively responded to the national policy call and fully utilized environmental protection financial policies, actively innovated financing models, and increased investment in the green industry. With excellent project quality, stable and standardized management, and rich capital operation experience, the Company has keenly grasped the opportunity to overcome the problems of hard tasks, tight schedules and heavy tasks and achieved rapid landing of financing projects. Among them:

- 1) The Company utilized the income right of sewage treatment fee of Humen Luyuan, the subsidiary of the Company, as the underlying assets to issue asset-backed securities and raised the proceeds of RMB300 million. This is the first listing for PPP+ABS business in Guangdong province and on the Shenzhen Stock Exchange;
- 2) The Company publicly issued the first tranche of green corporate bonds with the issuing size of RMB600 million. It is the first listed company to publicly issue green corporate bonds on the Shenzhen Stock Exchange;
- 3) The Company entered into the framework agreement of industry merger and acquisition fund with Guangdong Rising Finance Holding Co., Ltd. of Guangdong Province, with a total fund size of RMB3 billion and the size of parent fund of RMB550 million, of which the Company subscribed for RMB50 million;
- 4) The Company launched the project of non-public issuance of A shares to issue shares to not more than 10 qualified investors including Rising Company with a planned financing scale of RMB2.3 billion and obtained the approval of Guangdong SASAC and passed the deliberation of general meeting of shareholders.

The above financing projects will further optimize the Company's capital structure, reduce capital costs, and accumulate valuable experience for follow-up capital operations, consolidate the Company's leading position in the industry and at the same time effectively enhance the Company's influence in capital market. With the innovative operating capital project, the Company won the "Outstanding Solid Waste Recycling Issuer" award from the Shenzhen Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) Reform the S&T innovation system and release driving force of innovation

The Company insists on implementing the development strategy guided by technological innovation. During the Reporting Period, the Company established the Dongjiang Environment Institution to deeply integrate the R&D resources through a clear positioning of functions and an optimized organizational structure, the Company has gradually established a new system of technological research and development with clear-cut tasks, and effective operations to effectively release the innovation driving force of technology and achieve remarkable results.

- 1) The number and level of technological awards obtained have increased substantially. In this year, the Company won three technology awards above the municipal level, an increase of 2 compared with 2016. In the 15th Shenzhen Enterprise Innovation Record Achievement Conference (“**Shenzhen Enterprise Innovation Record**”), the “New Process for Low Iron Electroplating Grade Copper Sulphate” of the Company obtained the innovation project award of process engineering from Shenzhen Enterprise Innovation Record.
- 2) New progress was made in technology research, development and introduction. The Company independently researched and developed the use of waste sulphuric acid to produce calcium sulfate dihydrate and the use of waste phosphoric acid to produce fertilizer-grade dicalcium phosphate has been successfully industrialized; the feed-grade calcium hydrogen phosphate, high-quality copper hydroxide and copper oxide prepared by the laboratory will gradually achieve industrialized application; In addition, the strategic cooperation between the Company and South Korea Deshan reached the electronic level of waste organic solvent recycling in the optoelectronics industry and it’s expected to gradually resolve the major waste disposal problems in the optoelectronics industry.
- 3) The patent application scales a new height. In 2017, the Group had an increase of 41 newly authorized patents, including 2 invention patents and 39 utility models. By the end of 2017, the Group had been granted 168 patents, including 38 invention patents and 130 utility models. “A method for the preparation of basic zinc chloride” has been authorized internationally, filling the Company’s gap in the field of international patents.

(VI) Pay close attention to safety production and implement main responsibility

“We consolidate the root for further development”. The Company always regards safe production as the primary prerequisite for the development of the Company. During the Reporting Period, the Company set up a leading Group for the special protection period for production safety, worked out a special protection period work plan, carried out a comprehensive investigation of hidden dangers, and implemented the responsibility of the general manager of each production base, so that “all areas have responsible person, all matters have responsible person” which strengthened the safety management of the production base. At the same time, the Company carried out a hundred days of safe production activities, through a variety of forms of propaganda and education activities, to create a safe production culture atmosphere, and ensure that the alarm bells of safe production are heard. In addition, the Company closely followed the development trend of the Internet, innovatively applied modern information technology, vigorously improved production process management and emergency response procedures, strengthened the introduction of new technologies and new equipment, effectively enhanced its own emergency response capabilities, further protected the staff personal safety and achieved a “zero occurrence” of the first-class accident.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total operating revenue

As of 31 December 2017, the Group's total operating revenue increased by 18.44% as compared with 2016 to approximately RMB3,099,658,647 (2016: approximately RMB2,617,076,763). The increase of the total operating revenue mainly because in the process of operation, the Company enhance the market shares of the industrial solid hazardous waste and resource production business by implementing corporate development strategy, adjusting the business structure and actively exploring the market, which insurance the increase of the operating income in the Reporting Period. The operating income of the industrial waste treatment and disposal increase approximately 38.44% to approximately RMB1,167,436,763 (2016: approximately RMB843,267,266) over the same period last year. The operating income of resource production business showed a year-on-year growth of approximately 49.33% to approximately RMB1,181,528,804 (2016: approximately RMB791,230,578), and the operating income of Waste Electrical Appliance Dismantling Treatment showed a decrease of approximately 74.02% to approximately RMB57,310,914 (2016: approximately RMB220,635,048) because the Company transferred the entire equity interest of Qingyuan Dongjiang and Hubei Dongjiang.

Profit

For the year ended 31 December 2017, the Group's integrated gross profit margin was 35.88% (2016: 36.12%). The integrated gross profit margin is about level off by decreasing about 0.24% compared with the same period of last year. This is mainly because many investment capital invested in the industry, including the central enterprise and private company, which led to the fiercer competition and increase cost of the collection of transportation; On the other hand, many small chemical companies that the environmental facilities failed to reach the standard was shut down because of the environmental supervision in 2017, which caused the reduce of the market supplement, the increase of the chemical raw material and accessories year-on-year basis and the increase of labor cost everywhere. In the result, the gross profit margin of the main business shows a slight decrease. However, the comprehensive gross profit margin is level off, compared with the same period of last year due to the adjustment of the business structure by the Company, which means the operating income of Industrial harmless business, which the gross profit margin is related high, increase the proportion of the total operating income. Besides, the Company continues the activity of energy saving and material decreasing, strengthening the budget management, and effectively controlling producing cost.

For the year ended 31 December 2017, net profit attributable to Shareholders of the Company was approximately RMB473,375,978 (2016: approximately RMB533,813,817), down by approximately 11.32% compared with 2016. The decrease of the net profit due to the investment income from the transfer of the entire equity interest of subsidiaries. By deducting the influence of the investment income, 2017, net profit attributable to Shareholders of the Company was approximately RMB463,523,482.67 (2016: approximately RMB379,234,585), up by approximately 22.23%.

The increase of the net profit came from two parts, extension expansion and intension management. Firstly, the Company actively expanded the market, accelerated the production construction, enhanced the market share, scaled up the business, which led to the increase of the total operating income. In addition, the Company implemented corporate development strategy and focused on the main business of industrial hazardous waste, the Company adjusted business structure, stabilized the comprehensive gross profit margin. In the same time, the Company strengthened the overall budget management and effectively controlled the cost and insurance the increase of the net profit.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales expenses

For the year ended 31 December 2017, the Group's sales expenses were approximately RMB68,630,472 (2016: approximately RMB57,847,414), accounting for 2.21% of the total operating revenue (2016: 2.21%). The sales expenses increased mainly because of reinforcing market expansion and corporate business brand management in the Reporting Period, as well as change in the consolidation scope and increase of subsidiaries compared with the same period last year.

Administrative expenses

For the year ended 31 December 2017, the Group's administrative expenses were approximately RMB415,278,552 (2016: approximately RMB339,798,494), accounting for 13.40% of the total operating revenue (2016: 12.98%). The administrative expenses increased mainly because the Company continued to intensify R&D investment in the Reporting Period; The increase of administrative expenses by 0.41 percentage point as comparing to the last year was mainly due to the requirement of longer time to reach full scale production by the companies that commenced production.

Finance costs

For the year ended 31 December 2017, the Group's finance costs were approximately RMB98,676,711 (2016: approximately RMB96,085,768), accounting for 3.18% of the total operating revenue (2016: 3.67%). The finance costs increased mainly because the Company expanded the scale, which boosted the demand for funds, and increased issuance of corporate bonds and bank loans which resulted in rising interest expenses.

Income tax expenses

For the year ended 31 December 2017, the Group's income tax expenses were approximately RMB69,217,094 (2016: approximately RMB96,569,565), accounting for 11.12% of total profit (2016: 14.33%). The decrease of income tax expenses was mainly due to an decrease of the Group's total profit before tax and the reduction of the relative tax rate because of the acquirement of the national high and new technology enterprise certification of five subsidiaries of the Company (Higher profit in last year was partly due to the investment income of equity interest transfer).

FINANCIAL POSITION AND LIQUIDITY

As of 31 December 2017, net current assets of the Group amounted to approximately -RMB133,739,694.67 (2016: -RMB696,108,717), including cash and cash equivalent of approximately RMB1,221,930,230 in total (2016: approximately RMB1,139,658,567).

As of 31 December 2017, total liabilities of the Group amounted to approximately RMB4,918,299,846 (2016: approximately RMB4,323,455,566). The Group's gearing ratio was 53.23% (2016: 52.79%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to approximately RMB3,170,148,436 (2016: approximately RMB3,407,801,977). As of 31 December 2017, the Group's outstanding bank loans reached approximately RMB2,171,323,046 (2016: approximately RMB2,428,564,237).

The Board believes that the Group has a stable and strong financial and liquidity position to meet the needs of its future business development.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES ASSOCIATES

In March 2017, the Company invested RMB50,000,000 in Zhaoqing Dongsheng Environmental Technology Co., Ltd., a subsidiary in which the Company held 100% equity interest.

The Company entered into relevant equity transfer agreement in April 2017, to successfully acquire 80% equity interest of Huateng Environmental information technology Co., Ltd (“**Huateng Environmental**”) at RMB16,500,000 in cash. In October 2017, the Company acquire 10% equity interest of Huateng Environmental at RMB1,500,000 in cash. Including the 10% equity interest the Company holds at the beginning, by the end of the period, the Company holds 100% equity interest of Huateng Environmental. The Company paid partial equity transfer payment of RMB18,00,000.

In May 2017, the Company signed share transfer agreement with Shenzhen Lvlvda Environmental Co., Ltd., to successfully acquire 40% equity interest of Jiangmen Dongjiang Fine Chemistry Co., Ltd.. The equity interest the Company holds increased to 100%. In the period, the Company paid RMB10,800,000 in cash for equity transferring.

In June 2017, the Company invested RMB700,000 in Huangshi Dongjiang Environmental Technology Co., Ltd., a subsidiary in which the Company held 70% equity interest.

In June 2017, the Company invested RMB1,000,000 to increase the capital of Shenzhen Qianhai Dongjiang Environment Services Co., Ltd., After the completion of the capital increase, the paid-in capital is RMB4,000,000.

In July 2017, the Company entered into equity transfer agreement with Zhejiang Xinhai pharmaceutical Co., Ltd., to successfully acquire 15% equity interest of Coastal Solid Waste. The equity interest of Coastal Solid Waste in which the Company holds increased to 75%. In the Reporting Period, the Company paid RMB48,000,000 in cash for equity transfer.

The Company entered into relevant equity transfer agreement in September 2017, to successfully acquire 80% equity interest of Wandesi (Tangshan Caofeidian) Environmental Technology Co., Ltd at RMB140,000,000 in cash. In the Reporting Period, the Company paid RMB110,840,000.00 in cash for equity transfer.

In November 2017, the Company invested RMB10,000,000 in Xiantao Dongjiang Environmental Technology Co., Ltd., a subsidiary in which the Company held 100% equity interest.

Save as disclosed in this Report, during the Reporting Period, the Group has no other significant investment, acquisition and disposal of subsidiaries and associates.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in this Report, the Group does not have other future plans for material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE AND FOREIGN EXCHANGE RISKS

Interest rate risk

The Group is exposed to the fair value interest rate risks as a result of the Group's fixed-rate bank loans. The Group currently has no interest rate hedging policy. However, the management of the Group closely monitors the interest rate risk and should a significant risk be foreseeable, it will consider taking necessary actions.

The Group is also exposed to cash flow interest rate risk as a result of the Group's floating-rate bank loans. The Group's policy is to maintain the floating-rate bank loans to reduce the cash flow interest rate risk.

The Group's cash interest rate risk mainly results from the Group's RMB borrowings, and is subject to the fluctuations of the interest rate benchmark published by the People's Bank of China.

Foreign exchange risk

The Group's functional currency is RMB, and the majority of transactions are denominated in RMB. However, certain bank balances of trade and other receivables and other payables are denominated in currencies other than RMB. Expenses of the Group's overseas operations are also denominated in foreign currencies.

Pledge of assets

As at 31 December 2017, certain assets of the Group were pledged to secure bank borrowings, guarantees and letters of credit facilities granted to the Group, as follows:

	2017	2016
Fixed assets	132,982,034.97	132,774,970.72
Cash and bank balances	23,177,700.00	20,414,561.53
Intangible assets	74,770,438.59	85,352,623.39
Construction in progress	85,249,982.04	223,717,414.88
Other receivables	21,555,473.48	–
Receivables	70,742,384.00	–

Information on employees and remuneration policies

As at 31 December 2017, the number of full-time employees stood at 4,534 (2016: 3,945) with a total staff cost of approximately RMB464,401,022.22 (2016: approximately RMB383,382,464.51). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund, and medical insurance.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

Pursuant to the method of collection and treatment of industrial waste adopted by the Group, since its incorporation, the Group has not incurred any material expenses due to environmental restoration. However, there is no guarantee that the Chinese authorities will not implement stringent environmental policies and guidelines/environmental restoration standards in the future which would cause the Group to take environmental protection measures. The financial position of the Group may be adversely affected due to any environmental liabilities which may arise as a result of the promulgation of new environmental policies, guidelines and standards.

Save as disclosed above, the Group had no significant contingent liabilities for the years ended 31 December 2017.

Capital commitment

As at 31 December 2017, the capital commitment of the Group was as follows:

Item	2017	2016
Capital expenditures contracted for but not provided for in the financial statement		
Foreign investment	48,780,000.00	46,119,999.00
– Construction in progress	268,258,048.15	373,885,193.52
– Acquisition of plant and machinery	106,411,606.00	54,710,871.60
Total	423,449,654.15	474,716,064.12

FUTURE PROSPECTS

In 2018, with the gradual implementation of environmental protection measures such as environmental protection tax and blue sky protection initiative and the full implementation of environmental supervision activities, the hazardous waste treatment demand will be released in an accelerating manner and open up a new round of growth. Under this background, the Company will focus on hazardous waste treatment to develop the business of water governance, environmental engineering and environmental testing, with an aim to building a complete industrial chain and continuing to improve professional operating capabilities. At the same time, the Company will continue to increase investment and financing, integrate resources, expand the market, accelerate the pace of product research and development, technological innovation and management innovation, further consolidate the industry's leading position and achieve rapid development.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Adhere to the implementation of strategic planning, focus on the core business of hazardous waste treatment

The Company will continue to focus on the main business of hazardous waste treatment, adhere to the implementation of strategic planning, further expand the Company's scale of hazardous waste production capacity, increase capacity utilization rate, deepen the Pearl River Delta, Yangtze River Delta, Beijing-Tianjin-Hebei and Bohai Rim and other regional markets, and consolidate the leading position of the industry; at the same time, it gathers government, cooperative companies and other advantageous resources to further enhance the expansion of new projects with Guangdong, Jiangsu, Zhejiang, Fujian, Hubei, Anhui, Shandong, Jiangxi, Hebei, Sichuan, and Chongqing as key areas for external expansion.

While accelerating the comprehensive utilization, harmless disposal of hazardous wastes and co-disposal of cement kiln, the Company will also support the development of municipal waste treatment and disposal projects in order to strive for municipal sewage sludge treatment, landfill and closure treatment and make new progress in soil and watershed governance, strive to expand the industrial park's supporting waste disposal projects.

(II) Fully promote the construction of key projects and obtain approval of new hazardous waste qualification of about 700,000 tons

First, speed up the construction progress of the projects under construction, ensure that they are completed and accepted soon, obtain qualifications, and promptly release the production benefits, including Hengshui Ruitao, Weifang Lanhai, Quanzhou Xingye Dongjiang, Nanping Project, Coastal Solid Waste Nantong Dongjiang and Jiangxi Dongjiang Copper Smelting Project and other resource projects;

Second, start the construction of new projects and technical transformation projects in a timely manner, including projects such as Dongguan Fengye, Caofeidian Project, Foshan Fulong, Sichuan Mianyang, Huaxin Incineration Technical Transformation and Co-processing with Cement Kilns.

Third, actively promote the preparatory work for planning projects, such as the Lanhai Landfill Project in Weifang, Shandong Province and Xiantao Lvyi phase II.

(III) Match market demand, optimize qualification structure and release production efficiency

In the face of changing market demands, the Company will conduct in-depth research on specific market conditions, make innovative use of technological means, improve treatment and disposal technologies to fully release production efficiency. First, sort out and adjust the status of Group base qualifications, abandon the useless and inefficient qualifications, optimize the production capacity structure, make an effective correspondence between market capacity, equipment production capacity and capital quality, give full play to the maximum efficiency of qualifications. Second, according to the new features of regional coordinated development, promote cooperation among regions and take advantage of superior production capacity resources, in order to achieve coordinated development of regional industries and maximize the Group's comprehensive production and processing capacity by deploying waste in a rational and efficient way and reducing the base inventory.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Adhere to talents first and stimulate innovation

The Company insists on taking talent as the first element to support business development, pays attention to training and attracting technical talents and promotes the optimal allocation of talents. At present, the Company actively innovates the talent cultivation model. With Dongjiang College, functional departments, business departments and branches as the triangle support, it relies on the talent cultivation curriculum system, with staff promotion and performance compensation incentives as boosters to implement personnel training and create learning-oriented organization. In addition, the Company will continue to strengthen human capital investment, establish and improve the talent use, mobility, evaluation, and incentive systems that are in line with the industry and Company characteristics, use differential compensation mechanisms, explore effective incentive models under the state-owned shareholding system and address key issue hindering manpower efficiency in a targeted way to ensure that the value of talent is rewarded with market value, and the working motivation and vitality of talents are fully stimulated.

(V) Improve innovative R&D system and improve processing technology

Scientific and technological innovation is the key to maintaining the Company's core competitive advantage. The Company will accelerate the establishment of a rational and effective innovation mechanism, continuously strengthen the building of innovation capabilities, and form a good momentum of innovation-driven development. In the organization and management structure, the Company identifies the main body of technological innovation, promotes cross-departmental cooperation, accelerates the implementation of innovation-driven development strategies, and establishes a hybrid innovation technology model. At the same time, the Company will actively draw on domestic and foreign advanced experience to solve technical problems in the actual production process, effectively promote the industrialization of scientific and technological achievements and give full play to the role of technology in the collection, transportation and warehousing of the market, classification and identification, pretreatment, and production and disposal. In addition, the Company will deepen the cooperation between industry, universities and research institutes, through external experts, the introduction of talents, exchanges and cooperation, increase capital investment, improve the mechanism and other measures to tackle key and difficult issues and constantly improve the Company's technology core competitiveness.

(VI) Strictly enforce safety production responsibility system and build a harmonious production environment

The Company resolutely implements the national security and environmental protection regulations and takes relevant measures to ensure that it can be implemented in a practical manner. It holds the safety and environmental protection lifelines and eliminates the possibility of major safety and environmental accidents. The Company will continue to strengthen the management and control of safety production, carry out uninterrupted safety inspections, and form a refined, normalized management mechanism. All units will always stay alert and always put safety production into action to effectively ensure that Company personnel have a healthy and safe working environment.

MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Liu Ren (劉韜), aged 50, is an executive Director and the chairman, with a Master Degree of Economics. He had worked in the headquarter of the investment bank of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), the headquarter of the investment bank of Fortune Securities Co., Ltd. (財富證券有限責任公司) and The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals. He has served as an Assistant General Manager and Minister of Capital Operations of Guangdong Rising Assets Management Co., Ltd (廣東省廣晟資產經營有限公司). Mr. Liu Ren has also served as a Director in E Fund Management Co., Ltd and Guangdong Rising Finance Co., Ltd. Mr. Liu was appointed as Chairman on 28 June 2017.

Mr. Li Yong Peng (李永鵬), aged 43, is an executive Director and the vice president of the Company. He graduated from Zhong Nan Finance University (中南財經大學) (currently known as Zhong Nan Finance & Law University (中南財經政法大學)) with a bachelor degree in economics in 1998, majoring in state-owned assets management. Mr. Li was appointed as an executive Director on 28 November 2001, and was appointed as the vice-chairman of the Board and the chief executive on 28 June 2017.

Mr. Zhang Kai (張凱), aged 33, is an executive Director, postgraduate degree. Mr. Zhang joined the Company in February 2012 and held successive positions as the director and manager of the marketing department and the manager of the business department of subsidiaries of the Company. He is currently the regional manager of the marketing management department. He was appointed as an executive Director on 26 June 2017.

NON-EXECUTIVE DIRECTORS

Mr. Liu Boren (劉伯仁), aged 48, is an executive Director, with a Bachelor's Degree. He had worked in Guangdong Branch of the People's Bank of China, Guangzhou Branch of People's Bank of China and Guangdong Regulatory Bureau of China Banking Regulatory Commission. Since March 2014, he has served as an Assistant General Manager in Guangdong Rising Assets Management Co., Ltd. He has served as the chairman of the board of Guangdong Rising Finance Co., Ltd since June 2015.

Mr. Deng Qian (鄧謙), aged 41, is an executive Director, with a Master Degree. He has served as an Office Secretary, Director and Senior Director of Business Development and Deputy General Manager of Investment and Development Department in Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd. Since May 2016, he has served as a Minister of Overseas Development Department of Guangdong Rising Assets Management Co., Ltd..

Mr. Huang Yi Ming (黃藝明), aged 44, is an executive Director, with a Bachelor's Degree. He had worked in Guangdong International Trust and Investment Corporation, Bestfound Law Firm, etc. Since April 2016, he has served as a Minister of Legal Affairs Department in Guangdong Rising Assets Management Co., Ltd..

MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Zheng Fu (朱征夫), aged 53, is an independent non-executive Director, a senior lawyer with a Doctoral Degree. He has currently served as a Director and Directing Partner of Guangdong Dong Fang Kun Lun Law Office. Mr. Zhu Zheng Fu also serves as an Independent Director of E Fund Management Co., Ltd., Guangdong Guangzhou Daily Media Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002181), Poly Real Estate Group Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600048), Beijing Honggao Creative Construction Design Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002504), Zall Development Holdings Co., Ltd (listed on Hong Kong stock exchange, stock code: 02098) and Wuhan Sante Cableway Group Co., Ltd (listed on Shenzhen Stock Exchange, stock code: 002159), and a Supervisor of CSSC Offshore & Marine Engineering (Group) Company Limited (listed on Hong Kong stock exchange, stock code: 0317, and Shanghai Stock Exchange, stock code: 600685).

Mr. Qu Jiu Hui (曲久輝), aged 60, is an independent non-executive Director. Mr. Qu is an Academician of Chinese Academy of Engineering and a researcher of Research Center for Eco-Environmental Sciences of Chinese Academy of Sciences. He also serves as the Vice Chairman of All-China Environment Federation, Vice Chairman of Chinese Society for Environmental Sciences and Vice Chairman of Chinese Society for Sustainable Development and member of the National Environmental Consultation Committee. Mr. Qu is also an independent non-executive director of Guodian Technology & Environment Group Corporation Limited (listed on Hong Kong stock exchange, stock Code: 01296) and Beijing Capital Co., Ltd (listed on Shanghai Stock Exchange, Stock Code: 600008), and director of Xinjiang Deland Co., Ltd, Zhongche Environmental Technology co. LTD, Shanghai Urban Water Resources Development And Utilization National Engineering Center Co. LTD and Yixing New Concept Environmental Technology Co., Ltd. Mr Qu specializes in water science and the research of engineering technology. He has made various breakthroughs in the theory and technology of water pollution control and securing safe drinking water.

Mr. Wong Hin Wing (黃顯榮), aged 55, is an independent non-executive Director. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Certified Public Accountants of England and Wales, the Chartered Association of Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal, a member of Nursing Council of Hong Kong and a member of the Construction Industry Council. He is the Managing Director and has been responsible officer of China Silk Road International Capital Limited. Mr. Wong is also an independent non-executive director of Aeon Credit Service (Asia) Company Limited (Stock Code: 00900), whose shares are listed on the Main Board of the Stock Exchange. Mr. Wong is the independent non-executive director of Chinese Railway Construction of High-tech Equipment Limited (listed on Hong Kong Stock Exchange, Stock Code: 1786), China Agri-Products Exchange Limited (listed on the Hong Kong Stock Exchange, stock code: 149), Guangzhou Pharmaceutical Holdings Limited (listed on Shanghai Stock Exchange, Stock Code: 600332), Inner Mongolia Yitai Group Co., Ltd (listed on Hong Kong Stock Exchange, Stock Code: 03948). Wine's Link International Holdings Limited (listed on Hong Kong Stock Exchange, Stock Code: 08509). Mr. Wong has 31 years of experience in accounting, finance, investment management and advisory.

MANAGEMENT PROFILE

SUPERVISORS

Mr. Zhang An Li (張岸力), aged 42, has a bachelor degree in International Finance and International Trade of South China Normal University and a master degree in Software Engineering of Wuhan University. Since started working in July 1997, Mr. Zhang has served as officer, deputy chief officer, chief officer of the Administrative Department of the Audit Office of Guangdong Province and the Social Security Department of the Audit Office Guangdong Province and deputy commissioner of the Performance Audit Office. Mr. Zhang has been appointed as the head of department of audited supervisor of Guangdong Rising Assets since December 2015. He served as Supervisor of the Company since 11 October 2016.

Mr. Huang Wei Ming (黃偉明), aged 51, is a supervisor of the Company, From December 1994 to January 2011, Mr. Huang served as a credit officer of branch, branch president, the head of team and deputy branch manager of the Asset Management Department of Guangdong Development Bank. From January 2011 to 2013, he served as a general manager of Shenzhen Tong Hai Chemical Co., Ltd and standing deputy general manager of Shenzhen Jieda Investment Group Co. Ltd.* (深圳市皆大投資集團有限公司). Since January 2015, he has served as a general manager of Shenzhen Dongjiang Huiyuan Micro Finance Company Limited* (深圳市東江匯圓小額貸款公司), a wholly-owned subsidiary of the Company. He served as Supervisor of the Company since 15 March 2016.

Ms. Li Yue (李悅), aged 30, bachelor degrees. She joined the Company in February 2012 and worked in administration sectors, she is currently a specialized officer of the administration department of the Company. She served as Supervisor of the Company since 29 December 2017.

COMPANY SECRETARY

Ms. Wang Tian (王恬), aged 42, is the vice president of the Group, the secretary of the Board and company secretary and authorised representative of the Company. Ms. Wang joined the Group in March 2002. She graduated from Zhongshan University (中山大學) in 1999 majoring in international finance and obtained a master degree in economics from University of Birmingham in the United Kingdom. Ms. Wang has years of experience in the field of listed corporation management, capital operation and information disclosure. On 17 December 2012, Ms. Wang was appointed as the company secretary and authorised representative of the Company, and was appointed as the vice president of the Group on 10 June 2014.

MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Li Pu Lin (李蒲林), aged 49, is the vice president and the financial director, with a master degree. He has worked in the HuaLe Industrial Development Co., Ltd. and Guangzhou HuaLe Industrial Development Co., Ltd., the Guangzhou military logistics department of the Chinese People's Liberation Army. From May 2000 to 10 October 2016, He has successively served as the senior supervisor of the financial department, the manager of the information center, and the deputy Minister and the Minister of Department of Planning and Finance of Guangdong Rising Assets Management Co., Ltd. Mr. Li was appointed as an the vice president and the financial director on 11 October 2016.

Mr. Xie Heng Hua (謝亨華), aged 53, bachelor degrees, senior engineer at professor grade. Since began to work in 1988, he has worked in Nanchang Nonferrous Metallurgy Design And Research Institute, Nanchang Nerin Environmental Engineering Co., Ltd, China Nerin Engineering Co., Ltd. Mr. Xie joined the Company in 2008, and has successively served as the general manager of municipal solid waste division and Technical R&D department, the chef engineer and the general manager of Jiangxi Business division, and has rich experience in technical theory, practical and producing management. Mr. Xie was appointed as an the vice president 6 July 2017.

Mr. Tan Kan (譚侃), aged 49, bachelor degrees, Since began to work in 1988, he has successively served in Shenzhen Futian District Environmental Technology Research Institute Co., Ltd, Shenzhen Environmental Supervision Institute, Shenzhen Human and Environment Committee, Dongshen Water Resources Protection Office and Shenzhen Water Bureau. Mr. Tan has years of experience in environmental management and pollution prevention. Mr. Tan was appointed as an the vice president 6 July 2017.

Ms. Wang Tian (王恬), aged 42, is the vice president of the Group, the secretary of the Board and the company secretary and authorised representative of the Company. Please refer to the section headed "Company secretary" above for the biographical details of Ms. Wang.

DIRECTORS' REPORT

The Directors present this report and the audited financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the processing and sale of recycled products, the provision of waste treatment services, the construction and provision of environmental protection systems and services, and the trading of chemical products. Details of the principal activities of the subsidiaries are set out in note VIII to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated income statement on page 54 of this report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.161 per share of the Company (inclusive of tax) (2016: RMB0.121) to all shareholders of the Company based on the total number of shares of 887,100,102 shares of the Company. Accordingly, the total amount of dividend to be paid is RMB142,823,116.42. No bonus shares will be awarded and no capital reserves will be converted into shares. The above said proposal is subject to approval by the shareholders of the Company at the annual general meeting ("AGM") to be convened and held. The Company will make further announcement in accordance with the Listing Rules upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends is determined.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2017, a discussion on the Group's future prospects are provided in "Management Discussion and Analysis" in pages 6 to 16 in this annual report, an analysis of the Group's performance during the Reporting Period using key performance indicators are provided in "Financial Summary" in page 3 in this annual report.

OTHER EVENTS DURING THE PERIOD

Public issue of Green Corporate Bonds (First Tranche)

From 7 March 2017 to 14 March 2017, the Company published announcements in relation to the basic information of the public issue of Green Corporate Bonds (First Tranche) and the issue clause (include but not limited to the issue price, coupon rate and the issue results).

For details, please refer to the announcements of the Company dated 7 March 2017, 9 March 2017, and 14 March 2017.

Renewal of Financial Services Agreement

On 17 January 2017, the Company renewed the Financial Services Agreement with Rising Finance, in relation to the provision of financial services by Rising Finance to the Company with a term of one year commencing from the signing of the financial services agreement by both parties which was approved on the first extraordinary general meeting of the Company on 7 March 2017. The original financial services agreement will be terminated at the same time.

For details, please refer to the announcements of the Company dated 17 January 2017 and 17 March 2017.

DIRECTORS' REPORT

Satisfaction of unlocking conditions of unlocking period of Restricted A Shares granted under the 2013 Restricted A Share Incentive Scheme

On 30 December 2016, the Board determined that the unlocking conditions of the second unlocking period of reserved portion of Restricted A Shares under the Restricted A Share Incentive Scheme (as defined in the circular of the Company dated 28 November 2013), which was approved on 23 January 2014, were satisfied. Upon approval of the above resolution, the second unlocking period will commence from the first trading day after 24 months from the date of grant of reserved Restricted A Shares to the last trading day within 36 months from the date of grant of the reserved Restricted A Shares. 40% of the reserved portion of total Restricted A Shares will be unlocked and available for application by relevant Share Incentive Participants (as defined in the circular of the Company dated 28 November 2013) during the unlocking period. A total number of 60 Share Incentive Participants have applied to unlock, in aggregate, 800,000 Restricted A Shares, representing 0.09% of the then total share capital of the Company. The Unlocked Restricted A Shares have been listed on the Shenzhen Stock Exchange on 12 January 2017.

On 29 March 2017, the Board considered and approved a resolution in relation to the satisfaction of unlocking conditions of the third unlocking period of Restricted A Shares under the First Grant of the Restricted A Share Incentive Scheme (as defined in the circular of the Company dated 28 November 2013), which was approved on 23 January 2014. Upon the approval of the above resolution, the third unlocking period will commence from the first trading day after 36 months from the date of First Grant of Restricted A Shares to the last trading day within 48 months from the date of First Grant of the Restricted A Shares. A total number of 92 Share Incentive Participants have applied to unlock, in aggregate, 8,010,000 Restricted Shares, representing approximately 0.90% of the then total share capital of the Company. The Unlocked Restricted Shares have been listed on the Shenzhen Stock Exchange on 14 April 2017.

For details, please refer to the announcements of the Company dated 30 December 2016 and 10 January 2017, 29 March 2017 and 11 April 2017.

The grant, unlocking and listing of the 2016 Restricted A Share Incentive Scheme

On 28 September 2017, according to the relevant rules of the Restricted A Share Incentive Scheme and approval at the 2016 second extraordinary general meeting, the 2016 second A Shares class meeting and the 2016 second H Shares class meeting, the board of the Company has considered that the Participants has satisfied the qualification and conditions of grant of the Restricted A Shares under the Company and the Restricted A Share Incentive Scheme, and determined 28 September 2017 as the date of grant of Reserved Restricted A Shares, an aggregate of 1,380,000 A Shares have been issued and granted to 47 participants at the price of RMB8.09 per A Share.

On 23 November 2017, the Board considered and approved a resolution in relation to the satisfaction of unlocking conditions of the first unlocking period of Restricted A Shares under the First Grant of the 2016 Restricted A Share Incentive Scheme. Upon the approval of the above resolution, the first unlocking period will commence from the first trading day after 12 months from the date of First Grant of Restricted A Shares to the last trading day within 24 months from the date of First Grant of the Restricted A Shares. A total number of 316 Share Incentive Participants have applied to unlock, in aggregate, 5,115,000 Restricted Shares, representing approximately 0.58% of the then total share capital of the Company. The A Shares have been listed on the Shenzhen Stock Exchange on 5 December 2017.

For details, please refer to the announcements of the Company dated 28 September 2017, 23 November 2017 and 30 November 2017.

The non-public issue of A shares

On 10 May 2017, the Board announces the proposed non-public issue of a maximum of 177,430,420 (inclusive) new A Shares under specific mandate, which is expected to raise gross proceeds of up to RMB2.3 billion, and will be subscribed by the substantial shareholder Guangdong Rising Assets Management Co., Ltd. for not more than 33% (inclusive) of the final number of New A Shares to be issued under the Proposed Non-public Issue of A Shares, for an amount of not more than RMB759 million (inclusive).

On 22 June 2017, the Company received the Approval of the Non-public Issue of A Shares by Dongjiang Environmental Company Limited (Yue Guo Zi Han [2017] No. 660) from Guangdong Provincial People's Government State-owned Assets Supervision and Administration Commission, that the Non-public Issue of A Shares of the Company, and the subscription by substantial shareholder have been approved in principle.

On 26 June 2017, the proposal of the Non-public Issue of new A Shares, and the subscription by substantial shareholder were approved at the 2016 annual general meeting (the "**AGM**"), the first class meeting of the holders of A shares and the first class meeting of the holders of H shares of the Company (the "**Class Meeting**") held on 26 June 2016.

For details of the Non-public Issue of new A Shares, please refer to announcements of the Company dated 10 May 2017, 22 June 2017 and 26 June 2017, the notice dated 9 June 2017 and the circular dated 9 June 2017.

Establishment of the industry merger and acquisition fund

On 6 July 2017, the Company entered into the "Guangdong Rising Finance Holding Co., Ltd. and Dongjiang Environmental Company Limited Cooperation Agreement" with Guangdong Rising Finance Holding Co., Ltd., ("**Rising Finance**"), a wholly-owned subsidiary of Guangdong Rising Assets (Substantial Shareholders of the Company), in relation to the establishment of a industry merger and acquisition fund.

The fund will take the form of a feeder fund, where the investment and operation of the Parent Fund will be carried out as a non-structured fund. The Parent Fund has a size of RMB550 million, of which Rising Finance or its designated entities shall subscribe for not more than RMB500 million as limited partner and the Company shall subscribe for RMB50 million as limited partner. The capital shall be paid by installment based on the investment progress from the date of establishment of the parent fund. The Parent Fund may make direct investments in projects and become the contributor of the Sub-fund.

For details, please refer to the announcement of the Company dated 6 July 2017

Entering into the strategic cooperation agreement with China Conch Venture Holdings Limited

On 6 December 2017, the Company proposes to enter into the Strategic Cooperation Agreement with China Conch Venture Holdings Limited ("**Conch Venture**") (stock code: 586.HK), a company listed on the Main Board of the Stock Exchange, pursuant to which both parties to the agreement with an intention of strategic cooperation in co-processing of solid waste by using cement kilns, based on their intention to achieving complementary advantages and enhanced operational efficiency from this powerful combination in solid waste treatment.

For details, please refer to the announcement of the Company dated 4 December 2017.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 3 of this report. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the Reporting Period are set out in note VI.17 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note VI.41 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 10 July 2017, the Company repurchased a total of 295,000 restricted A Shares of par value RMB1.00 each at approximately RMB5.1653 (for 45,000 share A Shares) per A Share at approximately RMB6.5560 (for 250,000 share A Shares) per A Share. The purchase price totaled approximately RMB2,409,940. The abovementioned A Shares were subsequently cancelled on 11 July 2017.

The A shares repurchased above represents approximately 0.0333% of the then total share capital of the Company.

For details, please refer to the announcement of the Company dated 11 July 2017.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Period.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in shareholders' equity on pages 60 to 61 of this report.

DISTRIBUTABLE RESERVES

During the Reporting Period, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to approximately RMB1,464,232,343.11. In addition, no amount in the Company's share premium account is available for distribution by way of capitalization issues.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 13.05% of the total sales for the year and sales to the largest customer included therein amounted to approximately 3.97%. Purchases from the Group's five largest suppliers accounted for approximately 7.14% of the total purchases for the year and purchase from the Group's largest supplier accounted for approximately 1.57% for the Reporting Period.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or in the Group's five largest suppliers.

DIRECTORS AND SUPERVISORS

The Directors during the Reporting Period were: Mr. Liu Ren (appointed on 26 June 2017), Mr. Li Yong Peng, Mr. Zhang Kai (appointed on 26 June 2017) and Mr. Chen Shu Sheng (retired on 26 June 2017) (as the executive Directors; Mr. Liu Bo Ren (appointed on 26 June 2017), Mr. Deng Qian (appointed on 26 June 2017), and Mr. Huang Yi Ming (appointed on 26 June 2017) as the non-executive Directors; Mr. Wong Hin Wing (appointed on 26 June 2017), Mr. Qu Jiu Hui (appointed on 26 June 2017) and Zhu Zheng Fu (appointed on 26 June 2017) as the independent non-executive Directors. The Directors up to the date of this report were: Mr Liu Ren, Mr. Chen Shu Sheng and Mr. Li Yong Peng as the executive Directors; Mr. Liu Bo Ren, Mr. Deng Qian and Mr. Huang Yi Ming as the non-executive Directors; Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zheng Fu as the independent non-executive Directors.

The supervisors of the Company ("**Supervisors**") during the Reporting Period were: Mr. Zhang An Li (appointed on 26 June 2017), Mr. Huang Wei Ming (appointed on 26 June 2017), Ms. Li Yue (appointed on 29 December 2017) and Ms. Shu Yi Xin (resigned on 29 December 2017), and up to the date of this report the Supervisors are Ms. Zhang An Li, Mr. Huang Wei Ming and Ms. Li Yue.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 17 to 20 of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Mr Liu Ren, Mr. Li Yong Peng, Mr. Zhang Kai, Mr. Liu Bo Ren, Mr. Deng Qian, Mr. Huang Yi Ming, Mr. Zhu Zheng Fu, Mr. Wong Hin Wing and Mr. Qu Jiu Hui, the Directors (including independent non-executive Directors) has entered into a service contract with the Company for a term of three years commencing from the conclusion of the annual general meeting held on 26 June 2017. Mr Zhang An Li and Mr. Huang Wei Ming the supervisor entered into a service contract with the Company for a term commencing from the conclusion of the annual general meeting held on 26 June 2017. Ms. Li Yue entered into a service contract with the Company for a term commencing from 29 December 2017 and ending on the expiry of the term of the sixth session of the Supervisor Committee.

DIRECTORS' REPORT

None of the Directors or the Supervisors had entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiary.

EMOLUMENTS FOR DIRECTORS, SUPERVISORS AND EMPLOYEES

Details of the emoluments for Directors, Supervisors and employees of the Company are set out in note XI.3(1) to the financial statements.

The emoluments of the Directors are recommended by the remuneration and appraisal committee of the Company, and approved by the Board, as authorised by shareholders in the annual general meeting of the Company, having regard to their time commitment and responsibilities, the salaries paid by comparable companies, employment conditions elsewhere in the Group and desirability of performance-based remuneration. No Directors are involved in deciding their own remuneration.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE PLAN

The Company adopts different emolument policies for executive Directors and non-executive Directors:

Remuneration Policy of Executive Directors

1. The remuneration of executive Directors and Chairman of the Company is determined in accordance with the "Remuneration Proposal of Chairman". The annual remuneration comprises basic annual salary and performance-based annual salary, which is a variable compensation determined based on the operating results of the Company and individual performance appraisal. The exact amount of basic annual salary and performance-based annual salary of executive Directors and Chairman will be determined by the Remuneration and Appraisal Committee within the above scope according to the operating results of the Company and the results of appraisal.

The Company applies the following principles in the determination of Chairman's remuneration:

- A Adheres to the principle of distribution according to one's works and combination of duties, rights and benefits;
- B Implements the principle of linking the level of remuneration with the profitability and operational goals of the Company;
- C The principle that aligns the remuneration and the long term interests of the Company, which aims to ensure growth of core businesses and prevent actions for short-term gains, thereby promoting the steady development of the Company in the long run.

DIRECTORS' REPORT

Other executive Directors will receive remuneration in their capacity not as executive Directors, but as senior management of the Company.

Remuneration Policy of Non-Executive Directors

Non-executive Directors of the Company (excluding independent non-executive Directors) will not receive any remuneration in their capacity as non-executive Directors. As to independent non-executive Directors, their remuneration is determined based on the time they devoted to the Company, their duties, the remuneration offered by comparable companies and their performance.

Principles of Long-Term Incentive Schemes

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.
2. The link between executive reward and company performance should be strong and clear.
3. Grants under such schemes should be phased rather than awarded in one large block.

The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Company, and the prevailing market level of remuneration of similar positions. The details of the fees and any other reimbursement or emolument payable to the Directors are set out in details in this Annual Report.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity	Number and class of shares held	Approximate percentage of equity of the Company/ shareholding in this class
Li Yong Peng	Beneficial owner	27,556,120 A shares	3.10%/4.00%
Zhang Kai	Beneficial owner	105,000 A shares	0.01%/0.01%

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2017, 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) as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Long positions in the ordinary shares of the Company

Name	Capacity	Number and class of shares held	Approximate percentage of equity of the Company/ shareholding in this class
Guangdong Rising Assets	Beneficial owner	136,560,690 A Shares (Note 1)	15.37%/19.85%
		2,896,000 H Shares (Note 2)	0.33%/1.45%
Zhang Wai Yang	Beneficial owner	121,055,678 A Shares	13.63%/17.59%

Save as disclosed above, as at 31 December 2017, the Directors, Supervisors and chief executive of the Company are not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

Note 1: For the 136,560,690 A shares, among which 121,713,495 A shares is held by Guangdong Rising Assets, 1,302,027 and 13,545,168 A shares are held by the subsidiaries of Guangdong Rising Assets, Shenzhen Rising Investment Development Co., Ltd. and Guangdong Rising Finance Holding Co., Ltd., respectively.

Note 2: The 2,896,000 H shares is held by the subsidiary of Guangdong Rising Assets, Guangdong Rising H.K. (Holding) Limited.

DIRECTORS' RIGHTS TO ACQUIRE H SHARES

During the Reporting Period, none of the Directors, Supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 31 December 2017, none of the Directors, Supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

SHARE OPTION SCHEME

No share option scheme was adopted by the Company as at 31 December 2017.

CONNECTED TRANSACTIONS

On 6 July 2017, the Company entered into the "Guangdong Rising Finance Holding Co., Ltd. and Dongjiang Environmental Company Limited Cooperation Agreement" with Guangdong Rising Finance Holding Co., Ltd., ("**Rising Finance**"), a wholly-owned subsidiary of Guangdong Rising Assets (Substantial Shareholders of the Company), in relation to the establishment of an industry merger and acquisition fund.

The fund will take the form of a feeder fund, where the investment and operation of the Parent Fund will be carried out as a non-structured fund. The Parent Fund has a size of RMB550 million, of which Rising Finance or its designated entities shall subscribe for not more than RMB500 million as limited partner and the Company shall subscribe for RMB50 million as limited partner. The capital shall be paid by installment based on the investment progress from the date of establishment of the parent fund. The Parent Fund may make direct investments in projects and become the contributor of the Sub-fund.

For details, please refer to the announcement of the Company dated 6 July 2017.

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the establishment of the industry merger and acquisition fund on an annual basis is or are higher than 0.1% but less than 5%, the establishment of the industry merger and acquisition fund is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

Continuing Connected Transactions

Details of continuing connected transactions of the Group during the Reporting Period are set out as follows:

The Company entered into the Financial Services Agreement with Guangdong Rising Finance Company (Rising Finance Company), in relation to the provision of deposit services, settlement services, comprehensive credit facility services and other financial services by Rising Finance Company to the Company. The term commences from 7 March 2017 and ends on 6 March 2018.

Rising Finance Company is a direct wholly owned subsidiary of Guangdong Rising Assets (the substantial shareholder of the Company), thus pursuant to the Rule 14A.07(4) of the Listing Rules, Rising Finance Company is a connected person of the Company. As such, entering into the Financial Services Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the deposit services, settlement services and other financial services under the Financial Services Agreement on an annual basis is or are higher than 0.1% but less than 5%, entering into the Financial Services Agreement is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

In addition, the Comprehensive Credit Facility Services provided by Rising Finance to the Company under the Financial Services Agreement are on normal commercial terms, and there are no assets of the Company accredited to Rising Finance as collateral in respect of such credit facility services under the Financial Services Agreement. As such, the Comprehensive Credit Facility Services provided by Rising Finance to the Company under the Financial Services Agreement are exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to the Rule 14A.90 of the Listing Rules.

DIRECTORS' REPORT

For details, please refer to the announcements of the Company dated 17 January 2017.

RELATED PARTY TRANSACTIONS

Service Contracts

The related party transactions in relation to the emoluments of Directors, Supervisors and employees as disclosed in Note XI.4(1) to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(6) of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public for the Reporting Period and up to the date of this report.

COMPETING BUSINESS

During the Reporting Period and up to the date of this report, none of the Directors, Supervisors, chief executive or the management shareholders of the Company and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. For details, please refer to page 13 of this report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group and staff: the development of the Group is to integrate the development of environmental protection industry with the value of environment and staff's benefits in order to realize a unified harmonious development of the corporate efficiency, staff and social value.

The Group and suppliers: the Group informs suppliers of the Group's current development, ready-to-develop products and demand on the raw materials and auxiliary materials in future through various means including meeting with suppliers, which allows suppliers to get valid information about our products in advance and to prepare required raw materials for production. Such practice reduces cost on one hand, and allows us to make the most suitable procurement with less time cost on the other.

The Group and customers: the Group establishes strong relationship with customers with the principle of "Improving quality, providing considerate services, mutually understanding and building mutual trust".

The Group uses its best endeavour to achieve harmonious development with its suppliers and customers to create value and share the success. The Group pays attention to the communication and coordination with relevant parties to build a trustful and cooperative platform.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES

The Group is principally engaged in the processing and sale of recycled products, the provision of waste treatment services, the construction and provision of environmental protection systems and services, and the trading of chemical products. In addition, adhering to the operation philosophy of "Circulating Economy and Sustainable Development", the Company insists on the historical commitment of "A World Without Waste" and continues to develop new technology and technique for waste disposal business. Also, the Company strives to provide a green, healthful and safe working environment with an strategic aim to "Being a Leading Comprehensive Environmental Protection Services Provider in China Based Upon Hazardous Waste Treatment and Driven by Technology Innovation", securing the safe and sustainable development of the Company and creating a "harmonious and win-win" situation for the Company, society and environment.

The environment, social and governance report as required by Appendix 27 of the Listing Rules of Hong Kong will be published separately by the Company on or before 26 July 2018.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. The Company has taken out and maintained directors' liability insurance which provides appropriate coverage for the Directors and directors of the subsidiaries of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

Our Group has to comply with relevant laws and regulations in the jurisdictions where the Group operates. The Group's operations are mainly carried out by the Company's subsidiaries in the PRC. Accordingly, our operations shall comply with relevant laws and regulations in the PRC. During the year ended 31 December 2017 and up to the date of this report, the Group does not have any violation of relevant laws and regulations which gives rise to significant impact to the Group's development, performance and businesses.

AUDITORS

The current auditor of the Company is ShineWing Certified Public Accountants. A resolution to re-elect ShineWing Certified Public Accountants as the Company's auditor will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Dongjiang Environmental Company Limited

Liu Ren

Chairman

Shenzhen, Guangdong Province, the PRC

29 March 2018

SUPERVISORY COMMITTEE'S REPORT

**To all shareholders of
Dongjiang Environmental Company Limited* (the "Company")**

During the year, the supervisory committee of the Company (the "**Supervisory Committee**") has duly carried out its supervisory duties in a stringent manner to effectively protect the interests of the Company and its shareholders (the "**Shareholders**") in accordance with the relevant provisions of the PRC Company Law and the requirement of the relevant laws and regulations of Hong Kong and articles of association of the Company (the "**Articles**").

On 29 March 2018, the Supervisory Committee convened a meeting, at which the 2017 financial statements of the Group and a preliminary draft of the independent auditor's report were reviewed and approved. The Supervisory Committee is of the view that the financial statements have been prepared in accordance with the relevant accounting standards and fairly reflect the financial conditions and results of operations of the Group.

The Supervisory Committee concluded that, during the year, all members of the Board and senior management of the Group had, under the principles of diligence, fairness and honesty, duly performed the responsibilities as stipulated in the Articles of the Company, carefully implemented all resolutions of the general meetings and the Board had never breached any laws, regulations and the Articles of the Company.

In the coming year, the Supervisory Committee shall continue to carry out its duties in accordance with the Articles of Association of the Company and the applicable rules governing listing of shares, and commit to perform supervisory duties honestly and diligently, with the aim of protecting the interests of the Company and its shareholders as a whole.

By Order of the Supervisory Committee
Dongjiang Environmental Company Limited

ZHANG An Li
Chairman of the Supervisory Committee
Shenzhen, the PRC
29 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance and has always recognised the importance of accountability and communication with shareholders through continuous effort in improving its corporate governance practices and processes. Through the establishment of a quality and effective Board, a comprehensive internal control system and a stable corporate structure, the Company strives to achieve completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase shareholders' value and profit.

The Company has adopted and complied with all the applicable code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules during the Reporting Period.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by the Directors and Supervisors on terms no less than Appendix 10, "Model Code for Securities Transactions by Directors of Listed Issuers", to the Listing Rules (the "**Model Code**"). Having made specific enquiries of all the Directors and Supervisors, the Company was not aware of any non-compliance with the Model Code and the Company's code of conduct regarding securities transactions by the Directors and Supervisors throughout the Reporting Period.

THE BOARD

The Board is responsible to the shareholders of the Company. The primary task of the Board is firstly, to formulate development guidance and strategies for the Group; and to monitor the implementation of policies and strategies as well as the performance of the management. Moreover, the Board is responsible for formulating and reviewing the basic systems and procedures of the Group, approving the annual budgets, quarterly and annual results; as well as approving major transactions and other significant operational and financial matters.

The Board currently comprises three executive directors, being Mr. Liu Ren, Mr. Li Yong Peng and Mr. Zhang Kai; three non-executive directors, being Mr. Liu Bo Ren, Mr. Deng Qian and Mr. Huang Yi Ming; and three independent non-executive directors, being Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zheng Fu. Mr. Liu Ren is the chairman of the Board. The skills and expertise among the existing directors are considered appropriate to the business and nature of the Group. The experience and qualifications of directors and senior management and the relationship among them are set out on pages 17 to 20 of this report.

According to the articles of association of the Company (the "**Articles**"), the Board delegates day-to-day operations of the Group to the executive directors and senior management of the Company, including responsibility for managing the Group's business and the implementation of major strategies and initiatives adopted by the Board. On the other hand, the Board reserves certain key matters in making strategic decisions for its approval.

The day-to-day management, administration and operation of the Company are delegated to the chief executive and the senior management, including the preparation of annual and interim accounts for the Board's approval before public reporting; implementation of strategies approved by the Board; the implementation of internal control procedures; and the ensuring of compliance with relevant statutory requirements and other regulations and rules.

CORPORATE GOVERNANCE REPORT

The Company has arranged appropriate insurance cover in respect of legal actions against its directors and senior management, and the coverage of this insurance is being reviewed each year.

The Board meets regularly at approximately quarterly intervals. Notice of a regular board meeting is given at least 14 days in advance to give all Directors an opportunity to attend. The agenda of the regular meeting is set in consultation with members of the Board so that all Directors are given an opportunity to include matters in the agenda. The Board documentation are circulated not less than 3 days before regular meetings.

The Board held 12 meetings during the Reporting Period. The following table shows the attendance record of individual Directors during the Reporting Period:

Name of Directors	Attendance/Number of meeting(s) held
Executive Directors	
Mr. Liu Ren (<i>Chairman</i>)	12/12
Mr. Li Yong Peng (<i>Vice Chairman, Vice President</i>)	12/12
Mr. Zhang Kai (<i>Note 1</i>)	7/7
Mr. Chen Shu Sheng (<i>Chief Executive</i>) (<i>Note 2</i>)	5/5
Non-executive Directors	
Mr. Liu Bo Ren	12/12
Mr. Deng Qian	12/12
Mr. Huang Yi Ming	12/12
Independent Non-executive Directors	
Mr. Wong Hin Wing	12/12
Mr. Qu Jiu Hui	12/12
Mr. Zhu Zheng Fu	12/12
Average attendance rate	100.00%

Notes:

1. Mr. Zhang Kai was appointed as the executive director of the Board on 26 June 2017. Mr. Zhang attended 7 out of 7 Board meetings held during his tenure in the year ended 26 June 2017.
2. Mr. Chen Shu Sheng was retired as the executive Director on 26 June 2017. Mr. Chen attended 5 out of 5 Board meetings held during his tenure in the year ended 26 June 2017.

CORPORATE GOVERNANCE REPORT

Mr. Li Yong Peng (executive Director) is a nephew of Mr. Zhang Wei Yang (the major shareholder). Mr. Zhang Kai (executive Director) is a nephew of Mr. Zhang Wei Yang (the major shareholder). Save as disclosed above, there are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Liu Ren serves as the chairman of the Board and Mr. Li Yong Peng serves as the chief executive of the Company.

The Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Group, and also taking primary responsibility for ensuring good corporate governance practices and procedures are established. The chief executive together with other executive directors are responsible for the Company's daily operation and the effective implementation of corporate strategy and policies.

Details of the responsibilities of the chairman and chief executive of the Company are set out in the Articles.

NON-EXECUTIVE DIRECTORS

Since the listing of the Company, two-third of the Board comprised non-executive directors among which one-third are independent non-executive directors. Non-executive directors have appropriate professional qualification, and therefore, independent judgments can be effectively exercised, and the non-executive directors are of sufficient caliber and number for their views to carry weight. The Board has received a written confirmation from each of the independent non-executive directors confirming their independence to the Company pursuant to Rule 3.13 of the Listing Rules, and considers that all of the independent non-executive directors are independent.

Mr. Huang Hin Wing and Mr. Qu Jiu Hui, Mr. Liu Bo Ren, Mr. Deng Qian, Mr. Huang Yi Ming and Mr. Zhu Zheng Fu has entered into a service contract with the Company for a term of commencing from 26 June 2017 and ending on the expiry of the term of the sixth session of the Board.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Directors have participated in continuous professional development to develop and refresh their knowledge and skills in respect of the corporate governance requirements and relevant rules and regulations relating to the listing of the Company. Set out below are the details of each Director's participation during the Reporting Period:

Name of Directors	Attending training/ briefing session	Reading materials
Executive Directors		
Mr. Liu Ren (<i>Chairman</i>)	√	√
Mr. Li Yong Peng (<i>Vice Chairman, Chief Executive</i>)	√	√
Mr. Zhang Kai (<i>appointed on 26 June 2017</i>)	√	√
Mr. Chen Shu Sheng (<i>Chief Executive</i>) (<i>retired on 26 June 2017</i>)	√	√
Non-executive Directors		
Mr. Liu Bo Ren	√	√
Mr. Deng Qian	√	√
Mr. Huang Yi Ming	√	√
Independent Non-executive Directors		
Mr. Wong Hin Wing	√	√
Mr. Qu Jiu Hui	√	√
Mr. Zhu Zheng Fu	√	√

NOMINATION, ELECTION AND RE-ELECTION OF DIRECTORS

Subject to the election by shareholders of the Company in the general meeting, the selection and nomination of a director are determined by the Board. The Board's nomination procedures of a new director are: 1) collecting the candidate recommendation letter, or seeking and identifying by itself (or by agencies) the qualified candidates; 2) examining the qualifications of the prospective candidates, and determining the final director candidates at Board meeting; 3) proposing the final candidate to the general meeting of shareholders of the Company for election through ordinary resolution.

The nomination committee of the Company searches for the director candidates, compiles written reports, convenes the meeting of the nomination committee and conducts examination of the qualification of the initial candidates and makes recommendations to the Board regarding candidates for filling in vacancies on the Board.

The criteria for prospective candidates for nomination is: 1) the skills, knowledge and working experiences to carry out the duties of a director; 2) compliance of the qualifications set out in the Articles, the Company Law of the PRC and the Listing Rules for acting as a director and, where applicable, qualifications to act as an independent non-executive director. The new director will be provided with the information prepared by an external lawyer and instruction on the Company's background and business from the senior management.

CORPORATE GOVERNANCE REPORT

The Board is responsible for reviewing its structure, size, composition and its diversity regularly and making any changes to complement the Company's corporate strategy. During the Reporting Period, the Board has reviewed its board diversity policy and concluded that its existing structure, size, composition and diversity are appropriate.

According to the Articles, the terms of office of the directors (including non-executive directors) shall be three years and the directors shall be eligible for re-election upon expiry of the said term.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company held 2 general meetings during the Reporting Period. Set out below is the record of attendance of the Directors at these general meetings during the Reporting Period:

Name of Directors	Attendance/Number of meeting(s) held
Executive Directors	
Mr. Liu Ren (<i>Chairman</i>)	2/2
Mr. Li Yong Peng (<i>Vice Chairman, Chief Executive</i>)	2/2
Mr. Zhang Kai (<i>Note 1</i>)	0/0
Mr. Chen Shu Sheng (<i>Chief Executive</i>) (<i>Note 2</i>)	2/2
Non-executive Directors	
Mr. Liu Bo Ren	1/2
Mr. Deng Qian	1/2
Mr. Huang Yi Ming	1/2
Independent Non-executive Directors	
Mr. Zhu Zheng Fu (<i>Note 2, 3</i>)	1/2
Mr. Wong Hin Wing	2/2
Mr. Qu Jiu Hui (<i>Note 2, 3</i>)	1/2
Average Attendance Rate	72.22%

Notes:

1. Mr. Zhang Kai was appointed as the executive Director of the Board on 26 June 2017. Mr. Zhang didn't held any general meetings during his tenure in the year ended 31 December 2017.
2. Code A.6.7 of the code provision – This code provision requires independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.
3. For the first extraordinary general meeting in 2017, Mr. Qu Jiu Hui and Mr. Zhu Zheng Fu were absent for business committee.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 14 January 2003 with written terms of reference, for the purpose of reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process, formulating and implementing policies in relation to the non-audit services provided by auditors, reviewing the Company’s financial information and its disclosure, monitoring the Company’s internal control system and its implementation, reviewing and providing supervision over the Group’s financial reporting process and internal control of the Company.

The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Zhu Zheng Fu and Mr. Wong Hin Wing. Mr. Wong Hin Wing has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the Company’s financial statements for the Reporting Period and this report.

The principal responsibilities of the Audit Committee include:

- a. To review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process;
- b. To formulate and implement policies in relation to the non-audit services provided by auditors;
- c. To review the Company’s financial information and its disclosure;
- d. To monitor the Company’s internal control system and its implementation; and
- e. To review and provide supervision over the Group’s financial reporting process and internal control system.

The Audit Committee met 4 times during the Reporting Period to discuss the Group’s quarterly and annual financial reports, and review the accounting principles and practices and internal controls adopted by the Group. The following table shows the attendance record of individual members of the Audit Committee:

Name of Audit Committee members	Attendance/Number of meeting(s) held
Mr. Wong Hin Wing (<i>Chairman</i>)	4/4
Mr. Qu Jiu Hui	4/4
Mr. Zhu Zheng Fu	4/4
Average attendance rate	100%

CORPORATE GOVERNANCE REPORT

REMUNERATION AND APPRAISAL COMMITTEE

The remuneration and appraisal committee of the Company (the “**Remuneration and Appraisal Committee**”) was established in June 2005 with written terms of reference detailing the duties of the Remuneration and Appraisal Committee.

The Remuneration and Appraisal Committee currently comprises three independent non-executive directors, namely, Mr. Zhu Zheng Fu, Mr. Qu Jiu Hui and Mr. Wong Hin Wing. Mr. Zhu Zheng Fu has been appointed as the chairman of the Remuneration and Appraisal Committee.

The principal responsibility of the Remuneration and Appraisal Committee is to review the remuneration and assessment schemes of the Directors and the senior management of the Company as well as other related remuneration matters instructed by the Board.

The model of making recommendations to the Board on remuneration packages of individual executive directors and the members of senior management is adopted.

The Remuneration and Appraisal Committee met five times during the Reporting Period to discuss the remuneration of the Directors and senior management and the relevant assessment policy. The following table shows the attendance records of individual members of the Remuneration and Appraisal Committee during the Reporting Period:

Name of Remuneration and Appraisal Committee members	Attendance/Number of meeting(s) held
Mr. Zhu Zheng Fu	5/5
Mr. Wong Hin Wing	5/5
Mr. Qu Jiu Hui	5/5
Average attendance rate	100%

NOMINATION COMMITTEE

The nomination committee of the Company (the “**Nomination Committee**”) was established on 9 November 2010 with written terms of reference detailing the duties of the Nomination Committee. The Nomination Committee comprises two independent non-executive directors, namely Mr. Qu Jiu Hui and Mr. Wong Hin Wing, and one executive director, namely Mr. Liu Ren. Mr. Qu has been appointed as the chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the structure, size, composition, diversity policy and the independent element of the Board, and make recommendations to the Board regarding candidates to fill vacancies on the Board.

CORPORATE GOVERNANCE REPORT

The Nomination Committee met twice during the Reporting Period to review the structure, size and composition of the Board, assess the independence of independent non-executive directors and make recommendation to the Board regarding candidates for filling vacancies on the Board. The following table shows the attendance records of individual members of the Nomination Committee during the Reporting Period:

Name of Nomination Committee members	Attendance/Number of meeting(s) held
Mr. Liu Ren	2/2
Mr. Wong Hin Wing	2/2
Mr. Qu Jiu Hui (<i>Chairman</i>)	2/2
Average attendance rate	100%

STRATEGIC DEVELOPMENT COMMITTEE

The strategic development committee of the Company (the “**Strategic Development Committee**”) was established on 9 November 2010 with written terms of reference detailing the duties of the Strategic Development Committee. The Strategic Development Committee comprises two executive director, namely, Mr. Liu Ren and Mr. Li Yong Peng, and one independent non-executive director, namely Mr. Qu Jiu Hui. Mr. Liu has been appointed as the chairman of the Strategic Development Committee. The principal responsibility of the Strategic Development Committee is to make recommendations to the Board regarding the development of strategic planning, major investment and financing programs, major capital operation, assets, operations research projects, etc.

The Strategic Development Committee met once during the Reporting Period to discuss the long term strategic planning and major investment and financing programs of the Company. The following table shows the attendance records of individual members of the Strategic Development Committee during the Reporting Period:

Name of Strategic Development Committee members	Attendance/Number of meeting(s) held
Mr. Liu Ren (<i>Chairman</i>)	1/1
Mr. Li Yong Peng (<i>Note 1</i>)	0/0
Mr. Chen Shu Sheng (<i>Note 2</i>)	1/1
Mr. Qu Jiu Hui	1/1
Average attendance rate	100%

Notes:

1. Mr. Li Yong Peng was appointed as the Strategic Development Committee member on 28 June 2017. There is no committee meetings held by the Company during his tenure in the year ended 28 June 2017.
2. Mr. Chen Shu Sheng was retired as the Strategic Development Committee member on 28 June 2017. Mr. Chen attended 1 out of 1 committee meeting held during his tenure in the year ended 28 June 2017.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid to the Company's auditor, SHINEWING CERTIFIED PUBLIC ACCOUNTANTS, for audit services during the Reporting Period was in total RMB1,350,000. During the Reporting Period, there was no non-audit service provided by our external auditor.

COMPANY SECRETARY

Ms. Wang Tian has been appointed as the company secretary of the Company since 17 December 2012 and Ms. Wang had taken no less than 15 hours of relevant professional training during the Reporting Period.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Shareholders are encouraged to attend the general meeting for which at least 45 days' notice is given. According to the Articles, Shareholders who possess (whether individually or jointly) over 10% (including 10% voting right issued by the Company) has the right to call for extraordinary general meeting by submitting written request to the Board, after the occurrence of which an extraordinary general meeting shall be held within 2 months by the board. Shareholders enjoy the right to supervise business activities of the Company and make recommendations and queries.

Shareholders and public investors are welcome to make enquiries and contribute comments and suggestions. The Company also sets up the section of investor relations on its website to publish the updated and key information of the Group. The Board makes efforts to attend general meetings so they may answer any questions raised by Shareholders.

Shareholders may at any time send their enquiries and concerns to the Board in writing through delivery in-person, by fax, email, courier, registered air mail, etc, whose contact details are as follows:

Addressee:	Ms. Wang Na
Address:	11th Floor, Dongjiang Environmental Building, No. 9 Langshan Road, North zone of Hitech Industrial Park, Nanshan District, Shenzhen, the People's Republic of China
Email:	ir@dongjiang.com.cn
Tel No.:	86 (755) 88242612
Fax No.:	86 (755) 86676185

or by leaving message at the Company's website at <http://www.dongjiang.com.cn> under the section headed "Investor Relations".

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

According to the Articles, where the Company holds a general meeting, the shareholders (whether individually or jointly) holding at least three percent (3%) of the shares with voting rights of the Company shall be entitled to bring forward a new proposal in writing and the Company shall list the matters in the proposal within the duties of the general meeting into the proceedings of this general meeting. Also, Shareholder(s) individually or jointly holding over 3% (including 3%) of the shares carrying voting rights of the total issued shares of the Company may submit their provisional proposals in writing to the convener ten days before the convening of the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after the proposals have been received and announce the content of the provisional proposals.

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

As the repurchase and cancellation of restricted shares granted but not yet unlocked as held by departed incentive participants was approved in the 2016 annual general meeting, the first A class meetings in 2017 and the first H class meetings in 2017, the Articles was amended to take into account of the increase in the Company' registered capital and the number of A Shares. Please refer to the circular of the Company dated 11 May 2017 for details of the aforesaid.

Save as disclosed above, there has been no material changes in the Company's constitutional documents during the Reporting Period.

SENIOR MANAGEMENT'S REMUNERATION

Remuneration by band	Number of senior management
0 – RMB837,800 (approximately HKD1,000,000)	–
RMB837,800 – RMB1,675,600 (approximately HKD1,000,001 – HKD2,000,000)	5

Particulars regarding senior management's remuneration and the five individuals with highest emoluments for the Reporting Period are set out in the note XI.4(2) to the financial statements in this report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which gives a true and fair view of the financial position of the Group. In preparing the financial statements which gives a true and fair view of the financial position of the Group, it is fundamental that appropriate accounting policies are selected and applied consistently. It is the auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibilities of the auditors are set out in the report of the auditors on pages 44 to 49 of this report.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

The Board has conducted an annual review of the effectiveness of the Group's risk management and internal control system during the Reporting Period. The scope of reviews covers all material controls including finance, operations and regulatory compliance and risk management. After review, the Board considered that nothing has come to its attention to cause the Board to believe that the risk management and internal control system is ineffective or inadequate.

The Company's system of internal control includes a complete internal management system and approving procedures which apply to all members of the Group. The Group has formulated a comprehensive budget management system, pursuant to which, business plans and budgets are prepared annually by the management of subsidiaries and individual core businesses and subject to review and approval by the executive directors. Each month the executive Directors meet with the management of subsidiaries and individual businesses to review monthly operating performance and address potential business risks and counter measures.

The Company has established an internal audit function to ensure the effectiveness of its internal control system, as well as identify and prevent any potential risk. The head of internal audit submits working reports and recommendations on a regular basis to the executive Directors. The 2017 annual audit report for the Reporting Period was submitted to the Board, and no major issues had been identified.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Nonetheless, Shareholders shall note that the Group's risk management and internal control systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

REPORT OF THE AUDITORS

XYZH/2018GZA30082

TO THE SHAREHOLDERS OF DONGJIANG ENVIRONMENTAL COMPANY LIMITED

1. OPINION

We have audited the financial statements of Dongjiang Environmental Company Limited (“**Dongjiang Environmental Company**”), which comprise the consolidated and the parent company’s balance sheet as at 31 December 2017, the consolidated and the parent company’s income statement, the consolidated and the parent company’s cash flow statement and the consolidated and the parent company’s statement of changes in shareholders’ equity for 2017, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Dongjiang Environmental Company have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises and presented fairly, in all material respects, the consolidated and the parent company’s financial position as at 31 December 2017, the consolidated and the parent company’s results of operations and cash flows for 2017.

2. BASIS FOR OPINION

We conducted our audit in accordance with Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of Dongjiang Environmental Company in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to form the basis of our audit opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that we consider, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, and we do not express a separate opinion on these matters.

REPORT OF THE AUDITORS

1. Revenue Recognition

Key Audit Matter	How the matter was addressed in the audit
<p>As set out in Notes VI.53 to the consolidated financial statements of Dongjiang Environmental Company, the total operating revenue of Dongjiang Environmental Company for 2017 was RMB3,099.6586 million and the major source of revenue was waste treatment and disposal service. Revenue is one of the key performance indicators of Dongjiang Environmental Company, therefore there is an inherent risk of manipulation of the timing of revenue recognition by the management to meet specific targets or expectations. Accordingly, we identified revenue recognition as a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"><li data-bbox="922 584 1433 864">– We tested the management’s internal control system and implementation procedures of revenue recognition for waste treatment and disposal and assessed the validity of the control system for determining whether the revenue from waste treatment and disposal was included in the appropriate accounting period.<li data-bbox="922 907 1433 1187">– We conducted substantial analytical procedures regarding to the cut-off of revenue from waste treatment and disposal of Dongjiang Environmental Company and focused on the accuracy of the revenue of Dongjiang Environmental Company and whether the revenue was included in the appropriate accounting period.<li data-bbox="922 1231 1433 1511">– We examined the accounting records in relation to the revenue from waste treatment and disposal, checked relevant accounting records and discussed with the management to assess whether there is any indication of material differences and misstatement for the revenue recognition by the management.

REPORT OF THE AUDITORS

2. Assessment on impairment of accounts receivable

Key Audit Matter	How the matter was addressed in the audit
<p>As set out in Note IV.34(1) and VI.4 to the consolidated financial statements of Dongjiang Environmental Company, as at 31 December 2017, the balance amount, provision for bad debts and net amount of accounts receivable of Dongjiang Environmental Company amounted to RMB715.4840 million, RMB20.8479 million and RMB694.6361 million, respectively, and the carrying amount was relatively significant. The accounts receivable of Dongjiang Environmental Company was mainly arising from its sales of recycled products and provision of waste disposal service, which are material assets of the Company. If the accounts receivable cannot be recovered on time as expected or cannot be recovered and bad debts are incurred, there may be significant impacts on the financial statements. Accordingly, we identified the assessment on impairment of accounts receivable as a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> – We assessed and tested the internal control process of provision for bad debts of accounts receivable of Dongjiang Environmental Company and assessed the reasonableness of key assumptions and data. – We reviewed the process of provision for bad debts of accounts receivable of Dongjiang Environmental Company and assessed the reasonableness in the application of the relevant accounting policy. – We analysed and compared the reasonableness and consistency of provision for bad debts of accounts receivable of Dongjiang Environmental Company in the year and previous years. – We discussed with the management on the collection of accounts receivable and the possible risk for uncollection.

REPORT OF THE AUDITORS

3. Assessment on impairment of goodwill

Key Audit Matter	How the matter was addressed in the audit
<p>As set out in Note IV.34(3) and VI.21 to the consolidated financial statements of Dongjiang Environmental Company, as at 31 December 2017, the net value of the goodwill for Dongjiang Environmental Company amounted to RMB1,235.9945 million, which had a significant carrying value, which was attributable to the acquisition of subsidiaries by Dongjiang Environmental Company in previous years. If there is any impairment on goodwill, there may be significant impacts on the financial statements of Dongjiang Environmental Company.</p> <p>In view of the different operating conditions of the subsidiaries resulting in goodwill, the testing process of goodwill impairment for Dongjiang Environmental Company is complicated which relies on judgment and evaluation of its management on the assumptions of the expected future income and cash flow discount rate of the subsidiaries acquired. Therefore, we identified the assessment on impairment of goodwill as a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> - We discussed with the management regarding to the assessment methods of goodwill impairment, including the reasonableness of assumptions such as the expected future income and cash flow discount rate of each component and the judgement and evaluation of profitability of each component. - Based on our knowledge of the business and the industry, we evaluated the reasonableness of key assumptions and data given by the management. - Based on the data and supporting evidence provided by the management, including budgets of each component, we focused on the reasonableness of such budgets made by the management.

4. Other Information

The management of Dongjiang Environmental Company (hereinafter referred to as the “**Management**”) is responsible for the other information. The other information comprises the information included in the annual report of Dongjiang Environmental Company for 2017, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE AUDITORS

5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Dongjiang Environmental Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Dongjiang Environmental Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Dongjiang Environmental Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

REPORT OF THE AUDITORS

- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Dongjiang Environmental Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Dongjiang Environmental Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Dongjiang Environmental Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of audit of the group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public Accountants (LLP)

CICPA: **Ling Zhaohui**

(Audit Partner)

CICPA: **Wu Ruiling**

China, Beijing

29 March 2018

CONSOLIDATED BALANCE SHEET

31 December 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Balance at the end of year	Balance at the beginning of year
Current assets:			
Monetary fund	VI.1	1,242,430,230.43	1,160,073,128.47
Financial assets at fair value through profit and loss of the period	VI.2	–	1,667,820.00
Notes receivable	VI.3	86,366,871.17	43,826,934.87
Accounts receivable	VI.4	694,636,069.79	493,350,206.69
Prepayments	VI.5	49,245,646.02	58,626,629.51
Premium receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Interest receivable	VI.6	–	612,851.17
Dividend receivable			
Other accounts receivable	VI.7	296,097,793.32	250,742,693.80
Purchase and resale of financial assets			
Inventories	VI.8	312,588,190.52	267,170,579.55
Loans	VI.9	254,980,000.00	274,275,000.00
Assets classified to held for sale			
Non-current asset due within one year	VI.10	11,084,380.33	16,930,533.96
Other current assets	VI.11	88,979,559.41	144,416,881.51
Total current assets		3,036,408,740.99	2,711,693,259.53
Non-current assets:			
Granted and entrustee loans and advances			
Available-for-sale financial assets	VI.12	13,431,700.00	14,931,700.00
Held-to-maturity investment	VI.13	20,000,000.00	
Long-term accounts receivable	VI.14	194,929,785.02	225,111,058.25
Long-term equity investment	VI.15	243,310,020.04	138,075,173.33
Investment properties	VI.16	89,685,173.20	66,388,962.20
Fixed assets	VI.17	1,649,540,887.90	1,397,225,395.38
Construction in progress	VI.18	1,605,701,931.03	1,455,607,111.76
Engineering material			
Disposal of fixed assets			
Intangible assets	VI.19	912,308,605.74	828,345,528.78
Development expenditure	VI.20	10,741,736.70	9,887,422.97
Goodwill	VI.21	1,235,994,451.48	1,118,860,359.88
Long-term unamortized expenses	VI.22	19,979,692.84	5,027,895.31
Deferred income tax assets	VI.23	15,222,949.45	20,565,246.42
Other non-current assets	VI.24	192,891,698.08	197,429,402.27
Total non-current assets		6,203,738,631.48	5,477,455,256.55
Total assets		9,240,147,372.47	8,189,148,516.08

CONSOLIDATED BALANCE SHEET

31 December 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Balance at the end of year	Balance at the beginning of year
Current liabilities:			
Short-term borrowings	VI.25	1,872,637,100.25	1,735,862,188.25
Financial liabilities at fair value through profit and loss of the period			
Notes payable			
Accounts payable	VI.26	705,134,001.34	713,257,454.13
Receipts in advance	VI.27	139,360,367.89	122,667,701.18
Employee benefits payables	VI.28	62,977,562.92	49,024,619.72
Tax payable	VI.29	61,811,293.24	94,270,901.66
Interest payable	VI.30	891,381.67	492,344.62
Dividend payable	VI.31	6,593,410.01	2,240,850.00
Other accounts payable	VI.32	307,227,675.19	386,376,361.66
Liabilities classified to held for sale			
Non-current liabilities due within one year	VI.33	6,131,610.36	296,546,305.45
Other current liabilities	VI.34	7,384,032.79	7,063,249.92
Total current liabilities		3,170,148,435.66	3,407,801,976.59
Non-current liabilities:			
Long-term borrowings	VI.35	292,554,335.54	397,910,986.99
Bonds payable	VI.36	1,289,727,036.55	357,165,749.95
Including: Preferred shares			
Perpetual bond			
Long-term accounts payables	VI.37	1,691,598.24	2,047,313.05
Long-term employee benefits payables			
Special accounts payable	VI.38	2,075,259.49	
Estimated liabilities			
Deferred income	VI.39	155,897,737.22	152,709,774.72
Deferred income tax liabilities	VI.23	3,391,543.77	3,005,865.08
Other non-current liabilities	VI.40	2,813,900.00	2,813,900.00
Total non-current liabilities		1,748,151,410.81	915,653,589.79
Total liabilities		4,918,299,846.47	4,323,455,566.38
Owners' equity:			
Share capital	VI.41	888,237,102.40	887,152,102.40
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve	VI.42	505,827,372.67	518,915,703.92
Less: Treasury share	VI.43	124,677,510.00	210,095,760.00
Other comprehensive income	VI.44	2,564,766.23	3,060,802.36
Special reserves	VI.45	3,128,442.22	1,912,526.46
Surplus reserves	VI.46	199,255,721.44	190,854,508.48
General risk reserve	VI.47	4,114,125.00	4,114,125.00
Undistributed profits	VI.48	2,250,645,463.83	1,892,980,408.00
Total equity attributable to shareholders of the parent company		3,729,095,483.79	3,288,894,416.62
Minority interests	VI.49	592,752,042.21	576,798,533.08
Total shareholders' equity		4,321,847,526.00	3,865,692,949.70
Total liabilities and shareholders' equity		9,240,147,372.47	8,189,148,516.08

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

BALANCE SHEET OF THE PARENT COMPANY

31 December 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Balance at the end of year	Balance at the beginning of year
Current assets:			
Monetary fund		607,297,838.44	513,255,882.45
Financial assets at fair value through profit and loss of the period			1,667,820.00
Notes receivable		14,810,711.01	3,514,255.67
Accounts receivable	XVII.1	432,577,954.21	237,317,626.16
Prepayments		1,956,403.07	3,808,820.33
Interest receivable		–	612,851.17
Dividend receivable		16,200,000.00	
Other accounts receivable	XVII.2	2,311,271,266.90	1,599,957,230.03
Inventories		8,740,989.27	2,858,170.21
Assets classified to held for sale			
Non-current asset due within one year		11,084,380.33	16,930,533.96
Other current assets		3,730,707.65	82,747,324.17
Total current assets		3,407,670,250.88	2,462,670,514.15
Non-current assets:			
Available-for-sale financial assets		13,431,700.00	14,931,700.00
Held-to-maturity investment			
Long-term accounts receivable		188,432,039.02	219,603,856.25
Long-term equity investment	XVII.3	3,467,505,161.25	3,131,524,591.46
Investment properties		66,388,962.20	66,388,962.20
Fixed assets		85,011,672.14	90,985,913.64
Construction in progress		47,309,507.04	87,631,260.74
Engineering material			
Disposal of fixed assets			
Intangible assets		92,204,257.50	9,587,049.63
Development expenditure		9,251,952.73	9,887,422.97
Goodwill		–	–
Long-term unamortized expenses		–	–
Deferred income tax assets		5,260,893.44	11,188,168.59
Other non-current assets		50,371,988.64	45,635,810.48
Total non-current assets		4,025,168,133.96	3,687,364,735.96
Total assets		7,432,838,384.84	6,150,035,250.11

BALANCE SHEET OF THE PARENT COMPANY

31 December 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Balance at the end of year	Balance at the beginning of year
Current liabilities:			
Short-term borrowings		1,774,778,100.25	1,657,971,988.25
Financial liabilities at fair value through profit and loss of the period			
Notes payable			
Accounts payable		412,790,496.44	257,378,082.38
Receipts in advance		3,857,674.41	27,015,378.52
Employee benefits payables		15,539,254.77	10,454,227.31
Tax payable		8,351,912.50	40,921,261.18
Interest payable		373,379.68	376,379.53
Dividend payable		2,428,210.01	1,982,450.00
Other accounts payable		1,144,908,256.66	538,029,118.15
Liabilities classified to held for sale			
Non-current liabilities due within one year		4,500,000.00	213,712,490.59
Other current liabilities		472,749.72	356,083.08
Total current liabilities		3,368,000,034.44	2,748,197,458.99
Non-current liabilities:			
Long-term borrowings		40,000,000.00	93,391,847.72
Bonds payable		979,345,699.52	357,165,749.95
Including: Preferred shares			
Perpetual bond			
Long-term accounts payables			
Long-term employee benefits payables			
Special accounts payable			
Estimated liabilities			
Deferred income		22,267,204.96	21,592,433.28
Deferred income tax liabilities		3,296,425.39	3,005,865.08
Other non-current liabilities		2,813,900.00	2,813,900.00
Total non-current liabilities		1,047,723,229.87	477,969,796.03
Total liabilities		4,415,723,264.31	3,226,167,255.02
Owners' equity:			
Share capital		888,237,102.40	887,152,102.40
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve		603,069,037.48	573,027,582.34
Less: Treasury share		124,677,510.00	210,095,760.00
Other comprehensive income		3,509,701.20	3,509,701.20
Special reserves			
Surplus reserves		182,744,446.34	174,343,233.38
Undistributed profits		1,464,232,343.11	1,495,931,135.77
Total shareholders' equity		3,017,115,120.53	2,923,867,995.09
Total liabilities and shareholders' equity		7,432,838,384.84	6,150,035,250.11

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

CONSOLIDATED INCOME STATEMENT

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
I. Total operating revenue		3,099,658,647.44	2,617,076,763.36
Including: Operating revenue	VI.53	3,045,886,683.75	2,569,430,776.58
Interest income	VI.53	53,771,963.69	47,645,986.78
Premium income			
Handling charges and commission income			
II. Total operating cost		2,623,511,664.13	2,212,750,690.89
Including: Cost of operation	VI.53	1,987,509,300.10	1,671,757,249.99
Interest expenses			
Handling charges and commission expenses			4,248.41
Tax and levies	VI.55	41,986,351.40	38,107,000.05
Selling expenses	VI.56	68,630,471.74	57,847,413.77
Administrative expenses	VI.57	415,278,552.29	339,798,493.78
Finance costs	VI.58	98,676,710.50	96,085,768.38
Impairment loss for assets	VI.59	11,430,278.10	9,150,516.51
Add: Gain on fair value changes			
(Loss represented in "-" signs)	VI.60	380,473.53	1,144,046.00
Investment income			
(Loss represented in "-" signs)	VI.61	23,689,636.99	178,841,427.09
Including: Investment revenue in associates and joint ventures		22,434,846.72	16,085,160.64
Exchange gain (Loss represented in "-" signs)			
Disposal gain on asset			
(Loss represented in "-" signs)	VI.62	-4,600,814.83	-17,333,353.95
Other gain	VI.63	110,137,172.44	
III. Operating profit (Loss represented in "-" signs)		605,753,451.44	566,978,191.61
Add: Non-operating income	VI.64	23,191,759.79	117,366,306.10
Including: Disposal income on non-current asset			
Less: Non-operating expenses	VI.65	6,372,067.57	10,639,082.03
Including: Disposal loss on non-current asset			
IV. Total profit (Total loss represented in "-" signs)		622,573,143.66	673,705,415.68
Less: Income tax expenses	VI.66	69,217,094.23	96,569,564.69
V. Net profit (Net loss represented in "-" signs)		553,356,049.43	577,135,850.99
(1) Classified on a going concern basis			
1. Net profit from continuing operations			
(Net loss represented in "-" signs)		553,376,531.67	
2. Net profit from discontinued operations			
(Net loss represented in "-" signs)		-20,482.24	
(2) Classified according to the ownership			
Net profit attributable to shareholders of the parent company		473,375,978.13	533,813,817.46
Profit and loss attributable to minority interests		79,980,071.30	43,322,033.53
VI. Other comprehensive income, net of tax	VI.71	-496,036.13	4,024,656.12
Other comprehensive income attributable to shareholders of the parent company, net of tax		-496,036.13	4,024,656.12
(1) Items cannot be reclassified to profit and loss in future periods			-
(2) Items can be reclassified to profit and loss when qualified in future periods		-496,036.13	4,024,656.12
1. Exchange difference on translation of financial statement in foreign currency		-496,036.13	514,954.92
2. Excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value			3,509,701.20
Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		552,860,013.30	581,160,507.11
Attributable to shareholders of the parent company		472,879,942.00	537,838,473.58
Attribute to minority interests		79,980,071.30	43,322,033.53
VIII. Earnings per share:			
(1) Basic earnings per share	VI.70	0.55	0.62
(2) Diluted earnings per share	VI.70	0.55	0.62

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

INCOME STATEMENT OF THE PARENT COMPANY

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
I. Operating revenue	XVII.4	748,340,684.01	864,817,500.13
Less: Operating cost	XVII.4	563,706,735.67	646,210,318.59
Tax and levies		3,252,188.85	4,958,272.79
Selling expenses		679,887.93	5,605,110.96
Administrative expenses		100,096,795.70	97,506,782.95
Finance costs		84,976,830.54	81,892,410.00
Impairment loss for assets		5,792,099.71	2,395,950.61
Add: Gain on fair value changes (Loss represented in "-" signs)			1,144,046.00
Investment income (Loss represented in "-" signs)	XVII.5	95,114,551.17	325,340,387.26
Including: Investment revenue in associates and joint ventures		22,818,069.79	16,085,160.64
Exchange gain (Loss represented in "-" signs)			
Disposal gain on asset (Loss represented in "-" signs)		-134,106.32	-215,529.75
Other gain		7,831,613.69	
II. Operating profit (Loss represented in "-" signs)		92,648,204.15	352,517,557.74
Add: Non-operating income		3,325,558.18	22,768,546.60
Including: Disposal income on non-current asset			
Less: Non-operating expenses		5,396,368.22	2,178,856.78
Including: Disposal loss on non-current asset			
III. Total profit (Total loss represented in "-" signs)		90,577,394.11	373,107,247.56
Less: Income tax expenses		6,565,264.47	28,072,199.56
IV. Net profit (Net loss represented in "-" signs)		84,012,129.64	345,035,048.00
(1) Net profit from continuing operations (Net loss represented in "-" signs)		84,012,129.64	
(2) Net profit from discontinued operations (Net loss represented in "-" signs)			
V. Other comprehensive income, net of tax			3,509,701.20
(1) Items cannot be reclassified to profit and loss in future periods			
(2) Items can be reclassified to profit and loss when qualified in future periods			3,509,701.20
1. Excess of fair value over carrying value as at the date of transfer from owner- occupied properties to investment properties measured at fair value			3,509,701.20
VI. Total comprehensive income		84,012,129.64	348,544,749.20
VII. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

CONSOLIDATED CASH FLOW STATEMENT

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		3,323,484,215.66	2,786,433,906.69
Cash received from interest, handling charges and commission of loans		53,771,963.69	47,645,986.78
Refund of taxes and levies		110,983,923.67	64,217,562.11
Other cash receipts relating to operating activities	VI.73	49,759,443.41	65,596,248.76
Sub-total of cash inflows from operating activities		3,537,999,546.43	2,963,893,704.34
Cash paid for goods and services		1,815,599,388.37	1,264,843,222.45
Net increase in customer loans and advances		-19,295,000.00	109,366,000.00
Cash paid to and on behalf of employees		482,736,686.87	403,990,516.40
Payments of taxes and levies		402,472,080.93	280,818,904.50
Other cash payments relating to operating activities	VI.73	185,090,084.38	215,030,861.05
Sub-total of cash outflows from operating activities		2,866,603,240.55	2,274,049,504.40
Net cash flows from operating activities		671,396,305.88	689,844,199.94
II. Cash flows from investing activities:			
Cash received from investments		–	21,200,000.00
Cash received from returns on investments		12,844,469.69	26,465,528.64
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,023,679.41	271,679.16
Net cash received from disposal of subsidiaries and other operating units		–	318,098,481.58
Other cash receipts relating to investing activities	VI.73	99,269,802.94	196,842,400.00
Sub-total of cash inflows from investing activities		113,137,952.04	562,878,089.38
Cash paid to acquire fixed assets, intangible assets and other long-term assets		743,388,561.87	839,107,842.03
Cash paid on investments		189,298,762.53	105,848,750.00
Net cash paid on acquisition of subsidiaries and other operating units		102,147,519.65	272,062,067.58
Other cash payments relating to investing activities	VI.73	71,080,000.00	–
Sub-total of cash outflows from investing activities		1,105,914,844.05	1,217,018,659.61
Net cash flows from investing activities		-992,776,892.01	-654,140,570.23

CONSOLIDATED CASH FLOW STATEMENT

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
III. Cash flows from financing activities:			
Cash received from financing		11,164,200.00	159,760,208.00
Including: Cash received by subsidiaries from investment from minority shareholders		300,000.00	900,000.00
Cash received from borrowings		1,839,427,610.94	2,260,963,460.42
Cash received from issuing bonds		920,000,000.00	
Cash received from other financing activities	VI.73	12,788,950.44	30,000,000.00
Sub-total of cash inflows from financing activities		2,783,380,761.38	2,450,723,668.42
Cash payments for settlement of borrowings		2,098,260,955.92	1,841,406,234.29
Cash payments for distribution of dividend, profit or interests expenses		270,054,331.71	249,075,055.67
Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders		50,043,200.00	14,545,990.04
Other cash payments relating to financing activities	VI.73	10,917,188.00	72,763,930.73
Sub-total of cash outflows from financing activities		2,379,232,475.63	2,163,245,220.69
Net cash flows from financing activities		404,148,285.75	287,478,447.73
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		-496,036.13	514,954.92
V. Net increase in cash and cash equivalents			
Add: Balances of cash and cash equivalents at beginning of period		1,139,658,566.94	815,961,534.58
VI. Balances of cash and cash equivalents at end of period			
		1,221,930,230.43	1,139,658,566.94

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

CASH FLOW STATEMENT OF THE PARENT COMPANY

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Amount of the year	Amount of the last year
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	612,553,488.48	944,730,689.29
Refund of taxes and levies	4,776,492.22	12,029,796.73
Other cash receipts relating to operating activities	2,654,272,349.18	293,512,643.52
Sub-total of cash inflows from operating activities	3,271,602,329.88	1,250,273,129.54
Cash paid for goods and services	398,777,338.95	522,259,873.69
Cash paid to and on behalf of employees	97,126,397.83	111,119,848.89
Payments of taxes and levies	66,570,147.56	43,546,929.23
Other cash payments relating to operating activities	2,614,505,885.90	414,619,591.30
Sub-total of cash outflows from operating activities	3,176,979,770.24	1,091,546,243.11
Net cash flows from operating activities	94,622,559.64	158,726,886.43
II. Cash flows from investing activities:		
Cash received from investments		348,735,600.00
Cash received from returns on investments	57,308,476.68	130,810,464.46
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,962.00	28,400.00
Net cash received from disposal of subsidiaries and other operating units	–	–
Other cash receipts relating to investing activities	125,493,324.70	180,642,656.25
Sub-total of cash inflows from investing activities	182,806,763.38	660,217,120.71
Cash paid to acquire fixed assets, intangible assets and other long-term assets	43,692,154.48	74,027,047.66
Cash paid on investments	197,591,000.00	333,100,000.00
Net cash paid on acquisition of subsidiaries and other operating units	127,340,000.00	333,190,600.00
Other cash payments relating to investing activities	69,097,527.38	90,783,387.50
Sub-total of cash outflows from investing activities	437,720,681.86	831,101,035.16
Net cash flows from investing activities	-254,913,918.48	-170,883,914.45

CASH FLOW STATEMENT OF THE PARENT COMPANY

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Amount of the year	Amount of the last year
III. Cash flows from financing activities:		
Cash received from financing	11,164,200.00	158,860,208.00
Cash received from borrowings	1,640,000,000.00	1,895,703,617.80
Cash received from issuing bonds	597,000,000.00	
Cash received from other financing activities		74,000,000.00
Sub-total of cash inflows from financing activities	2,248,164,200.00	2,128,563,825.80
Cash payments for settlement of borrowings	1,785,798,228.97	1,655,584,805.65
Cash payments for distribution of dividend, profit or interests expenses	204,019,273.25	233,441,374.61
Other cash payments relating to financing activities	9,877,640.29	73,013,930.73
Sub-total of cash outflows from financing activities	1,999,695,142.51	1,962,040,110.99
Net cash flows from financing activities	248,469,057.49	166,523,714.81
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	88,177,698.65	154,366,686.79
Add: Balances of cash and cash equivalents at beginning of period	499,420,139.79	345,053,453.00
VI. Balances of cash and cash equivalents at end of period	587,597,838.44	499,420,139.79

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	The Year									
	Attributable to shareholders of the parent company									Total shareholders' equity
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	
I. Balance at the end of last year	887,152,102.40	518,915,703.92	210,095,760.00	3,060,802.36	1,912,526.46	190,854,508.48	4,114,125.00	1,892,980,408.00	576,798,533.08	3,865,692,949.70
Add: Changes in accounting policy										
Correction of previous years										
Combination of entities under common control										
Others										
II. Balance at beginning of year	887,152,102.40	518,915,703.92	210,095,760.00	3,060,802.36	1,912,526.46	190,854,508.48	4,114,125.00	1,892,980,408.00	576,798,533.08	3,865,692,949.70
III. Movement of the year										
(Decrease represented by "-" signs)	1,085,000.00	-13,088,331.25	-85,418,250.00	-496,036.13	1,215,915.76	8,401,212.96	-	357,665,055.83	15,953,509.13	456,154,576.30
(1) Total comprehensive income				-496,036.13	1,215,915.76	8,401,212.96		473,375,978.13	79,980,071.30	552,860,013.30
(2) Contribution from shareholders and reduction of capital	1,085,000.00	-13,088,331.25	-85,418,250.00						-10,076,562.17	63,338,356.58
1. Injection of ordinary shares from shareholders									300,000.00	300,000.00
2. Injection from holders of other equity instruments										
3. Share-based payment included in the amount of shareholders' equity	1,085,000.00	30,041,455.14	-85,418,250.00							116,544,705.14
4. Others		-43,129,786.39							-10,376,562.17	-53,506,348.56
(3) Profits appropriation						8,401,212.96	-	-115,710,922.30	-53,950,000.00	-161,259,709.34
1. Withdrawn from surplus reserve						8,401,212.96		-8,401,212.96		
2. Withdrawn from general risk reserve							-	-		
3. Distribution to holders (or shareholders)								-107,309,709.34	-53,950,000.00	-161,259,709.34
4. Others									-	
(4) Internal transfer of shareholders' equity										
1. Transfer of capital reserve to share capital										
2. Transfer of surplus reserve to share capital										
3. Surplus reserve to compensate deficit										
4. Others										
(5) Special reserve					1,215,915.76					1,215,915.76
1. Withdrawn during this year					3,124,876.10					3,124,876.10
2. Usage during this year					1,908,960.34					1,908,960.34
(6) Others										
IV. Balance at end of year	888,237,102.40	505,827,372.67	124,677,510.00	2,564,766.23	3,128,442.22	199,255,721.44	4,114,125.00	2,250,645,463.83	592,752,042.21	4,321,847,526.00

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Last Year									
	Attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Balance at the end of last year	869,382,102.40	360,917,434.35	99,934,300.00	-963,853.76	146,004.53	153,885,483.70	2,473,635.00	1,467,253,273.48	466,375,762.07	3,219,535,541.77
Add: Changes in accounting policy										
Correction of previous years										
Combination of entities under common control										
Others										
II. Balance at beginning of year	869,382,102.40	360,917,434.35	99,934,300.00	-963,853.76	146,004.53	153,885,483.70	2,473,635.00	1,467,253,273.48	466,375,762.07	3,219,535,541.77
III. Movement of the year										
(Decrease represented by "-" signs)	17,770,000.00	157,998,269.57	110,161,460.00	4,024,656.12	1,766,521.93	36,969,024.78	1,640,490.00	425,727,134.52	110,422,771.01	646,157,407.93
(1) Total comprehensive income				4,024,656.12				533,813,817.46	43,322,033.53	581,160,507.11
(2) Contribution from shareholders and reduction of capital	17,770,000.00	157,998,269.57	110,161,460.00						81,646,727.52	147,253,537.09
1. Injection of ordinary shares from shareholders										
2. Injection from holders of other equity instruments										
3. Share-based payment included in the amount of shareholders' equity	17,770,000.00	145,920,662.06	110,161,460.00							53,529,202.06
4. Others		12,077,607.51							81,646,727.52	93,724,335.03
(3) Profits appropriation						36,969,024.78	1,640,490.00	-108,086,682.94	-14,545,990.04	-84,023,158.20
1. Withdrawn from surplus reserve						36,969,024.78		-36,969,024.78		
2. Withdrawn from general risk reserve							1,640,490.00	-1,640,490.00		
3. Distribution to holders (or shareholders)								-69,477,168.16	-14,545,990.04	-84,023,158.20
4. Others										
(4) Internal transfer of shareholders' equity	-	-								
1. Transfer of capital reserve to share capital										
2. Transfer of surplus reserve to share capital										
3. Surplus reserve to compensate deficit										
4. Others										
(5) Special reserve					1,766,521.93					1,766,521.93
1. Withdrawn during this year					2,609,474.34					2,609,474.34
2. Usage during this year					842,952.41					842,952.41
(6) Others										
IV. Balance at end of year	887,152,102.40	518,915,703.92	210,095,760.00	3,060,802.36	1,912,526.46	190,854,508.48	4,114,125.00	1,892,980,408.00	576,798,533.08	3,865,692,949.70

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	The Year							
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at the end of last year	887,152,102.40	573,027,582.34	210,095,760.00	3,509,701.20		174,343,233.38	1,495,931,135.77	2,923,867,995.09
Add: Changes in accounting policy								
Correction of previous years								
Others								
II. Balance at beginning of year	887,152,102.40	573,027,582.34	210,095,760.00	3,509,701.20		174,343,233.38	1,495,931,135.77	2,923,867,995.09
III. Movement of the year								
(Decrease represented by "-" signs)	1,085,000.00	30,041,455.14	-85,418,250.00	-		8,401,212.96	-31,698,792.66	93,247,125.44
(1) Total comprehensive income				-			84,012,129.64	84,012,129.64
(2) Contribution from shareholders and reduction of capital	1,085,000.00	30,041,455.14	-85,418,250.00					116,544,705.14
1. Injection of ordinary shares from shareholders								
2. Injection from holders of other equity instruments								
3. Share-based payment included in the amount of shareholders' equity	1,085,000.00	30,041,455.14	-85,418,250.00					116,544,705.14
4. Others								
(3) Profits appropriation						8,401,212.96	-115,710,922.30	-107,309,709.34
1. Withdrawn from surplus reserve						8,401,212.96	-8,401,212.96	
2. Distribution to shareholders							-107,309,709.34	-107,309,709.34
3. Others								
(4) Internal transfer of shareholders' equity								
1. Transfer of capital reserve to share capital								
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to compensate deficit								
4. Others								
(5) Special reserve								
1. Withdrawn during this year								
2. Usage during this year								
(6) Others								
IV. Balance at end of year	888,237,102.40	603,069,037.48	124,677,510.00	3,509,701.20		182,744,446.34	1,464,232,343.11	3,017,115,120.53

Legal representative:

Liu Ren

Chief Financial Officer:

Li Pu Lin

Head of Financial Section:

Wang Min Yan

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year 2017

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Last Year							
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at the end of last year	869,382,102.40	427,106,920.28	99,934,300.00			139,839,728.58	1,254,876,760.73	2,591,271,211.99
Add: Changes in accounting policy								
Correction of previous years								
Others								
II. Balance at beginning of year	869,382,102.40	427,106,920.28	99,934,300.00			139,839,728.58	1,254,876,760.73	2,591,271,211.99
III. Movement of the year								
(Decrease represented by "-" signs)	17,770,000.00	145,920,662.06	110,161,460.00	3,509,701.20		34,503,504.80	241,054,375.04	332,596,783.10
(1) Total comprehensive income				3,509,701.20			345,035,048.00	348,544,749.20
(2) Contribution from shareholders and reduction of capital	17,770,000.00	145,920,662.06	110,161,460.00					53,529,202.06
1. Injection of ordinary shares from shareholders								
2. Injection from holders of other equity instruments								
3. Share-based payment included in the amount of shareholders' equity	17,770,000.00	145,920,662.06	110,161,460.00					53,529,202.06
4. Others								
(3) Profits appropriation						34,503,504.80	-103,980,672.96	-69,477,168.16
1. Withdrawn from surplus reserve						34,503,504.80	-34,503,504.80	
2. Distribution to shareholders							-69,477,168.16	-69,477,168.16
3. Others								
(4) Internal transfer of shareholders' equity	-	-						
1. Transfer of capital reserve to share capital								
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to compensate deficit								
4. Others								
(5) Special reserve								
1. Withdrawn during this year								
2. Usage during this year								
(6) Others								
IV. Balance at end of year	887,152,102.40	573,027,582.34	210,095,760.00	3,509,701.20		174,343,233.38	1,495,931,135.77	2,923,867,995.09

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

I. GENERAL INFORMATION

Dongjiang Environmental Company Limited (東江環保股份有限公司) (Formerly known as Shenzhen Dongjiang Environmental Company Limited (深圳市東江環保股份有限公司), hereinafter referred to as the “**Company**”) was incorporated as a joint stock limited company in the People’s Republic of China (the “**PRC**”) in accordance with the Company Law of the PRC (the “**Company Law**”) on 18 July 2002. The unified social credit code is 91440300715234767U. The legal representative is Mr. Liu Ren. The registered address of the Company is 1st Floor, 3rd Floor, North of 8th Floor, 9th-12th Floor, Dongjiang Environmental Building, No. 9 Langshan Road, North Zone of Hitech Industrial Park, Nanshan District, Shenzhen, the PRC.

Listing of the H Shares of the Company commenced on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 29 January 2003, and the listing thereof was transferred to the Main Board on 28 September 2010. Listing of and dealing in the A Shares issued by the Company commenced on The Shenzhen Stock Exchange on 26 April 2012.

As at 31 December 2017, the share capital and shareholding structure of the Company were as follows:

	Number of Shares (shares)	Proportion of Shareholdings (%)
I. Shares subject to selling restrictions		
1. Incentive restricted shares	14,955,000	1.68
2. Restricted shares held by senior management	114,112,491	12.85
3. Individual restricted shares before IPO	–	–
	129,067,491	14.53
II. Shares not subject to selling restrictions		
1. RMB ordinary shares	559,032,111	62.94
2. Overseas listed foreign shares	200,137,500	22.53
	759,169,611	85.47
III. Total shares	888,237,102	100.00

As at 31 December 2017, the Company had 888,230,000 shares in total, of which 759,160,000 shares were tradable shares, representing 85.47% of total share capital of the Company; 129,060,000 shares were nontradable shares, representing 14.53% of total share capital of the Company. In the views of the Directors of the Company, as at 31 December 2017, Guangdong Rising Assets Management Co., Ltd. (“**Guangdong Rising Assets**”) has acquired the majority of seats in the Board of the Company and thus becomes the controlling shareholder of the Company. The actual controller is the State-owned Assets Supervision and Administration Commission of Guangdong Province.

As at 31 December 2016, the Company had a registered capital of RMB887,152,102.00. In 2017, the Board of the Company passed the resolution to grant restricted shares to some of its employees and repurchased some of the restricted shares that no longer met the incentive criteria. As at 31 December 2017, the registered capital of the Company changed to RMB888,237,102.00. For details, please refer to Note VI. 41.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

I. GENERAL INFORMATION *(Continued)*

The Company and its subsidiaries (collectively referred to as the “**Company**”) are engaged in environmental protection industry. The operation scope mainly includes: disposal of waste and recycling (permits are applied separately); treatment of wastewater, waste gas and noise; design, construction and operation of environmental facilities; trading of chemicals (operation permit is required for operation of dangerous goods business); production and trading of environmental material, recycled products and environmental equipment (production site license shall be applied separately); development, promotion and application of new environmental products and technologies; establishment of industrial enterprises (specific projects shall make application separately); import and export of goods and technology (not including distribution of goods exclusively managed and controlled by the state); property leasing.

The major products of the Company include dozens series of inorganic salts, organic solvents, basic industrial oil which are widely used in animal feeds, agricultural pesticides, wood preservatives, dyes and pharmaceutical industries; and power generation from methane in landfill sites.

The Company has established functional departments such as Guangdong Department, Eastern China Headquarter, Jiangxi Department, Hubei Department, Northern China Department, Fujian Department, Municipal Department, Environmental Service Business Department, Engineering Technology Department, Corporate Management Department, Financial Management Department, Investment Development Department, Legal Affairs Department, Human Resources Department, Audit Department and EHS Department. Its branches include Engineering Branch, Jiangsu Branch and Huabao Technology (Huizhou Branch).

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company covers 69 companies including Dongjiang Heritage, Longgang Dongjiang, Huizhou Dongjiang, Qiandeng Wastes Treatment, Qingyuan Xinlv, Jiaxing Deda, Dongguan Hengjian, Xiamen Oasis Environmental (full name of subsidiaries listed under Note V.1). Compared with last year, 2 subsidiaries including Tangshan Wandesi and Huateng Environmental were added as a result of business combination not under common control; 3 subsidiaries including Huangshi Dongjiang, Zhaoqing Dongsheng and Xiantao Dongjiang were newly established; 1 subsidiary namely Guangdong Shangtian was deregistered during the year.

For details, please refer to Note VII. “CHANGES IN CONSOLIDATION SCOPE” and Note VIII. “INTERESTS IN OTHER ENTITIES”.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis for preparation

The financial statements of the Company are prepared based on the going concern and the transactions and events actually occurred and in line with Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC and other relevant regulations (hereinafter referred to as “**Accounting Standards for Business Enterprises**”), as well as Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports (revised in 2014) issued by China Securities Regulatory Commission, Hong Kong Companies Ordinance and the disclosure regulations of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange as well as the accounting policies and accounting estimates set out in Note IV. “SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES”.

2. Going concern

The Company evaluated its ability to continue as a going concern for the 12 months starting from 31 December 2017 and has not discovered any matters or circumstances that cast significant doubt on its ability to continue as a going concern. Therefore, the financial statements are prepared based on going concern assumptions.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Declaration of Compliance with Accounting Standards for Business Enterprises

The financial statements of the Company for the year 2017 have been prepared in accordance with the Accounting Standards for Business Enterprises, and reflect a true and complete view of such information as the financial position of the Company as at 31 December 2017, and the results of operation and the cash flows for 2017.

2. Accounting period

The accounting year is from 1 January to 31 December of each calendar year.

3. Operating cycle

The Company’s business has a relatively short operating cycle, with 12 months as the liquidity classification criterion for assets and liabilities. The exact operating cycle is determined based on the development project and uses the operating cycle as the liquidity classification criterion for assets and liabilities.

4. Reporting currency

The functional currency of the Company and its domestic subsidiaries is Renminbi (“**RMB**”). The functional currency for the overseas subsidiaries is the currency of the country in which they operate.

The financial statements of the Company are expressed in RMB.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

5. Accounting treatments for business combination under common control and not under common control

Assets and liabilities acquired by the Company, as the combining party, in business combination under common control are measured at the carrying amount of the combined party in the consolidated statements of the ultimate controller as at the date of combination. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration of combination paid shall be adjusted against the capital reserves. If the capital reserves are insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

The identifiable assets, liabilities and contingent liabilities of the acquiree acquired in business combination not under common control are measured at fair value as at the acquisition date. The cost of combination is the sum of the fair value of cash or non-cash assets paid, liabilities issued or assumed and equity securities issued by the Company to obtain the control of the acquiree as at the acquisition date, and various directly related expenses incurred in the business combination (for business combination achieved through multiple transactions by phases, the combination cost of which is the sum of the cost of each individual transaction). Where the cost of combination exceeds the fair value attributable to the net identifiable assets of the acquiree acquired in the combination, the difference is recognized as goodwill, where the cost of combination is less than the fair value attributable to the net identifiable assets of the acquiree acquired in the combination, the fair value of each identifiable assets, liabilities and contingent liabilities acquired in the combination and the fair value of the non-cash assets or equity securities issued in the consideration of the combination shall be reassessed first, where the cost of combination is still less than the fair value attributable to the net identifiable assets of the acquiree acquired in the combination after reassessment, the difference is included in the consolidated non-operating income for the current period.

6. Preparation methods of consolidated financial statements

The Company includes all subsidiaries and structured entities under its control into the consolidated financial statements.

The scope of consolidation for the consolidated financial statements is determined on the control basis. Control refers to the power that the investor has over the investee; it means that the investor enjoys variable returns by taking part in the relevant activities of the investee and is capable of using its power over the investee to influence the amount of return. In case of any change to the relevant facts and circumstances, which results in changes of the relevant elements involved in the above definition of control, the Company will perform re-evaluation.

When preparing the consolidated financial statements, if the accounting policies and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Preparation methods of consolidated financial statements *(Continued)*

When preparing consolidated financial statements, all significant internal transactions, balances and un-realised profits within the scope of combination shall be offset. The portion of shareholder's equity of the subsidiaries which does not belong to the parent company, and the portion of net profit or loss for the current period, other comprehensive income and total comprehensive income which belongs to the equity of minority shareholders, shall be listed under "equity of minority shareholders, profit or loss of minority shareholders, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to minority shareholders" items in the consolidated financial statements, respectively.

For subsidiaries acquired through business combination under common control, its operating results and cash flows shall be included in the consolidated financial statements since the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, as if the reporting subject which was formed after combination had been in existence since the ultimate controlling party gains control.

For shareholding of the investee under common control through different transactions in stages which ultimately results in business combination, the accounting treatments in the consolidated financial statements should also be disclosed during the reporting period when control was obtained. For example, for shareholding of the investee under common control through different transactions in stages which ultimately results in business combination, when preparing consolidated financial statements, it shall be adjusted as if it had been in existence in the current state since the ultimate controlling party gains control. When preparing comparative financial statements, time limit is the time not earlier than the Company and the combined party are both under the control of the ultimate controlling party, related assets and liabilities of the combined party shall be included into the comparative statements of the consolidated financial statements of the Company, and net assets added due to combination shall be adjusted against the related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the combined party, for long-term equity investment held by the Company before combination, from the date of obtaining original shareholding and the date on which the Company and the combined party are under the same ultimate control, whichever is later, to the date of combination, the related profit or loss recognized, other comprehensive income and other changes in net assets, shall be offset against the retained earnings at the beginning of the period and profit or loss for the current period in the comparative statements, respectively.

For subsidiaries acquired through business combination not under common control, the operating results and cash flows shall be included in the consolidated financial statements since the Company obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Preparation methods of consolidated financial statements *(Continued)*

For shareholding of the investee not under common control through different transactions in stages which ultimately results in business combination, the accounting treatments in the consolidated financial statements should also be disclosed during the reporting period when control was obtained. For example, for shareholding of the investee not under common control through different transactions in stages which ultimately results in business combination, when preparing consolidated financial statements, shareholding of the acquiree held before the date of acquisition shall be remeasured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for the current period; the relevant shareholding of the acquiree held before the date of acquisition involving other comprehensive income under the equity method as well as changes in other shareholder's equity excluding net profit or loss, other comprehensive income and profits appropriation will be converted to investment profit or loss in the period in which the acquisition date falls, excluding other comprehensive income arising from changes arising from the investee's remeasurement of the net liabilities or net assets in the defined benefit plans.

For disposal of the Company's long-term equity investment in a subsidiary in part without losing control, in the consolidated financial statements, the difference between the disposal consideration and the portion of net assets attributable to the disposed long-term equity investment in the subsidiary as accrued from the date of acquisition or combination, is adjusted against the capital premium or share capital premium. If the capital reserves are insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

Where control right over the investee is lost due to the disposal of partial equity investment of the Company or other reasons, the residual equity will be re-calculated based on the fair value thereof on the day the control is lost when preparing the consolidated financial statements. The balance from the sum of the consideration obtained from the equity disposal and the fair value of the residual equity minus the net assets of the original subsidiaries calculated continuously in proportion to the original holdings from the date of acquisition or combination shall be recorded into the investment profit or loss of the current period in which the control right is lost, with goodwill written off simultaneously. Other comprehensive incomes related with the equity investment of the original subsidiaries shall be converted to the current investment profit or loss when losing the control right.

For disposal of the Company's equity investment in a subsidiary realised by two or more transactions until loss of control, if the transactions fall under a package deal, those transactions shall be accounted for as a deal under which the subsidiary is disposed of and control is lost. However, before losing control over the subsidiary, the balance between each disposal consideration and the corresponding share of the subsidiary's net assets entitled from the disposal of the investment shall be recognized as other comprehensive income in the consolidated financial statements and when control is lost, converted into investment profit or loss for the period in which control is lost.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

7. Classification of joint arrangements and accounting treatment for joint operations

The joint arrangements of the Company are comprised of joint operations and joint ventures. For joint operation items, the Company, as a joint operator to the joint operation, shall recognize assets held and liabilities assumed individually, and recognize its share of attributable assets held and liabilities assumed and recognize income and expenses on individual basis or in proportion to its attributable share as agreed. For purchase and sale incurred in the joint operation which does not constitute an asset transaction of the operation, only the portion of the profit or loss attributable to the other participating parties of the joint operation arising from such transaction is recognized.

8. Cash and cash equivalents

Cash in the Company's cash flow statement represents cash on hand and deposits readily available for payments, and cash equivalents in the cash flow statement represent investment with holding period of 3 months or below, which is highly liquid, readily convertible to known amounts of cash and is subject to insignificant risk of change in value.

9. Foreign currency business and translation of foreign currency financial statements

(1) Foreign currency transactions

Foreign currency items of the Company's foreign currency transactions are translated to RMB at the spot exchange rates of the transaction dates. As at the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date, and the translation differences arising thereon are directly included in the profit and loss for the current period, except exchange differences arising from specific foreign currency borrowings for the purchase or construction or production of asset qualifies for capitalisation are treated by the principle of capitalisation.

(2) Translation of foreign currency financial statements

Assets and liabilities in the foreign currency balance sheet are translated at the spot exchange rate of the balance sheet date. Ownership interests other than undistributed profits are translated at the spot exchange rate on the date of business. Revenue and expenses in the profit statement is translated at the spot exchange rate on the date of the transaction. Translation differences arising thereon are presented in other comprehensive income. Foreign currency cash flows are translated at the spot exchange rate on the date of the cash flow event. Impact of exchange fluctuations on cash and cash equivalents is set out separately in the statement of cash flows.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial assets and financial liabilities *(Continued)*

A financial asset or financial liability is recognised when the Company becomes a party to the contractual provision of a financial instrument.

(1) *Financial assets*

1) *Classification, basis of recognition and methods of measurement of financial assets*

The Company classifies its financial assets into financial asset at fair value through profit or loss for the current period, held-to-maturity investment, receivables and available-for-sale financial assets by purposes of investment and economic substance.

Financial assets at fair value through profit or loss for the current period include held-for-trading financial assets and financial assets designated as financial assets at fair value through profit or loss for the current period at initial recognition. The Company classifies the financial asset as financial assets held for trading if one of the following conditions is satisfied: the financial asset is acquired for the purpose of selling in the near term; the financial asset is part of a group of identifiable financial instruments that are managed collectively and for which there is objective evidence of the adoption of a recent pattern of short-term profit-taking for the management of such group; or the financial asset is a derivative, but except for the derivatives designated as effective hedging instruments, the derivatives which are financial guarantee contracts, and the derivatives linked to and required to be settled through delivery of an equity instrument investment which is not quoted in an active market and the fair value of which cannot be reliably measured. The Company classifies a financial asset as financial asset at fair value through profit or loss for the current period on initial recognition only if it satisfies one of the following conditions: the classification eliminates or significantly reduces measurement or recognition inconsistencies of the related gains and losses resulted from different measuring basis of that financial instrument; the formal written documents of the Company for risk management or investment strategies specify that, the financial instrument group is managed and its performance is evaluated on a fair value basis and is reported to the key management personnel on that basis; it is a hybrid instrument containing one or more embedded derivatives, unless the embedded derivative does not impose significant influence to the cash flows of the hybrid instrument; or it is apparent that the embedded derivative(s) shall not be separated from the relevant hybrid instrument; it is a hybrid instrument that contains an embedded derivative that requires separation but cannot be separately measured on acquisition or at subsequent balance sheet dates. The financial assets designated by the Company as this class mainly include listed equity instrument investments under financial assets held for trading. Such class of financial assets are subsequently measured at fair value. Changes in fair value are included as gain or loss resulting from changes in fair value; the interests or cash dividends obtained in the holding period of such assets are recognised as investment income; the difference between the fair value and initial amount accounted for is recognised as investment gains or losses and gain or loss resulting from changes in fair value are adjusted accordingly.

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable recoverable amount that the Company has positive intention and ability to hold to maturity. Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method, its amortization or impairment and gain or loss arising from derecognition are included in profit or loss for the current period.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial assets and financial liabilities *(Continued)*

(1) *Financial assets (Continued)*

1) *Classification, basis of recognition and methods of measurement of financial assets (Continued)*

Receivables represent non-derivative financial assets with fixed or determinable recoverable amount that are not quoted in an active market. Receivables are measured subsequently at amortised cost using the effective interest method, its amortization or impairment and gain or loss arising from derecognition are included in profit or loss for the current period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and financial assets not classified as any other class at initial recognition. In which, equity instrument investments that are not quoted in an active market, and the fair value of which cannot be reliably measured and derivative financial assets that are linked to and required to be settled through delivery of such equity instrument are measured subsequently at cost; others which are quoted in an active market, or not quoted in an active market but the fair value of which can be reliably measured are measured at fair value, changes in fair value are included in other comprehensive income. This category of financial assets is subsequently measured at fair value, changes in fair value of available-for-sale financial assets are directly included in shareholders' equity, except impairment losses and exchange gains or losses arising from monetary financial assets denominated in foreign currency. The accumulated changes in fair value previously taken directly to equity are transferred to profit or loss for the current period upon derecognition of such financial asset. Interest of available-for-sale debt instrument investments accrued during the holding period on the basis of effective interest method, and the cash dividends related to the available-for-sale equity instrument investments declared to be distributed by the investee are included in profit or loss for the current period as investment gains. An equity instrument investment that is not quoted in an active market and the fair value of which cannot be reliably measured is measured at cost.

2) *Basis of recognition and methods of measurement for transfer of financial assets*

A financial asset is derecognised if any one of the following conditions is satisfied:①the contractual rights to receive cash flows from such financial asset have ceased;②such financial asset has been transferred and substantially all risks and rewards incidental to the ownership of the financial asset have been transferred by the Company to the transferee; or③the financial asset has been transferred, the Company has given up its control of the financial asset although the Company has neither transferred nor retained substantially all risks and rewards incidental to the ownership of the financial asset.

Where an entity has neither transferred nor retained substantially all risks and rewards incidental to the ownership of the financial asset and has not given up its control of such financial asset, the relevant financial asset is recognized to the extent of its continuous involvement in the transferred financial asset, and relevant liabilities are recognised accordingly.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial assets and financial liabilities *(Continued)*

(1) Financial assets *(Continued)*

2) Basis of recognition and methods of measurement for transfer of financial assets *(Continued)*

Where a transfer of financial asset in whole satisfies the derecognition conditions, the difference between the carrying amount of the transferred financial asset and the sum of consideration received for the transfer and accumulated changes in fair value previously recorded in other comprehensive income is included in profit or loss for the current period.

If a transfer of financial asset in part satisfies the derecognition conditions, the carrying amount of the entire financial asset is allocated between the part derecognised and the part that remains recognized in proportion to their respective relative fair values. The difference between the sum of the consideration received for the transfer and accumulated changes in fair value previously recorded in other comprehensive income which shall be allocated to the derecognised part and the above-mentioned carrying amount so allocated is recognised in profit or loss for the current period.

3) Methods of impairment test and accounting treatment of financial assets

Other than financial assets at fair value through profit or loss for the current period, the Company reviews the carrying amount of other financial assets at balance sheet dates. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.

When an impairment loss on an available-for-sale financial asset has occurred, cumulative loss arising from decreased fair value originally included in ownership interests is transferred and recognised in impairment losses. For available-for-sale debt instrument investments with recognised impairment losses, in the event of subsequent increase in fair value which is objectively related to events occurring after the initial recognition of impairment loss, the initially recognised impairment loss is retransferred and recognised in profit or loss for the current period. For available-for-sale equity instrument investments with recognised impairment losses, subsequent increase in fair value is directly recognised in ownership interests.

(2) Financial liabilities

1) Classification, basis of recognition and methods of measurement of financial liabilities

At initial recognition, financial liabilities of the Company are classified as financial liabilities at fair value through profit or loss for the current period and other financial liabilities.

Financial liabilities at fair value through profit or loss for the current period include held-for-trading financial liabilities and financial liabilities designated as financial liabilities at fair value through profit or loss for the current period at initial recognition. They are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest expenses related to such financial liabilities are recognised in profit or loss for the current period.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial assets and financial liabilities *(Continued)*

(2) Financial liabilities (Continued)

2) Conditions for derecognition of financial liabilities

When the present obligations of a financial liability are released in whole or in part, such financial liability is derecognised to the extent of the obligations released. Where a company signed an agreement with its creditor to replace an existing financial liability by assuming a new financial liability with contractual terms substantively differ from the existing financial liability, the existing financial liability is derecognised while the new financial liability is recognised. Where a company substantively revises in whole or in part the contractual terms of an existing financial liability, the existing financial liability is derecognised in whole or in part, while the financial liability with revised terms is recognised as a new financial liability. The difference between the carrying amount of the derecognised part and the consideration paid is included in the profit or loss for the current period.

(3) Method for fair value determination of financial assets and financial liabilities

The fair value of financial assets and financial liabilities for financial assets at fair value through profit or loss for the current period of the Company are measured at prices in the principle market, the fair value of financial assets and financial liabilities are measured at prices in the most favourable market and by using appropriate valuation technique at the time supported by adequate available data and other information if there is no principle market. Inputs used in the measurement of the fair value are in three hierarchies, namely, level 1 inputs are unadjusted quoted price of the same asset or liability in an active market available at the date of measurement; the level 2 inputs are direct or indirect observable inputs of the relevant asset or liability apart from level 1 inputs, the level 3 inputs level are unobservable inputs of the relevant asset or liability. The Company adopts these inputs in the sequence of level 1 to level 3. The Company adopts level 1 inputs for listed equity instrument investments under financial assets held-for-trading. The level of fair value measurement is determined by the lowest level inputs which are significant to the measurement of fair value as a whole.

11. Provision for bad debts of receivables

Receivables comprise (among others) accounts receivable and other receivables. Accounts receivable derived from external sale of goods or rendering of services are initially recognised at fair value of the contractual or agreed price due from the buyers or service recipients.

The Company takes the follow circumstances as the criteria for recognition of loss on bad debts in respect of receivables: a debtor is dissolved, has entered into bankruptcy, insolvent, seriously illiquid, or has incurred production interruption due to severe natural disaster and is unable to serve the debts in a foreseeable period; or the debtor has defaulted for more than 3 years; or when there are obvious evidences indicating that the debts are irrecoverable or the recoverability is remote.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Provision for bad debts of receivables *(Continued)*

Provision for probable bad debts is accounted for using allowance method, which is tested for impairment on individual basis or in groups at the end of the year, for which provision for bad debts is made and recognised in the profit or loss for the current period. When there is conclusive evidence indicating that the receivables are irrecoverable, it is written off against the allowance account as loss on bad debt upon approval by the Company according to required procedures.

Impairment losses of receivables are assessed both on individual basis and in groups.

(1) Receivables that are individually significant for which provision for bad debts are individually made

Basis for determination of provision or amount of individually significant amount	Individual receivables of over RMB5 million are regarded as significant receivables
Provision method for amount that is individually significant for which provision for bad debts is individually made	Provision for bad debts is made in respect of the shortfall of its present value of future cash flows from its carrying amount

(2) Receivables for which provision for bad debts are collectively made on the basis of credit risk characteristics

Provision method for bad debts collectively made	
Aged group	Provision for bad debts made on the basis of aging analysis method
Related party group	Not provided for in general
Collateral group	Not provided for in general
Government related receivables	Not provided for in general

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Provision for bad debts of receivables *(Continued)*

(2) *Receivables for which provision for bad debts are collectively made on the basis of credit risk characteristics (Continued)*

1) Percentage of provision for bad debts of receivables made by aging analysis method:

Age	Percentage of provision to accounts receivable (%)	Percentage of provision to other receivables (%)
0-90 days	1.50	1.50
91-180 days	3.00	3.00
181-365 days	5.00	5.00
1-2 years	20.00	20.00
2-3 years	50.00	50.00
Over 3 years	100.00	100.00

2) Provision for bad debts of receivables made by other method:

Related party group	Bad debts are not provided for in general for related parties with special connection with the Company (such as jointly controlled entities and associates) where the difference between the present value of future cash flows and the carrying amount is expected to be insignificant
Collateral group	Bad debts are not provided for in general for (among others) rental deposits, procurement deposits and petty cash where the difference between the present value of future cash flows and the carrying amount is expected to be insignificant
Government related receivables	Mainly include receivables from governmental departments in relation to dismantling business and municipal waste treatment business, the provision for bad debts is generally not made as the difference between the present value of future cash flows and the carrying amount is expected to be insignificant

(3) *Receivables that are individually insignificant but for which provision for bad debts were individually made*

Reason for bad debts provision individually made	Receivables that are individually insignificant and bad debts provision collectively made cannot reflect the credit risk characteristics
Method of provision for bad debts	Provision for bad debts is made on the basis of the shortfall of its present value of the future cash flows from its carrying amount

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Inventories

The inventories of the Company mainly include raw materials, packaging materials, low-value consumables, construction in progress, and finished goods, etc.

The perpetual inventory system has been adopted. Inventories are accounted for at effective cost as acquired. In respect of utilisation or delivery of inventories, cost is determined by weighted average method. Low value consumables and packaging materials are amortised by one-time written off.

Net realisable value of inventory of goods directly held for sale, such as finished goods, construction in progress or held for sale materials, are determined by the estimated selling price less estimated selling expenses and related taxes and levies. Net realisable value of material inventories held for production are determined by the estimated selling price of finished goods produced thereof less the estimated cost to completion, estimated selling expenses and related taxes and levies.

13. Loan loss provision

According to “Guidelines on Risk-Based Loan Classification” and “Guidelines on Loan Loss Provision” by the People’s Bank of China, the Company classifies its loans into five categories, namely Normal, Concerned, Sub-standard, Doubtful and Loss, and makes provision for loan loss by category. At the end of every month, the Company classifies its loans according to the loans classification method, and makes provision for difference by category according to the results. By reference to the requirements of “Regulations on Creation and Management of Provisions by Financial Institutions” (Treasury Documentation Ref. [2012]20), since 1 July 2012, the ratio of loan provision to outstanding balance is 0% for Normal, 2% for Concerned, 30% for Sub-standard, 60% for Doubtful, and 100% for Loss. For Sub-standard and Doubtful loans, the ratio can be adjusted upward or downward by 20%, according to loss.

In accordance with the above requirements of “Regulations on Creation and Management of Provisions by Financial Institutions”, the Company’s general provision for risky loans is made based on 1.5% of outstanding balance as at the end of the period and is accounted for with reference to the requirements of the Regulations.

14. Long-term equity investments

Long-term equity investments of the Company mainly represent investments in subsidiaries, investments in associates and investment in joint ventures.

The Company’s determination on joint-control is based on a collective control over an arrangement by all participating parties or party groups, and the policies of related activities of such arrangement are subject to unanimous agreement by the participating parties collectively controlling the arrangement.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

14. Long-term equity investments *(Continued)*

The Company is generally considered to exercise significant control over an investee where more than 20% (including 20%) but less than 50% of voting rights in the investee is owned directly by the Company or indirectly through a subsidiary. For voting rights below 20% held in the investee, the significant influence over the investee is determined by a comprehensive consideration of facts and circumstances such as the representation in the Board of Directors or similar governing bodies in the investee, involvement in the formulation of financial and operation policies of the investee, material transactions entered into with the investee, secondment of members of management to the investee, or the provision of critical technological information to the investee.

An investee is a subsidiary of the Company if control exists. For long term equity investment acquired in a business combination under common control, the carrying amount of attributable net asset of the combined party in the consolidated statements of the ultimate controller as at the date of combination are accounted for as the initial investment cost of long term equity investment. Where a negative net asset value of the combined party as at the date of combination is recorded, the long term equity investment cost is determined as zero.

For equity in an investee under common control acquired progressively over multiple transactions which eventually forms a business combination, supplementary disclosure of the long term equity investment treatment should be made in the Company's financial statements in the period in which control was obtained. For instance, for equity in an investee under common control acquired progressively over multiple transactions which eventually forms a business combination and constitutes a packaged deal, the Company will treat each transaction as part of a single acquisition of control transaction. Where it does not constitute a packaged deal, net assets of the combined party possessed upon combination is recognised in the share of carrying value on the date of combination in the consolidated financial statements of the ultimate controller as initial investment cost of long term equity investment. The difference between initially investment cost and the sum of carrying value of long term equity investment prior to combination and carrying value of consideration for additional acquired equity on the date of combination is adjusted in capital reserves, or offset in retained earnings where capital reserves is insufficient.

For a long term equity investment acquired in a business combination not under common control, the initial investment cost is the cost of combination.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

14. Long-term equity investments *(Continued)*

For equity in an investee not under common control acquired progressively over multiple transactions which eventually forms a business combination, supplementary disclosure of the long term equity investment treatment should be made in the Company's financial statements in the period in which control was obtained. For instance, for equity in an investee not under common control acquired progressively over multiple transactions which eventually forms a business combination and constitutes a packaged deal, the Company will treat each transaction as part of a single acquisition of control transaction. Where it does not constitute a packaged deal, the sum of carrying value of equity investment originally held and new increase in investment capital is recognised using the cost method in initial investment cost. For equity held prior to the date of acquisition accounted for using the equity method, other comprehensive income in relation to equity accounted for using the equity method is not adjusted and is upon disposal of such investment treated on the same basis as if the investee directly disposed of the asset or liability in question. For equity recognised as available-for-sale financial asset at fair value held prior to the date of acquisition, cumulative fair value change originally recognised in other comprehensive income is transferred to investment profit or loss in the current period on the date of combination.

Apart from long term equity investment acquired by business combination as mentioned above, for long term equity investment acquired by cash payment, investment cost is measured at the purchase consideration effectively paid; for the long term equity investment acquired by equity securities issuance, the investment cost is measured at the fair value of the equity securities issued; for long term equity investment injected by an investor, the investment cost is measured at the value as agreed in the investment contract or agreement.

The Company adopts the cost method to account for investment in subsidiaries, and adopts the equity method to account for investment in joint ventures and associates.

For subsequent measurement of long term equity investment accounted for by cost method, the carrying amount of the cost of such long term equity investment is increased by the fair value of the cost paid for the additional investment and related transaction expenses incurred in respect of subsequent additional investment. The cash dividends or profit declared to be distributed by the investee are recognised as investment income for the current period at its attributable share.

For subsequent measurement of long term equity investment accounted for by equity method, the carrying amount of the long term equity investment is increased or decreased according to the changes in owners' equity in the investee. In which, the attributable net profit or loss in the investee is recognised on the basis of the fair value of various identifiable assets in the investee at the time of acquisition and in accordance with the accounting policies and accounting period of the Company, based on the share attributable to the investee as calculated according to shareholdings, after elimination of the profit or loss for intra-group transactions with associates and joint ventures and after adjustment to the net profits of the investee.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

14. Long-term equity investments *(Continued)*

In a disposal of long term equity investment, the difference between its carry amount and the consideration actually obtained is included in the income for the current period. For long term equity investment accounted for by equity method, the other changes in the owners' equity apart from net profit or loss of the investee included in the owners' equity, the portion previously included in the owners' equity is transferred to investment gain or loss for the current period at the disposal of such investment.

Where common control or significant influence in an investee is lost due to disposal of part of equity interest, the remaining equity interest will be accounted for as available-for-sale financial assets, and the difference between fair value on the date of loss of common control or significant influence and carrying value is recognised in profit or loss in the current period. Other comprehensive income recognised as a result of using the equity method on the original equity investment is treated upon discontinuation of the use of the equity method on the same basis as if the investee were to directly dispose of the relevant asset or liability.

Where control of an investee is lost due to disposal of part of long term equity investment, if the remaining equity interest allows common control of the investee or significant influence over the investee, the equity method is used, and the difference between the carrying value and consideration of the equity interest disposed of is recognised in investment income, while adjustment is performed on the remaining equity interest as if the equity method was used immediately upon its acquisition; if the remaining equity interest does not allow common control of the investee or significant influence over the investee, treatment based on relevant regulations on available-for-sale financial assets is used, and the difference between the carrying value and consideration of the equity interest disposed of is recognised in investment income, while the difference between the fair value of the remaining equity interest on the date of which control was lost and the carrying value is recognised in investment profit or loss in the current period.

For progressive disposals of equity interests up to loss of control which does not constitute a packaged deal, each transaction is accounted for separately. Those that constitute a packaged deal is treated as a single transaction of disposal with loss of control in a subsidiary; however, the difference between the consideration of each disposal transaction prior to loss of control and the corresponding carrying value of long term equity investment is recognised in other comprehensive income until they are consolidated into loss of control profit or loss in the current period upon loss of control.

15. Investment properties

The investment properties of the Company include leased buildings and structures, which are measured using the fair value model.

The fair value of the investment properties the Company are determined by the management of the Company by reference to the open market value of similar properties in the same location and same condition using the market comparison approach or income approach.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Fixed assets

Fixed assets are tangible assets that are held for production of goods, provision of services, leasing or for administrative purposes; and have useful life of more than one year.

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Fixed assets consist of buildings and structures, machinery and equipment, transportation equipment, office equipment and others.

The Company makes depreciation for all fixed assets, except for those that are fully depreciated and remain in use and land which is accounted for separately. Fixed assets are depreciated using average life method. The depreciation period, estimated net residual value rate and depreciation rate of each class of fixed assets of the Company are as follows:

Class	Depreciation period (year)	Estimated residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	20-30 years	3.00	3.23-4.85
Machinery and equipment	5-10 years	3.00	9.70-19.40
Transportation equipment	5 years	3.00	19.40
Office equipment	5 years	3.00	19.40
Others	5 years	3.00	19.40

The Company reviews the estimated useful life, estimated net residual value and depreciation method of a fixed asset at the end of each year, and changes, if any, is treated as changes in accounting estimates.

The Company's fixed assets acquired under finance leases represent transportation vehicles. They are recognised as fixed asset acquired under finance leases on the basis that the ownership of the leased asset will be transferred to the Company upon expiry of the lease term.

The fixed asset acquired under finance lease is recorded at the lower of the fair value of the leased asset and the present value of the minimum lease payment. The difference between the recorded amount of the leased asset and the minimum lease payment is accounted for as unrecognised finance charge.

Fixed assets acquired under finance leases are depreciated on a basis consistent with the depreciation policy adopted for self-owned fixed assets. If there is reasonable certainty that the Company will obtain ownership of the leased asset by the end of the lease term, the fixed asset acquired under finance lease is depreciated over its estimated useful life; otherwise, the fixed asset acquired under finance lease is depreciated over the shorter of the lease term and the estimated useful life of the asset.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Construction in progress

Construction in progress is transferred to the fixed assets at an estimated amount based on the project budget, construction cost or actual cost of construction on the date when it is ready for its intended use, and depreciated from the next month onwards. Upon the completion of final account audit of the completed project, the original estimated value will be adjusted accordingly, but no retrospective adjustment is required to the depreciation or amortisation amounts previously made.

The Company participates in public infrastructure construction business in the build-operate-transfer (BOT) form, where the project company does not provide actual construction services by itself. The construction costs such as construction fees paid during the construction process are transferred to intangible assets when it is ready for its intended use, and amortised from the same month.

18. Borrowing costs

The borrowing costs that are directly attributable to (among others) a fixed asset, an investment property and inventory which require more than one year of procurement, construction or production activities before it is ready for its intended use or ready for sale, commence to be capitalised as the expense for assets incurred, the borrowing costs incurred and when the procurement, construction or production activities necessary to get the assets ready for its intended use or ready for sale begin. Capitalisation ceases when an asset qualifying for capitalisation under procurement, construction and production is ready for its intended use or is ready for sale, and the subsequent borrowing costs incurred are included in the profit or loss for the current period. If abnormal interruption occurs for the asset qualifying for capitalisation during the courses of procurement, construction and production, and the period of interruption lasts for over 3 months, the capitalisation of the borrowing cost would be suspended until the procurement, construction or production activities of such assets resume.

The interest expenses of special borrowings actually incurred for the current period are capitalised after deduction of interest income obtained by the unutilised borrowings deposited in banks or the investment income obtained from temporary investment; the capitalisation amount of general borrowings is determined by the weighted average of the excess of the accumulated asset expenses over the asset expenses of special borrowings and multiplied by the capitalisation rate of the utilised general borrowings. The capitalisation rate is calculated and determined according to the weighted average interest rate of the general borrowings.

19. Intangible assets

The intangible assets of the Company include the land use right, patented technologies, non-patented technologies and BOT operation rights, which are measured at the actual acquisition cost, in which, the actual costs of the intangible assets purchased are determined as the actual consideration paid and other related expenses; the actual costs of intangible assets injected by investors are determined as the value agreed in the investment contract or agreement unless the value is unfair, in such case, the actual costs are determined as fair value. For BOT operation rights acquired through construction, the actual costs are determined as the construction costs.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

19. Intangible assets *(Continued)*

Land use rights are amortised evenly over its granted period from the starting date of its grant. Patented technologies, non-patented technologies and BOT operating rights are amortised evenly over the shortest of the estimated useful life, the beneficial period as specified in the contract and the valid life as provided for by law. From November 2014, assets of BOT operating rights are classified according to their nature, where physical items are treated as fixed assets. The useful life of each type of assets is determined by its type and physical characteristics, with reference to the depreciation rate of similar fixed assets of the Company. The amortisation period is determined as the shorter of the useful life and the term of concession rights to amortise its costs on straight-line basis or the units-of-output method, respectively. Intangible assets with finite life are amortised over its estimated useful life from the month of acquisition on straight-line basis. The estimated useful life and amortisation method is reviewed at the end of each year, and changes, if any, is treated as changes in accounting estimates.

20. Research and development expenditure

The Company classifies the expenditure for internal research and development projects into research phase expenditure and development phase expenditure.

The research phase expenditure is charged to profit and loss for the period when it occurs.

Capitalisation of the development stage expenditure is conditional on all of the below conditions: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; how the intangible asset will generate economic benefits, including the evidence of a market for the products made with such intangible asset, a market for such intangible asset or the internal use of such intangible asset; the availability of adequate technical, financial and other resources to complete the development of and the ability to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Development phase expenditure that does not meet the above-mentioned conditions is included in the profit or loss for the current period.

The relevant projects of the Company that meet the above-mentioned conditions enter into the development phase once they are approved after technical feasibility and economic feasibility study.

Capitalised development phase expenditure is presented as development expenditure in the balance sheet and transfer to intangible assets from the date when the project is ready for its intended use.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Impairment of long-term assets

The Group assesses items such as long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life at each balance sheet date. The Group conducts impairment test where there is any indication of impairment. Goodwill and intangible assets with indefinite useful life are tested for impairment at each year end regardless of whether there is indication of impairment or not.

Recoverable amount is determined as the higher of the net amount of the fair value of the asset less the costs of disposal and the present value of estimated future cash flows of the asset. Provision for impairment of asset is calculated and recognised on the basis of individual asset. If it is impossible to estimate the recoverable amount of individual asset, the recoverable amount of the asset unit which such asset belongs to is determined. Asset unit is the smallest unit of assets that generates cash inflow independently of other assets or units of assets. If the carrying amount of such asset exceeds its recoverable amount after impairment test, the difference is recognised as impairment losses.

For the purpose of impairment testing of goodwill, the carrying value of goodwill is allocated to the asset unit or group of asset units that are expected to benefit from the synergies of the business combination. If the recoverable amount of an asset unit or group of asset units to which goodwill has been allocated is lower than its carrying amount, as indicated by the testing, a impairment loss shall be recognised. The impairment loss is allocated to first reduce the carrying amount of any goodwill allocated to the asset unit or group of asset units, and then, reduce the carrying amounts of the other assets of the unit pro rata on the basis carrying amount of each asset in the unit.

Impairment loss recognised for the above assets will not be reversed in subsequent accounting periods.

22. Long-term deferred expenses

Long-term deferred expenses of the Company are mainly renovation cost, which have incurred but shall be charge to both the current and future periods with an amortisation period of more than one year (not including one year). Such expenses are amortised evenly over the estimated benefit period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortised balance is transferred fully to the profit or loss for the current period.

23. Employee remunerations

The employee remunerations of the Company include short-term remunerations, post employment benefits and termination benefits.

Short-term remuneration mainly include wages, bonuses, allowances and subsidies, staff welfare, medical insurance, social insurance (such as injury insurance and maternity insurance), housing provident fund, union operation cost and staff education cost, short-term paid leave and other short-term emolument. Short-term remuneration are recognised as liability during the accounting period in which the employee provides services, and include in the profit or loss for the current period or the costs of relevant assets according to beneficiaries.

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

23. Employee remunerations *(Continued)*

Post-employment benefits mainly include (among others) basic pension premium, unemployment insurance and mandatory provident fund, which are classified into defined contribution scheme according to the risks and obligations assumed by the Company. The contributions to the defined contribution scheme paid to independent funds in exchange for the services provided by an employee during the accounting period as at the balance sheet date are recognised as liabilities and are included in the profit or loss for the current period or the cost of relevant assets according to beneficiaries.

Termination benefits are compensation paid to employees when their employment has been terminated. Liabilities on employee remunerations arising from termination of employment are recognised on the date of termination of employment and included in the profit or loss of the period.

24. Contingent liabilities

When related obligations of contingencies are the obligations currently assumed by the Company, and that such obligations is likely to result in outflow of economic benefits and the amount of such obligations could be reliably measured, contingent liabilities will be recognized.

As at the balance sheet date, after considering factors such as the risks related to contingencies, uncertainties and time value of currency, contingent liabilities are measured at the best estimate on the expenses necessary for the performance of the related existing obligations. If the impact of the time value of currency is material, best estimate is determined by discounting the anticipated future cash outflow.

If all or part of the cost necessary for the contingent liabilities is expected to be settled by third party, the amount of settlement, when it is substantially certain to be received, is recognized as an asset separately, and the settlement amount recognized shall not be more than the carrying amount of contingent liabilities.

25. Shared based payments

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments at the date of grant. The fair value amount of instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions is recognized as relevant cost or expense on a straight-line during the vetting period based on the best estimated quantity of exercisable equity instruments, with corresponding increase made to the capital reserve.

The liabilities assumed by the Company are for cash-settled share-based payments are measured based on the fair value of shares or other equity instruments. Instruments which are vested immediately upon the grant, the fair value of the liabilities are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions, at each balance sheet date during the vetting period, the fair value of the liabilities based on the best estimate of exercisable conditions and debits the cost or expenses of the service received for the period and adjust the liabilities accordingly.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

25. Shared based payments *(Continued)*

At each balance sheet date and settlement date before settlement of related liabilities, the Company remeasures the fair value of liabilities, with changes accounted for in the profit and loss of the period.

Where the Company cancels an equity instrument during the vesting period (except for cancellation due to unfulfillment of vesting conditions), it is treated as if it had vested on the date of cancellation, where the share-based payment plan for the remain period is treated as fully fulfilled its exercising conditions, all fees for the remaining period recognized upon cancellation of the equity instrument.

26. Buy back shares of the Company

In accordance with legal process and is approved to reduction in assets by repurchase of the Company's shares, according to the share capital reduced by cancellation of face value of shares in total, the adjusting shareholders' equity by difference between the consideration paid by repurchase of shares (including transaction fees) and the face value of shares. For proportion which exceeding face value in total, shall be written-off in the order of capital premium, reserve, and undistributed profit. For proportion which is lower than face value in total, shall be added to capital reserves.

Shares repurchased by the Company shall be managed as treasury stock before cancel or transfer. All expenses related to repurchase of shares shall be transferred as cost of treasury stock.

Upon transfer of treasury stock, transfer income which is higher than the cost of treasury stock, shall to be added to capital premium; transfer income which is lower than the treasury stock, shall be written-off in the order of capital premium, surplus reserve, and undistributed profit. For repurchase of shares of the Company due to the implementation of equity incentive, upon repurchase, all expenses of repurchase shares shall be treated as treasury stock, and at the same time carry out registration for future reference.

27. Principles of recognition and measurement of revenue

The business revenue of the Company are generated mainly from sales of goods, rendering of services, waste electronics dismantling subsidies, transfer of assets use rights and interest income, from small scale loans. The principles of revenue recognition are as follows:

(1) *Revenue from sales of goods comprises revenue from sales of industrial wastes recycling and utilisation; revenue from trading and others; revenue from renewable energy utilisation; and revenue from dismantled resources recycling*

Sales of goods are recognized when the major risks and returns in the ownership of goods transferred to the customer; when the Company no longer exercises continuing management generally related to the ownership and no longer has actual control over the goods sold; when the amount of revenue can be reliably measured; when it is very likely that the economic benefits will be flowed to the Company; and when the related costs has incurred or will be incurred can be reliably measured.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

27. Principles of recognition and measurement of revenue

- (2) *Revenue from rendering of services comprises revenue from industrial wastes disposal, revenue from municipal wastes treatment and disposal; and revenue from environmental engineering and services*
Revenue from rendering of services is recognized when the total amount of revenue and cost could be measured reliably; the related economic benefits are likely to inflow to the enterprise, the progress of completion of transaction could be reliably determined. Specifically:

Revenue from industrial waste treatment and municipal solid waste treatment are recognized according to the waste treatment volume and contracted prices determined by both parties.

Revenue from environmental protection projects and services is recognized in accordance with the percentage of completion as at the balance sheet date. The completion level of service transaction is recognized by the percentage of estimated total cost represented by service cost incurred. If the result of provision of service transaction cannot be reliably estimated, revenue from provision of service is recognized at the service cost incurred and estimated to receive as compensation, and service cost incurred will be regarded as the current cost. If service cost incurred is not anticipated to be compensated, no revenue will be recognized.

- (3) *Revenue from waste electronics dismantling subsidies*
Independent subcontracted intermediate companies recognized by the environmental protection department would audit the dismantling treatment volume of the Company and issue the "Waste Electronics Dismantling Treatment Audit Report", where the Company would estimate the revenue based on the audited dismantling treatment volume, and adjust the recognized revenue according to the recognized treatment volume audited by the Ministry of Environmental Protection.
- (4) *Revenue from transfer of assets use rights*
Revenue from transfer of asset use rights is recognized according to the period and calculation method of the charge as specified in the contracts or agreements, and when the associated economic benefits are probably flow to the Company and the amount of revenue can be reliably estimated.
- (5) *Interest income from small-scale loans*
Interest income from small-scale loans: when the Company lending loans, the income is recognized according to effective interest rate. When calculation, it takes into account the contract terms of the loans, including expenses which attributable to effective interest rate components and all transaction costs. The effective inters rate is the interest rate of the financial instruments during the expected duration or a shorter period, during which the expected future cash inflow or outflow is discounted to net book value of financial instruments.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

28. Government grants

Government grants received by the Company includes environmental protection projects fund, energy saving emission reduction subsidies and resources recycling subsidies, etc. Among them, government grants related to assets represent those received by the Company for acquiring, constructing or otherwise forming long-term asset; government grants related to revenue represent those other than government grants related to assets. If the government document doesn't specify its subsidy object, the Company shall determine in line with above principles. For those are difficult to define, all of them are determined as government grants related to revenue.

Where a government grant is in the form of a transfer of monetary asset, it is measured at the amount received. Where a government grant is made on the basis of fixed amount or there is conclusive evidence at the end of the year that the Group the conditions attaching to the grants are satisfied and it is expected the Group is entitled to receive the grant, it is measured at the amount receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value. If fair value is not reliably determinable, the item is measured at a nominal amount of RMB1.

Environmental protection projects fund is assets related government subsidies recognized as deferred income allocated to profit and loss of the period over the useful life of such assets. Resources recycling subsidies is income related government grant to compensate for related fees or losses of future periods, is recognized as deferred income and credited to profit and loss of the period upon recognition of such related fees.

Relevant assets that are sold, transferred, scrapped or damaged during its useful life, the unallocated balance of deferred income will be transferred to the profit or loss of the period when relevant assets are disposed.

Resources recycling subsidies are defined as government grants related to revenue. They are used to compensate relevant expenses and losses incurred during subsequent periods and recognised as deferred income, and will be recorded in the profit or loss during the period when relevant expenses and losses are incurred. Government grants not related to daily activities are recognised as non-operating revenue and expenditure.

29. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liability are recognized at the differences (temporary tax differences) between the tax base of an asset or liability and its book value. According to Taxation Law, the Company recognizes the deferred income tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. For the temporary difference arise from goodwill recognition is not recognized as deferred income tax liability. For assets or liabilities arise from non-consolidation transactions, which do not give any influence on the temporary difference, arise from neither accounting profits nor taxable profits, is not recognized as deferred income tax assets or deferred income tax liability. On the balance sheet date, deferred income tax assets and deferred income tax liability are measured at applicable tax rate which is relevant to the period of expected assets return or pay liability.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Deferred income tax assets and deferred income tax liabilities *(Continued)*

The Company recognizes deferred income tax assets as a result of deductible temporary difference, limited to the most probable deductible temporary difference.

30. Leasing

Leasing of the Company includes transportation vehicles, machineries and equipment acquired under finance leases, and buildings, machineries and equipment acquired under operating leases.

The Company, as the lessee under the finance lease, on the start date of financial lease, recorded the lower of the fair value of leasing assets on the start date of leasing and the present value of the minimum lease payments as the carrying value of fixed assets acquired under finance leases, the minimum lease payments as the carrying value of long-term payables, and their difference as unrecognized financial expenses.

As the lease under the operating lease, the Company's payable rentals shall be included in costs of relevant assets or the profit and loss in the current period on straight-line basis at each period during the lease term.

31. Production safety fees

According to the regulations of "Management Measures of Extraction and Usage of Enterprise Production Safety Fees" (Cai Qi [2012] No.16) issued by Ministry of Finance and State Administration of Work Safety, the production safety fees of the Company shall be provided for on the basis of sales incomes of the previous year of the Company, and shall be extracted on a equal monthly basis according to the standards below by adopting excess regressive method:

No.	Annual sales	Provision proportion (%)
1	Below RMB10 million (inclusive)	4.00
2	RMB10 million to RMB100 million (inclusive)	2.00
3	RMB100 million to RMB1,000 million (inclusive)	0.50
4	Above RMB1,000 million	0.20

The production safety fees extracted is included in costs of relevant products or the profit and loss in the current period, and also included in the special reserves. When using the production safety fees extracted, those belonging to spending costs shall be write-down directly from special reserves. Where using the extracted production safety fees forms fixed assets, it shall be recognised as fixed assets through collection of expenses from construction in progress, and after the safety project is completed and reached the expected condition for use. At the same time, the cost of fixed assets formed shall be write-down from special reserves, and the same amount of accumulated depreciation shall be recognised. The fixed assets will no longer be depreciated in the subsequent periods.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

32. Held for sale

- (1) The Company classifies non-current assets or disposal group that meet the following criteria as held for sale: 1) Disposable immediately under current conditions based on practices for disposals of such assets or disposal group in the similar transactions; 2) Probable disposal; that is, a decision has been made on a plan for disposal and an undertaking to purchase has been obtained, and the disposal is expected to be completed within one year. Relevant approval is required for disposals requiring approval of relevant authorities or regulators as required by relevant regulations. Before the Company classifies non-current assets or disposal groups as held for sale for the first time, the carrying value of each asset and liability under the non-current assets or disposal group is measured according to the requirements of the relevant accounting standards. On initial measurement or remeasurement on the date of the balance sheet of non-current assets or disposal group held for sale, where the carrying value is higher than the net value of fair value less disposal expenses, the difference between the carrying value and the net value of fair value less disposal expenses is recognised as asset impairment loss in profit and loss in the current period, and at the same time, provision is made for impairment of held-for-sale assets.
- (2) Non-current assets or disposal groups which the Company acquired specifically for disposal, satisfy the requirement of "the disposal is expected to be completed within one year" on the date of acquisition, and is probable to satisfy conditions of other held-for-sale classifications in the short term (usually within 3 months) are classified as held-for-sale on the date of acquisition. At initial measurement, the initial measurement assuming that it is not classified as held-for-sale and the net value of fair value less disposal expenses are compared, and the lower of the two is measured. Other than non-current assets or disposal groups acquired through corporate merger, the difference arising from recognising the net value of fair value of non-current assets or disposal groups less disposal expenses as initial measurement is recognised in profit and loss in the current period.
- (3) Where the Company has lost control of a subsidiary due to reasons such as disposal of investment in a subsidiary, regardless of the Company retaining part equity investment after the disposal, upon the investment in a subsidiary intended to be disposed of satisfying the conditions for classification as held for sale, the investment in a subsidiary will be generally classified as held for sale in the parent's separate financial statements, and all assets and liabilities of the subsidiary is classified as held for sale in the consolidated financial statements.
- (4) Where there is increase in net value of fair value less disposal expenses for held-for-sale non-current assets on subsequent balance sheet dates, the previously charged difference should be recovered and reversed in asset impairment loss recognised after classification as held for sale, with the reversal amount recognised in profit and loss in the current period. Asset impairment loss recognised before classification as held for sale is not reversible.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

32. Held for sale *(Continued)*

- (5) Asset impairment loss recognised for disposal groups held for sale is first offset against the carrying value of goodwill in the disposal group and then offset against the carrying values proportionally according to the share of carrying value of each non-current asset.

Where there is increase in net value of fair value less disposal expenses of held-for-sale disposal groups on subsequent balance sheet dates, the previously charged difference should be recovered and reversed in asset impairment loss of non-current assets recognised as required by the appropriate relevant measurement after classification as held for sale, with the reversal amount recognised in profit and loss in the current period. The carrying value of offset goodwill and asset impairment loss of non-current assets recognised before classification as held-for-sale is not reversible.

Reversal amount after recognition of asset impairment loss of held-for-sale disposal group should be added with its carrying value proportionally based on the share of carrying value of each non-current asset other than goodwill in the disposal group.

- (6) No provision for depreciation or amortisation shall be made for non-current assets in the held-for-sale non-current assets or disposal groups, and interest on liabilities and other expenses in the disposal groups held for sale continues to be recognised.
- (7) When non-current assets or disposal groups held for sale are no longer classified as held for sale due to failure to satisfying the classification conditions of held-for-sale category, or non-current assets are removed from disposal groups held for sale, measurement is performed based on the lower of the following: (1) the carrying value prior to classification as held for sale adjusted by depreciation, amortisation or impairment recognised assuming there was no classification as held for sale; (2) recoverable amount.
- (8) Upon derecognition of non-current assets or disposal groups held for sale, unrecognised gain or loss is recognised in profit and loss in the current period.

33. Discontinued operations

Discontinued operations refer to components of the Company which satisfies the following conditions and can be independently distinguished, and such components has been disposed of or classified as held for sale: (1) the component represents an independent major business or an independent major region of activity; (2) the component is a part of a related scheme which intended to dispose of an independent major business or an independent major region of activity; (3) the component is a subsidiary acquired specifically for resale.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

34. Notes on significant accounting estimates

In the preparation of the financial statements, based on past experience and other factors, including the reasonable expectation of future events, the management of the Company needs to make estimates and assumptions that affect the application of accounting policies and the amount of assets, liabilities, income and expenses. The actual circumstance might be different from these estimates. The management of the Company makes on-going assessment on the key assumptions and judgement of uncertainties related to the estimates. The impact of change of accounting estimates will be recognised in the period in which the changes take place and the future period.

(1) *Impairment of receivables*

The Company makes the estimate based on the age of the receivables, customers' financial position, and the historical experience of guarantees provided by the customers (if any) according to the current market situation. The Company regularly re-evaluates the sufficiency of the provision for bad debts of receivables. If the applied assumptions and estimates change, such change will affect the provision for bad debts of the receivables in the period in which the estimate changes.

(2) *Provision for impairment of inventory*

The Company regularly estimates the net realisable value of the inventory and recognizes the impairment loss of inventory based on the excess of inventory cost over the net realisable value.

When estimating the net realisable value of inventory for raw materials, work-in-process and finished goods, the net realisable value is the estimated selling price of similar products minus the cost, selling expenses and relevant taxes to be incurred at the time of completion. When the actual selling price or the cost is different from the previous estimate, the management will make corresponding adjustment on the net realisable value. Therefore, the result from estimation based on past experience might be different from the actual result and lead to adjustment of the carrying value of inventory in the balance sheet. Accordingly, the provision for impairment loss of inventory may change for the above reasons. The adjustment of provision for inventory impairment will affect the profit and loss in the period in which the estimate changes.

(3) *Provision for impairment of long-term assets*

For the impairment test of long-term assets, including goodwill, fixed assets and intangible asset, the Company needs to calculate the recoverable amount for the groups of asset groups, asset groups, or assets (hereinafter collectively referred to as "asset"). The calculation of the present value of the expected future cash flow of the assets requires the Company to make basic assumptions and accounting estimates. The calculation of the present value of the expected future cash flow mainly involves the estimate of expected future cash flow of the asset, useful life of the assets and discount rate estimate. The result of estimate made based on existing experience might be different from the actual result in subsequent periods. Such differences will affect the profit and loss of the period in which the estimate changes.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

35. Changes in significant accounting policies and accounting estimates

(1) *Changes in Significant Accounting Policies and their impacts*

On 28 April 2017, the Ministry of Finance issued a notice on issuing ASBE 42 – Non-current Assets, Disposal Groups and Discontinued Operations Held for Sale (Cai Kuai [2017] No. 13), which was implemented from 28 May 2017. On 10 May 2017, the Ministry of Finance issued a notice on issuing Amendments to ASBE 16 – Government Subsidies (Cai Kuai [2017] No. 15), which was implemented from 12 June 2017. On 25 December 2017, the Ministry of Finance issued the Notice on Amendments to Format of Issuing General Financial Statements of Enterprises (Cai Kuai [2017] No. 30), which requires enterprises to prepare financial statements for the year 2017 and subsequent periods according to the Notice.

In preparing the 2017 financial statements, the Company has applied the above accounting standards and processed them in accordance with the relevant transition rules.

The impact of the above changes in accounting policies is summarized in the table below (Unit: RMB10,000):

Item impacted	Before adjustment	2016 Adjustment amount	After adjustment
Asset disposal income	–	-1,733.34	-1,733.34
Non-operating income	11,768.72	-32.09	11,736.63
Non-operating expenses	2,829.34	-1,765.43	1,063.91
Net profit	55,335.60	–	55,335.60

Explanation on changes in accounting policies:

1) *Other income, non-operating income*

Pursuant to the related requirement of the “Accounting Standards for Business Enterprises No. 16 – Government Grant” as revised by the Ministry of Finance in 2017, the Company will record government grant relating to daily activities in other income, and using prospective application method for the change in accounting policies, thus there is no need to make restatement in the comparative financial statements for 2017.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

35. Changes in significant accounting policies and accounting estimates *(Continued)*

(1) *Changes in Significant Accounting Policies and their impacts (Continued)*

2) Gains on disposal of assets, non operating income and non-operating expenses

Pursuant to the related requirement of the "Accounting Standards for Business Enterprises No. 42 – Non-current Assets and Disposal Groups Held for Sale and Discontinued Operation" issued by the Ministry of Finance in 2017, the Company recorded gains or losses on disposal of assets under non operating income and non-operating expenses in gains or losses on disposal of assets, which have been restated in the comparative financial statements for 2017, resulting in a downward adjustment of RMB17,333,400 to the gains on disposal of assets in 2016, a downward adjustment of RMB320,900 to non operating income, and a downward adjustment of RMB17,654,300 to non-operating expenses.

(2) *Changes in significant accounting estimates*

In 2017, there was no change in accounting estimates that need to be disclosed by the Company.

(3) *Significant correction and effect of prior period errors*

In 2017, there was no correction of accounting errors of prior periods that need to be disclosed by the Company.

V. TAX

1. Major taxes and tax rates

Type	Basis of calculation	Tax rate
PRC Enterprise Income Tax	Assessable income	25%
Value Added Tax	Balance of sales tax after VAT or sales amount	17%, 13%, 11%, 6%, 5%, 3%
City Maintenance and Construction Tax	Assessable turnover	7%, 5%
Education Surcharge	Assessable turnover	3%
Local education Surcharge	Assessable turnover	2%
Hong Kong Profits Tax	Assessable income	16.5%

Particulars of tax paying entities under different enterprise income tax rates:

Pursuant to the regulations of State Tax Bureau, the charge of EIT for the Company and the subsidiaries operating at other cities of the Mainland are at the tax rate of 25% on the assessable profits. Subsidiaries operating in Hong Kong are charged at the rate of 16.5% on the estimated assessable profits.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

No.	Name of taxable entities	Actual income tax rate for the year	Notes
1	The Company	15%	2(1)a
2	Shenzhen Dongjiang Environment Recycled Resources Co., Ltd. (Resource Recycling)	25%	
3	Shenzhen Dongjiang Heritage Technologies Co., Ltd. (Dongjiang Heritage)	15%	2(1)b
4	Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. (Longgang Dongjiang)	12.50%	2(1)c
5	Yunnan Dongjiang Environmental Technologies Co., Ltd. (Yunnan Dongjiang)	25%	
6	Huizhou Dongjiang Environment Technology Co., Ltd. (Huizhou Dongjiang)	15%	2(1)d
7	Kunshan Qiandeng Three Wastes Treatment Co., Ltd. (Qiandeng Wastes Treatment)	15%	2(1)e
8	Shenzhen Huabao Technology Ltd. (Huabao Technology)	15%	2(1)f
9	Qingdao Dongjiang Environmental Recycled Power Ltd. (Qingdao Dongjiang)	25%	
10	Hunan Dongjiang Environmental Protection Investment Development Ltd. (Hunan Dongjiang)	25%	
11	Chengdu Hazardous Waste Treatment Centre Co., Ltd. (Chengdu Hazardous Waste)	25%	
12	Shenzhen Dongjiang Renewable Energy Ltd. (Renewable Energy)	25%	
13	Shaoguan Dongjiang Environmental Technology Co., Ltd. (Shaoguan Dongjiang)	25%	
14	Shaoguan Green Recycling Resource Development Co., Ltd. (Shaoguan Green)	25%	
15	Shenzhen Dongjiang Properties Service Co., Ltd. (Dongjiang Properties)	20%	2(1)g
16	Shenzhen Baoan Dongjiang Environmental Renewable Energy Ltd. (Baoan Energy)	25%	
17	Dongjiang Environmental (HK) Ltd. (Dongjiang HK)	16.50%	
18	Hong Kong Lik Shun Services Ltd. (Lik Shun Services)	16.50%	
19	Huizhou Dongjiang Logistic Ltd. (Dongjiang Transport)	25%	
20	Shenzhen Dongjiang Products Trading Ltd. (Products Trading)	25%	
21	Zhuhai Qingxin Industrial Environment Ltd. (Zhuhai Qingxin)	20%	2(1)h
22	Qingyuan Xinlv Environmental Technology Ltd. (Qingyuan Xinlv)	15%	2(1)i

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

No.	Name of taxable entities	Actual income tax rate for the year	Notes
23	Jiaxing Deda Resource Recycling Ltd. (Jiaxing Deda)	15%	2(1)j
24	Jiangmen Dongjiang Environmental Technology Ltd. (Jiangmen Dongjiang)	–	2(1)k
25	Dongguan Hengjian Environment Technology Co., Ltd. (Dongguan Hengjian)	25%	
26	Shenzhen Dongjiang Kaida Transport Co., Ltd. (Dongjiang Kaida)	25%	
27	Yancheng Coastal Solid Waste Disposal Co., Ltd. (Coastal Solid Waste)	15%	2(1)l
28	Nanchang Xinguan Energy Development Co., Ltd. (Nanchang Xinguan)	25%	
29	Hefei Xinguan Energy Development Co., Ltd. (Hefei Xinguan)	25%	
30	Xiamen Oasis Environmental Industrial Co., Ltd. (Xiamen Oasis Environmental)	25%	
31	Karamay Wosen Environmental Technology Co., Ltd. (Wosen Environmental)	–	2(1)m
32	Jiangmen Dongjiang Fine Chemical Co., Ltd. (Jiangmen Fine Chemical)	25%	
33	Jiangxi Dongjiang Environmental Technology Co., Ltd. (Jiangxi Dongjiang)	–	2(1)n
34	Shaoxing Dongjiang Environmental Engineering Co., Ltd. (Shaoxing Dongjiang)	25%	
35	Jiangxi Kangtai Environmental Co., Ltd. (Jiangxi Kangtai)	25%	
36	Shenzhen Dongjiang Huiyuan Micro Finance Co., Ltd. (Huiyuan Micro Finance)	25%	
37	Shenzhen Hengjian Tongda Investment Management Co., Ltd. (Hengjian Tongda)	25%	
38	Dongguan Humen Water Co., Ltd. (Humen Green)	25%	
39	Hubei Tianyin Circulation Economic Development Co., Ltd. (Hubei Tianyin)	25%	
40	Hubei Tianyin Technology Co., Ltd. (Tianyin Technology)	25%	
41	Hubei Tianyin Hazardous Waste Centralized Disposal Co., Ltd. (Tianyin Hazardous Waste)	–	2(1)o
42	Hubei Tianyin Waste Vehicle Recycling and Dismantling Co., Ltd. (Tianyin Vehicle Dismantling)	25%	
43	Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd. (Zhuhai Yongxingsheng)	15%	2(1)p

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

No.	Name of taxable entities	Actual income tax rate for the year	Notes
44	Xiantao Luyi Environmental Technology Co., Ltd. (Luyi Environmental)	25%	
45	Nantong Hui Tian Ran Solid Waste Landfills Co., Ltd. (Nantong Hui Tian Ran)	–	2(1)q
46	Rudong Daheng Hazardous Waste Treatment Co., Ltd. (Rudong Daheng)	25%	
47	Hengshui Ruitao Environmental Technology Co., Ltd. (Hengshui Ruitao)	12.5%	2(1)r
48	Jiangsu Dongheng Environmental Holdings Co., Ltd. (Dongheng Konggang)	25%	
49	Shenzhen Qianhai Dongjiang Environment Technology Service Co., Ltd. (Qianhai Dongjiang)	25%	
50	Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd. (Baoan Dongjiang)	25%	2(1)s
51	Zhejiang Jianglian Environmental Investment Co., Ltd. (Zhejiang Jianglian)	25%	
52	Shaoxing Huaxin Environmental Technology Co., Ltd. (Huaxin Environmental)	25%	2(1)t
53	Shaoxing Huatai Environmental Technology Co., Ltd. (Huatai Environmental)	25%	
54	Zhenjiang Dongjiang Environmental Technology Development Co., Ltd. (Zhenjiang Dongjiang)	20%	2(1)u
55	Weifang Dongjiang Environmental Blue Sea Environmental Protection Co., Ltd. (Weifang Blue Sea)	25%	
56	Xiamen Dongjiang Environmental Technology Co., Ltd. (Xiamen Dongjiang)	25%	
57	Fujian Oasis Solid Waste Treatment Co., Ltd. (Fujian Oasis Solid Waste)	12.50%	2(1)v
58	Sanming Oasis Resources Circuit Recycling Co., Ltd. (Sanming Oasis Resources)	25%	
59	Xiamen Oasis Environmental Technology Co., Ltd. (Xiamen Oasis Environmental)	25%	
60	Longyan Oasis Environmental Technology Co., Ltd. (Longyan Oasis Environmental)	25%	
61	Nanping Oasis Environmental Technology Co., Ltd. (Nanping Oasis Environmental)	25%	
62	Sanming Oasis Environmental Technology Co., Ltd. (Sanming Oasis Environmental)	25%	

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

No.	Name of taxable entities	Actual income tax rate for the year	Notes
63	Nantong Dongjiang Environmental Technology Co., Ltd. (Nantong Dongjiang)	25%	
64	Jingzhou Dongjiang Environmental Technology Co., Ltd. (Jingzhou Dongjiang)	25%	
65	Huangshi Dongjiang Environmental Technology Co., Ltd. (Huangshi Dongjiang)	25%	
66	Zhaoqing Dongsheng Environmental Technology Co., Ltd. (Zhaoqing Dongsheng)	25%	
67	Shenzhen Huateng Environment Information Technology Co., Ltd. (Huateng Environmental)	25%	
68	Xiantao Dongjiang Environmental Technology Co., Ltd. (Xiantao Dongjiang)	25%	
69	Wandesi (Tangshan Caofeidian) Environmental Technology Co., Ltd (Tangshan Wandesi)	25%	

2. Tax incentives

(1) EIT tax incentives

- a) The Company is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate tax, and EIT reduction of 50% on research and development fees before tax.
- b) Dongjiang Heritage is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2015 to 2017, and EIT reduction of 50% on research and development fees before tax.
- c) Longgang Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2012 to 2014, and 50% EIT reduction from 2015 to 2017. At the same time, it is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, and EIT reduction of 50% on research and development fees before tax.
- d) Huizhou Dongjiang is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 50% on research and development fees before tax.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

V. TAX (Continued)

2. Tax incentives (Continued)

(1) EIT tax incentives (Continued)

- e) Qiandeng Wastes Treatment is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 50% on research and development fees before tax.
- f) Huabao Technology is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate tax from 2017 to 2019, and EIT reduction of 50% on research and development fees before tax.
- g) Pursuant to Cai Shui [2015] No. 34, qualified small and micro-enterprises with annual assessable revenue below RMB200,000 (inclusive) enjoy 50% reduction of assessable revenue and an EIT rate of 20% from 1 January 2015 to 31 December 2017. Dongjiang Properties is a small-scale enterprise with low profitability, hence it enjoys 50% reduction of its assessable revenue and an EIT rate of 20%.
- h) Pursuant to Cai Shui [2017] No. 43, qualified small and micro-enterprises with annual assessable revenue below RMB500,000 (inclusive) enjoy 50% reduction of assessable revenue and an EIT rate of 20% from 1 January 2017 to 31 December 2019. Zhuhai Qingxin is a small-scale enterprise with low profitability, hence it enjoys 50% reduction of its assessable revenue and an EIT rate of 20%.
- i) Qingyuan Xinlv is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 50% on research and development fees before tax.
- j) Jiaxing Deda is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 50% on research and development fees before tax.
- k) Jiangmen Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2015 to 2017, and 50% EIT reduction from 2018 to 2020.
- l) Coastal Solid Waste is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, and EIT reduction of 50% on research and development fees before tax.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

V. TAX (Continued)

2. Tax incentives (Continued)

(1) EIT tax incentives (Continued)

- m) Wosen Environmental is entitled to income tax incentives on environmental protection projects that meet certain requirements, and enjoyed EIT exemption from 2015 to 2017 and 50% EIT reduction from 2018 to 2020. At the same time, it is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018.
- n) Jiangxi Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021. At the same time, it is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2017 to 2019.
- o) Tianyin Hazardous Waste is entitled to income tax incentives on environmental protection projects that meets certain requirements, and enjoyed EIT exemption from 2017 to 2019 and 50% EIT reduction from 2020 to 2022.
- p) Zhuhai Yongxingsheng is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2017 to 2019, and it enjoys full EIT exemption for revenue from engaging in incineration of hazardous wastes in line with environmental protection, energy-saving and water-saving projects, and EIT reduction of 50% on research and development fees before tax.
- q) Nantong Hui Tian Ran is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021.
- r) Hengshui Ruitao is entitled to income tax incentives on environmental protection projects that meet certain requirements, and enjoys EIT exemption from 2014 to 2016 and 50% EIT reduction from 2017 to 2019.
- s) Baoan Dongjiang is entitled to tax incentives where it enjoys 90% reduction of EIT tax on assessable total revenue from resources recycling business and EIT reduction of 50% on research and development fees before tax.
- t) Huaxin Environmental is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption for new incineration projects from 2017 to 2019, 50% EIT reduction for new incineration projects from 2020 to 2022, and EIT reduction of 50% on research and development fees before tax.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

V. TAX (Continued)

2. Tax incentives (Continued)

(1) EIT tax incentives (Continued)

- u) Pursuant to Cai Shui [2015] No. 34, qualified small and micro-enterprises with annual assessable revenue below RMB200,000 (inclusive) enjoy 50% reduction of assessable revenue and an EIT rate of 20% from 1 January 2015 to 31 December 2017. Zhenjiang Dongjiang is a small-scale enterprise with low profitability, hence it enjoys 50% reduction of its assessable revenue and an EIT rate of 20%.
- v) Fujian Oasis Solid Waste is entitled to income tax incentive on environmental protection projects that meet certain requirements and enjoys full EIT exemption from 2014 to 2016, and 50% EIT reduction from 2017 to 2019.

(2) VAT tax incentive

Pursuant to the "Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources" (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the company was entitled to the preferential tax treatment of 100% VAT refund upon collection for the income of power generation using methane from waste fermentation during the period from January to December 2017.

Pursuant to the "Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources" (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the company was entitled to the preferential tax treatment of 30% VAT refund upon collection for the sales of products of comprehensive recycling during the period from January to December 2017.

Pursuant to the "Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources" (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the company was entitled to the preferential tax treatment of 70% VAT refund upon collection for the waste treatment and disposal business during the period from January to December 2017.

Pursuant to the "Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources" (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the Company was entitled to the preferential tax treatment of 70% VAT refund upon collection for the sewage treatment business during the period from January to December 2017.

Pursuant to the "Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources" (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the Company was entitled to the preferential tax treatment of 100% VAT refund upon collection for the food waste treatment and disposal business during the period from January to December 2017.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

For the following information disclosed in the financial statements, unless otherwise stated, “beginning of the year” means 1 January 2017; “end of the year” means 31 December 2017; “the Year” means the period from 1 January 2017 to 31 December 2017; “last year” means 1 January 2016 to 31 December 2016. Presentation currency is Renminbi.

1. Monetary Fund

Item	Balance at the end of year	Balance at the beginning of year
Cash	825,886.03	729,725.40
Bank deposits	1,199,805,525.53	1,128,276,484.75
Other monetary fund	41,798,818.87	31,066,918.32
Total	1,242,430,230.43	1,160,073,128.47
Including: total amount of other deposits overseas	4,738,841.06	10,052,382.14

As the end of the year, the restricted monetary fund of the Company were RMB23,177,700.00 (last year: RMB20,414,561.53) which mainly includes guarantee deposits and security deposit of bank acceptance bills in other monetary fund.

2. Financial assets at fair value through profit and loss of the period

(1) *Types of financial assets held for trading*

Item	Balance at the end of year	Balance at the beginning of year
Financial assets held for trading	–	1,667,820.00
Including: equity instrument investments	–	1,667,820.00
Total	–	1,667,820.00

(2) *The analysis of financial assets held for trading is as follows:*

Item	Fair Value at the end of year	Fair value at the beginning of year
Listed		
The PRC (excluding Hong Kong)	–	1,667,820.00
Total	–	1,667,820.00

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. Notes receivable

(1) *Types of notes receivable*

Types of notes receivable	Amount at the end of year	Amount at the beginning of year
Bank acceptance notes	85,666,871.17	43,656,934.87
Commercial acceptance notes Total	700,000.00	170,000.00
Total	86,366,871.17	43,826,934.87

(2) *Notes receivable endorsed or discounted and not expired at the balance sheet date at the end of the year*

Item	Amount derecognized at the end of year	Amount not derecognized at the end of year
Bank acceptance notes	188,881,870.21	–
Commercial acceptance notes	–	–
Total	188,881,870.21	–

(3) As at the end of the year, the above notes receivable of the Company are all aged within 180 days.

4. Accounts receivable

Item	Amount at the end of year	Amount at the beginning of year
Accounts receivable	715,484,041.65	510,979,845.03
Less: bad debt provision	20,847,971.86	17,629,638.34
Net amount	694,636,069.79	493,350,206.69

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Accounts receivable (Continued)

(1) Aging analysis of accounts receivable

Prior to the acceptance of new customers, the Company applies internal credit assessment policies to access the credit quality of potential customers and formulates credit limit. Apart from requiring new customers to pay in advance, the Company formulates different credit policies according to different customers. The credit period is generally three months, and can be extended to six months for major customers. For the sales, the Company recognizes accounts receivable and operating revenue at the time point of outbound and acceptance of products, when calculation of the ages of the account begins. Aging analysis of accounts receivable presented based on the invoice date is as follows:

Age	Balance at the end of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	389,516,896.77	3,802,211.54	0.98
91-180 days	53,026,628.87	875,200.53	1.65
181-365 days	67,888,956.07	633,770.94	0.93
1-2 years	91,672,170.82	3,647,190.72	3.98
2-3 years	103,709,383.21	3,330,551.78	3.21
Over 3 years	9,670,005.91	8,559,046.35	88.51
Total	715,484,041.65	20,847,971.86	2.91

Age	Balance at the beginning of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	331,444,047.28	3,550,262.47	1.07
91-180 days	29,404,001.48	512,309.25	1.74
181-365 days	25,815,120.02	399,073.78	1.55
1-2 years	110,911,487.62	3,116,000.59	2.81
2-3 years	6,689,468.79	3,336,272.41	49.87
Over 3 years	6,715,719.84	6,715,719.84	100.00
Total	510,979,845.03	17,629,638.34	3.45

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable by categories

Category	Balance at the end of year				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Proportion of provisions (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	23,958,991.04	3.35	-	-	23,958,991.04
Accounts receivable that are provided for bad debts on collective basis based on credit risks characteristics	682,462,550.17	95.38	14,414,914.24	2.11	668,047,635.93
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	9,062,500.44	1.27	6,433,057.62	70.99	2,629,442.82
Total	715,484,041.65		20,847,971.86		694,636,069.79

Category	Balance at the beginning of year				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Proportion of provisions (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	-	-	-	-	-
Accounts receivable that are provided for bad debts on collective basis based on credit risks characteristics	505,699,036.76	98.97	12,348,830.07	2.44	493,350,206.69
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	5,280,808.27	1.03	5,280,808.27	100.00	-
Total	510,979,845.03		17,629,638.34		493,350,206.69

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable by categories (Continued)

- 1) Accounts receivable within the group that are individually significant and are provided for bad debts on individual basis at the end of year

Category	Balance at the end of year			Reason of provisions
	Accounts receivable	Provision for bad debts	Proportion of provisions (%)	
Jingwang Electronic Technology (Longchuan) Co., Ltd.* (景旺電子科技(龍川)有限公司)	23,958,991.04	-	-	Engineering receivables, not due according to the contract
Total	23,958,991.04	-	-	-

- 2) Details of accounts receivables that are provided for bad debts based on ageing analysis

Age	Balance at the end of year		
	Accounts receivable	Provision for bad debt	Proportion of provisions (%)
0-90 days	253,480,768.11	3,802,211.54	1.50
91-180 days	29,173,350.35	875,200.53	3.00
181-365 days	12,675,418.52	633,770.94	5.00
1-2 years	12,170,419.38	2,434,083.87	20.00
2-3 years	6,451,392.35	3,225,696.18	50.00
Over 3 years	3,443,951.18	3,443,951.18	100.00
Total	317,395,299.89	14,414,914.24	

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Accounts receivable (Continued)

(3) *Aging analysis of accounts receivable overdue but without impairment at balance date:*

Age	Amount at the end of year	Amount at the beginning of year
0-90 days	112,077,137.62	98,341,412.09
91-180 days	23,853,278.52	12,105,801.58
181-365 days	55,213,537.55	18,827,413.24
1-2 years	78,288,644.59	95,644,072.00
2-3 years	95,634,652.00	–
Net amount	365,067,250.28	224,918,698.91

Accounts receivables overdue but without impairment are related to related parties and government agencies, and these accounts have good credit. According to the past experiences, the management believes that impairment is unnecessary, because the credit quality remains unchanged, and the balances are still considered to be recovered fully in the future.

(4) *Details of bad debts provision provided, reversed (or recovered) during the year*

Bad debt provision provided during the year amounted to RMB4,701,740.13, and bad debt provision recovered or reversed during the year amounted to RMB374,315.90.

(5) *Accounts receivable written off during the year*

Item	Amount written off
Accounts receivable written off	1,109,090.71

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Accounts receivable (Continued)

(5) *Accounts receivable written off during the year (Continued)*

Including significant accounts receivables written off:

Name of entity	Nature of accounts receivable	Amount written off	Reason for write-off	Write-off procedure implemented	Whether arisen from related party transaction
East Junggar Oil Field* (准東油田)	Treatment fees	636,000.00	Irrecoverable	Report to the Board	No
Shenzhen Iger Electronics Co., Ltd.* (深圳市艾格爾電子有限公司)	Payments for goods	150,000.00	Irrecoverable	Report to the Board	No
Xiangshui Yida Chemical Co., Ltd.* (響水億達化工有限公司)	Disposal fees	76,608.00	Irrecoverable	Report to the Board	No
Changsha Xingjia Biological Technology Co., Ltd.* (長沙興加生物技術有限公司)	Payments for goods	52,372.00	Irrecoverable	Report to the Board	No
Shenzhen Longgang District Henggang Liuyue Xinghui Glasses Factory* (深圳市龍崗區橫崗六約星輝眼鏡廠)	Treatment fees	46,000.00	Irrecoverable	Report to the Board	No
Heyuan Beijiali Ceramics Co., Ltd.* (河源市貝嘉利陶瓷有限公司)	Treatment fees	30,000.00	Irrecoverable	Report to the Board	No
Shenzhen Grand Regal Industrial Development Co., Ltd.* (深圳市大富豪實業發展有限公司)	Payments for goods	22,426.10	Irrecoverable	Report to the Board	No
Nantong Far East Biological Chemical Co., Ltd.* (南通遠東生物化工有限公司)	Disposal fees	20,745.00	Irrecoverable	Report to the Board	No
Kaige Technology* (凱歌科技)	Payments for goods	11,962.15	Irrecoverable	Report to the Board	No
Huizhou Hexingyuan Chemical Co., Ltd.* (惠州市合興源化工有限公司)	Payments for goods	10,250.00	Irrecoverable	Report to the Board	No
Hai'an Meiya Thermal Power Co., Ltd.* (海安美亞熱電有限公司)	Disposal fees	9,000.00	Irrecoverable	Report to the Board	No
Shenzhen Hongshengming Hardware Electronics Co., Ltd.* (深圳市鴻盛明五金電子有限公司)	Payments for goods	8,130.50	Irrecoverable	Report to the Board	No
Shenzhen Shengming Petrochemical Industry Co., Ltd.* (深圳市聖明石化實業有限公司)	Payments for goods	8,092.31	Irrecoverable	Report to the Board	No

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Accounts receivable (Continued)

(5) Accounts receivable written off during the year (Continued)

Name of entity	Nature of accounts receivable	Amount written off	Reason for write-off	Write-off procedure implemented	Whether arisen from related party transaction
Shenzhen Jiaxincheng Optoelectronics Technology Co., Ltd.* (深圳市嘉信成光電科技有限公司)	Treatment fees	7,055.00	Irrecoverable	Report to the Board	No
Jiangsu Yiruida Textile Technology Co., Ltd.* (江蘇意瑞達紡織科技有限公司)	Disposal fees	5,000.00	Irrecoverable	Report to the Board	No
Nantong Sudong Chemical Factory* (南通市蘇東化工廠)	Disposal fees	5,000.00	Irrecoverable	Report to the Board	No
Meilida Pigment Industry Co., Ltd.* (美利達顏料工業有限公司)	Treatment fees	5,000.00	Irrecoverable	Report to the Board	No
Shenzhen Yilianxin Electronic Co., Ltd.* (深圳益聯鑫電子有限公司)	Payments for goods	4,949.65	Irrecoverable	Report to the Board	No
Rugao Bo' Ai Hospital* (如皋市博愛醫院)	Disposal fees	500.00	Irrecoverable	Report to the Board	No
Total		1,109,090.71			

(6) Top five accounts receivable outstanding as at the end of the year categorized by debtors

Name	Balance at the end of year	Age	Proportion to total accounts receivable at the end of year (%)	Balance of bad debt provision at the end of year
No. 1	40,998,771.00	Within 1 year	5.73	–
	36,885,885.30	1-2 years	5.16	–
	95,634,652.00	2-3 years	13.37	–
No. 2	47,297,297.30	Within 1 year	6.61	–
No. 3	46,067,612.63	Within 1 year	6.44	–
No. 4	33,456,391.75	Within 1 year	4.68	–
No. 5	32,580,686.22	1-2 years	4.55	–
Total	332,921,296.20		46.53	–

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. Prepayments

(1) Age of prepayments

Item	Amount at the end of year		Amount at the beginning of year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	32,388,990.14	65.77	46,088,321.24	78.62
1-2 years	8,186,055.46	16.62	5,352,006.65	9.13
2-3 years	2,349,073.19	4.77	453,970.42	0.77
Over 3 years	6,321,527.23	12.84	6,732,331.20	11.48
Total	49,245,646.02	100.00	58,626,629.51	100.00

Significant prepayment aged over 1 year mainly includes the CDM fees paid by Qingdao Dongjiang to Qingdao Solid Waste Treatment Co., Limited, the environmental remediation and rehabilitation fees paid by the Shaoguan Recycling Resources* (韶關再生資源) to the financial office of Tielong Forest Farm* (鐵龍林場) and the payments for raw materials paid by Xiamen Dongjiang to the supplier.

(2) Top five prepayments at the end of the year categorized by payee

Name	Balance at the end of year	Age	Proportion to the total prepayment at the end of year (%)
No. 1	5,969,315.82	Over 3 years	12.12
No. 2	3,400,000.00	1-2 years	6.90
No. 3	2,964,588.25	Within 1 year	6.02
No. 4	2,855,841.79	Within 1 year	5.80
No. 5	2,791,442.52	Within 1 year	5.67
Total	17,981,188.38		36.51

6. Interest receivable

(1) Categories of interest receivable

Item	Amount at the end of year	Amount at the beginning of year
Interest from fixed deposits	–	612,851.17
Total	–	612,851.17

(2) At the end of the year, there is no interest receivable that is overdue.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables

Item	Amount at the end of year	Amount at the beginning of year
Other receivables	312,448,196.63	260,166,909.36
Less: Provision for bad debts	16,350,403.31	9,424,215.56
Net amount	296,097,793.32	250,742,693.80

(1) Age analysis of other receivables

Age	Balance at the end of year		Proportion of provisions (%)
	Other receivables	Bad debt provision	
0-90 days	34,983,951.83	149,249.20	0.43
91-180 days	24,595,460.00	34,073.63	0.14
181-365 days	20,057,861.76	163,928.16	0.82
1-2 years	176,111,060.18	7,810,985.47	4.44
2-3 years	10,336,226.14	74,560.61	0.72
Over 3 years	46,363,636.72	8,117,606.24	17.51
Total	312,448,196.63	16,350,403.31	5.23

Age	Balance at the beginning of year		Proportion of provisions (%)
	Other receivables	Bad debt provision	
0-90 days	154,765,091.02	2,147,864.13	1.39
91-180 days	2,923,520.66	15,779.01	0.54
181-365 days	37,564,503.18	11,620.89	0.03
1-2 years	14,526,583.52	397,279.31	2.73
2-3 years	37,398,059.33	1,297,921.20	3.47
Over 3 years	12,989,151.65	5,553,751.02	42.76
Total	260,166,909.36	9,424,215.56	3.62

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables (Continued)

(2) Other receivables by categories

Item	Balance at the end of year				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	137,218,300.00	43.92	6,860,915.00	5.00	130,357,385.00
Other receivables that are provided for bad debts on collective basis based on credit risks characteristics	168,807,653.27	54.03	3,504,433.71	2.08	165,303,219.56
Other receivables that are individually insignificant but are provided for bad debts on individual basis	6,422,243.36	2.05	5,985,054.60	93.19	437,188.76
Total	312,448,196.63		16,350,403.31		296,097,793.32

Item	Balance at the beginning of year				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	-	-	-	-	-
Other receivables that are provided for bad debts on collective basis based on credit risks characteristics	254,239,702.88	97.72	3,497,009.08	1.38	250,742,693.80
Other receivables that are individually insignificant but are provided for bad debts on individual basis	5,927,206.48	2.28	5,927,206.48	100.00	-
Total	260,166,909.36		9,424,215.56		250,742,693.80

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables (Continued)

(2) Other receivables by categories

- 1) Other receivables that are individually significant and are provided for bad debts on individual basis at the end of year

Name	Balance at the end of year			Reason of provisions
	Other receivables	Bad debt provision	Proportion of provisions (%)	
Sound (Tianjin) Renewable Resources Investment Holding Co., Ltd.	137,218,300.00	6,860,915.00	5.00	Bad debt provision was made based on the difference between the present value of the estimated future cash flows and the carrying amounts
Total	137,218,300.00	6,860,915.00	-	-

- 2) Other receivables within the group that are provided for bad debts based on ageing analysis

Age	Balance at the end of year		
	Other receivables	Provision for bad debts	Proportion of provision (%)
0-90 days	9,916,975.54	148,754.62	1.50
91-180 days	1,135,787.82	34,073.63	3.00
181-365 days	3,273,562.97	163,678.17	5.00
1-2 years	2,416,324.33	483,264.87	20.00
2-3 years	130,161.22	65,080.61	50.00
Over 3 years	2,609,581.81	2,609,581.81	100.00
Total	19,482,393.69	3,504,433.71	-

(3) Details of bad debts provision provided, reversed (or recovered) during the year

Bad debt provision provided during the year amounted to RMB6,929,687.75, and bad debt provision recovered or reversed during the year amounted to RMB0.00.

(4) Other receivables written off during the year

Item	Amount written off
Other receivables written off	3,500.00

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables (Continued)

(4) Other receivables written off during the year

Including significant other receivables written off:

Name of entity	Nature of Other receivables	Amount written off	Reason for write-off	Write-off procedure implemented	Whether arisen from related party transaction
JiangYi House Jianghai Garden	Deposits	3,500.00	Irrecoverable	Report to the Board	No
Total		3,500.00			

Other receivables categorized by nature

Nature	Balance at the end of year	Balance at the beginning of year
Guarantee deposits	49,339,089.29	77,245,089.77
Provisions	11,026,444.18	7,806,764.50
Payment on behalf of third parties	54,993,004.76	30,556,658.32
Others	59,871,358.40	36,140,096.77
Considerations of equity transfer and current accounts with former subsidiaries*1	137,218,300.00	108,418,300.00
Total	312,448,196.63	260,166,909.36

*1. Considerations of equity transfer and current accounts with former subsidiaries represent the consideration arising from the equity transfer of Qingyuan Dongjiang, Hubei Dongjiang and Sound (Tianjin) Renewable Resources Investment Holdings Co., Ltd. by the Company and the internal loans to former subsidiaries. Details are as follows:

Item	Nature	Amount
Considerations receivable from equity transfer of Hubei Dongjiang and Qingyuan Dongjiang	Considerations of equity transfer	37,990,000.00
Debts receivable from transfer of Hubei Dongjiang and Qingyuan Dongjiang	Current accounts with former subsidiaries	99,228,300.00
Total		137,218,300.00

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables (Continued)

(5) Top five of other receivables in terms of balance as at the end of the year categorized by debtors

Name	Nature	Balance at the end of year	Age	Proportion of total other receivables at the end of year (%)	Provision of bad debt at the end of year
No. 1	Considerations of equity transfer and current accounts with former subsidiaries	137,218,300.00	1-2 years	43.92	6,860,915.00
No. 2	Payment on behalf of third parties	26,491,600.00	Over 3 years	8.48	–
No. 3	Assets-backed Project in relation to the GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project	21,555,473.48	Within 1 year	6.90	–
No. 4	Security deposits	4,000,000.00	1-2 years	1.28	–
		2,000,000.00	2-3 years	0.64	–
No. 5	Compensation	5,760,856.00	Within 1 year	1.84	864,128.00
Total		197,026,229.48		63.06	7,725,043.00

(6) Account receivables related to government grants

Name	Projects receiving grants	Balance at the end of the year	Age	Time	Receiving Expected Amount	Expected Basis
Shenzhen Finance Bureau	VAT Refund upon collection	616,050.35	Within 1 year	2018	616,050.35	Cai Shui [2015] No. 78 *1
State Coffers Shenzhen Depots	VAT Refund upon collection	194,063.36	Within 1 year	2018	194,063.36	Cai Shui [2015] No. 78 *2
Dongguan Department of Finance Treasury Payment Center	VAT Refund upon collection	605,235.64	Within 1 year	2018	605,235.64	Cai Shui [2015] No. 78 *3
Total		1,415,349.35				

*1. Engineering Branch of the Company recognised income from VAT refund based on the VAT paid which is entitled to refund (for products of comprehensive resources utilization and labour service) in October and November 2017.

*2. Baoan Energy, a subsidiary of the Company, recognised income from VAT refund based on the VAT paid which is entitled to refund (for products of comprehensive resources utilization, waste and methane from waste fermentation) in October and November 2017.

*3. Humen Green, a subsidiary of Hengjian Tongda which is the Company's subsidiary, recognised income from VAT refund based on the VAT paid which is entitled to refund (for products of comprehensive resources utilization and labour service) in November and December 2017.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables (Continued)

(7) As at the end of the year, there is no staff borrowings receivable.

8. Inventories

(1) Categories of inventories

Item	Amount at the end of year		
	Book balance	Impairment provision	Book value
Raw material	218,115,431.68	242,719.11	217,872,712.57
Work-in-progress	3,041,593.55	–	3,041,593.55
Finished goods	64,578,691.09	–	64,578,691.09
Low-valued consumables	10,550,788.71	–	10,550,788.71
Goods in transit	16,544,404.60	–	16,544,404.60
Total	312,830,909.63	242,719.11	312,588,190.52

Item	Amount at the beginning of year		
	Book balance	Impairment provision	Book value
Raw material	185,987,850.73	323,438.55	185,664,412.18
Work-in-progress	2,574,923.98	–	2,574,923.98
Finished goods	48,603,012.57	–	48,603,012.57
Low-valued consumables	10,662,595.05	–	10,662,595.05
Goods in transit	19,665,635.77	–	19,665,635.77
Total	267,494,018.10	323,438.55	267,170,579.55

(2) Inventory impairment provision

Item	Amount at the beginning of year	Increase during the year		Decrease during the year		Amount at the end of year
		Provision	Others	Reversal or transferral	Other transfer	
Raw material	323,438.55	–	–	79,146.80	1,572.64	242,719.11
Finished goods	–	–	–	–	–	–
Total	323,438.55	–	–	79,146.80	1,572.64	242,719.11

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. Inventories (Continued)

(3) Impairment provision of inventory

Item	Basis of recognition of net realisable value	Reason for reversal or transferal during the year
Raw material	The estimated selling prices of products less estimated cost incurred until completion of work	Relevant raw materials have been sold
Finished goods	Estimated selling price less relevant taxes	Relevant finished goods have been sold

9. Loans

Item	Amount at the end of year		
	Amount	Proportion of provisions (%)	Provision for loans loss
Normal type	254,980,000.00	0.00	–
Concern type	–	2.00	–
Subprime type	–	30.00	–
Suspicious type	–	60.00	–
Loss type	–	100.00	–
Total	254,980,000.00	–	

Item	Amount at the beginning of year		
	Amount	Proportion of provisions (%)	Provision for loans loss
Normal type	274,275,000.00	0.00	–
Concern type	–	2.00	–
Subprime type	–	30.00	–
Suspicious type	–	60.00	–
Loss type	–	100.00	–
Total	274,275,000.00	–	

Loan balance at the end of the year means the balance of various types of small-scale credit loans distributed by Huiyuan Micro Finance, a subsidiary of the Company.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. Non-current assets due within 1 year

Item	Balance at the end of year	Balance at the beginning of year	Nature
Long-term receivables due within 1 year (notes VI.14)	11,084,380.33	16,930,533.96	Construction fee
Total	11,084,380.33	16,930,533.96	–

11. Other current assets

Item	Amount at the end of year	Amount at the beginning of year
Bank financial products	–	96,500,000.00
Discounted amortization	1,082,606.25	544,509.29
Input tax deductible	82,538,487.11	47,372,372.22
Prepayment of corporate income tax	5,203,893.8	–
Others	154,572.25	–
Total	88,979,559.41	144,416,881.51

12. Available-for-sale financial assets

(1) Details of available-for-sale financial assets

Item	Balance at the end of year		
	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	13,431,700.00	–	13,431,700.00
Including: measured at cost	13,431,700.00	–	13,431,700.00
Total	13,431,700.00	–	13,431,700.00

Item	Balance at the beginning of year		
	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	14,931,700.00	–	14,931,700.00
Including: measured at cost	14,931,700.00	–	14,931,700.00
Total	14,931,700.00	–	14,931,700.00

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. Available-for-sale financial assets (Continued)

(2) Available-for-sale financial assets analyzed as follows:

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	13,431,700.00	14,931,700.00
Total	13,431,700.00	14,931,700.00

13. Held-to-maturity investments

(1) Details of held-to-maturity investments

Item	Balance at the end of period			Balance at the beginning of period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
GF Hengjin- Special assets supporting securities subscription payment	20,000,000.00	-	20,000,000.00	-	-	-
Total	20,000,000.00	-	20,000,000.00	-	-	-

(2) Significant held-to-maturity investments at the end of period

Bond item	Par value	Nominal interest rate	Effective interest rate	Maturity date
GF Hengjin- Special assets supporting securities subscription payment	20,000,000.00	-	-	21 March 2020

14. Long-term accounts receivable

Items	Amount at the end of year	Amount at the beginning of year
Receivables for rendering of services to be recovered by installments	206,014,165.35	242,041,592.21
Less: Amount due within 1 year and showed as non-current assets due within one year (Note VI.10)	11,084,380.33	16,930,533.96
Receivables for rendering of services to be recovered by installments due after 1 year	194,929,785.02	225,111,058.25

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Long-term accounts receivable (Continued)

(1) Age analysis of long-term receivables

Items	Amount at the end of year	Amount at the beginning of year
0-90 days	523,973.59	67,706,876.02
91-180 days	3,882,022.79	–
180-360 days	5,161,110.41	4,370,561.41
1-2 years	69,531,237.28	102,385,154.82
2-3 years	91,875,626.95	61,722,669.96
Over 3 years	35,040,194.33	5,856,330.00
Total	206,014,165.35	242,041,592.21

(2) Details of the balance of account receivables as at the end of the year categorized by debtors

Name	Balance at the end of year	Proportion (%)	Balance at the beginning of year	Proportion (%)
Huizhou Zhongxing New Communication Equipment Co., Ltd.	45,000,000.00	21.84	45,000,000.00	18.59
Yangxin Urban Construction Investment and Development Co., Ltd.	45,045,045.04	21.87	44,963,288.28	18.58
Lianping Zhongxin Wastewater Treatment Plant	39,913,289.08	19.37	39,913,289.08	16.49
Lianping County Municipal Wastewater Treatment Plant	29,102,555.83	14.13	29,102,555.83	12.02
Heyuan High-Tech Development Zone Co., Ltd.	–	–	19,750,000.00	8.16
Xinfeng Zhaotai Investment Co., Ltd.	18,292,438.42	8.88	18,292,438.42	7.56
Heshan Industrial Investment Co., Ltd.	10,618,116.33	5.15	12,230,681.74	5.05
Xinfeng Xunjiexing Circuits Technology Ltd.	6,973,774.16	3.39	12,131,405.00	5.01
Jiangmen Sungde Circuits Technology Ltd.	–	–	7,120,000.00	2.94
Huizhou Special Electronic Technology Co., Ltd.	4,371,200.49	2.12	6,390,731.86	2.64
Dongguan Department of Finance Treasury Payment Center	6,497,746.00	3.15	5,507,202.00	2.28
Shaoguan Haoteli Electronic Co., Ltd.	100,000.00	0.05	940,000.00	0.39
Datong Circuit Board (Shenzhen) Co., Ltd.	100,000.00	0.05	700,000.00	0.29
Total	206,014,165.35	100.00	242,041,592.21	100.00

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Long-term accounts receivable (Continued)

- (3) At the end of the year, long-term receivables do not include amount due from shareholders holding more than 5% (including 5%) voting rights attached to shares of the Company.

15. Long-term equity investments

- (1) *Categories of long-term equity investments*

Investee	Balance at the beginning of year	Additional investments	Decrease in investments	Movement during the Year					Balance at the end of year	Impairment provision at the end of year	
				Gain and loss of investment recognized under equity approach	Adjustments to other comprehensive income	Movement in other equity interests	Declaration or payment of cash divided or profit	Impairment provision			Others
Joint venture											
Dongjiang Veolia	58,641,440.11	-	-	22,011,944.19	-	-	-12,500,000.00	-	-	68,153,384.30	-
Associates											
Shenzhen Micronutrients	11,730,249.58	-	-	2,374,112.33	-	-	-	-	-	14,104,361.91	529,649.00
Shenzhen Resource	25,540,329.39	-	-	356,300.93	-	-	-	-	-	25,896,630.32	-
Chaoyue Dongchuang	533,623.01	-	-	21,673.41	-	-	-	-	-	555,296.42	-
Fujian Dongjiang	42,159,180.23	-	-	-1,517,858.57	-	-	-	-	-	40,641,321.66	-
Foshan Fulong	-	48,000,000.00	-	-281,107.51	-	-	-	-	-	47,718,892.49	-
Dongguan Fengye	-	7,000,000.00	-	-146,994.99	-	-	-	-	-	6,853,005.01	-
Jiangsu Suquan	-	40,300,000.00	-	-383,223.07	-	-	-	-	-	39,916,776.93	-
Total	138,604,822.32	95,300,000.00	-	22,434,846.72	-	-	-12,500,000.00	-	-	243,839,669.04	529,649.00

For the full name and relevant information of joint ventures and associates, please refer to Note VIII.3.

- (2) *Analysis of long-term equity investments*

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	243,310,020.04	138,075,173.33
Total	243,310,020.04	138,075,173.33

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. Investment properties

(1) Investment properties measured at fair value

Item	Buildings and constructions	Total
I. Balance at the beginning of year	66,388,962.20	66,388,962.20
II. Movement of the year	–	–
Add: Acquisition	–	–
Transfer from inventory/fixed assets/ work in progress	22,915,737.47	22,915,737.47
Addition from business combination	–	–
Less: Disposal	–	–
Other transfer	–	–
Add: Change in fair value	380,473.53	380,473.53
III. Balance at the end of year	89,685,173.20	89,685,173.20

At the end of the year, the fair value of these investment properties is determined based on the valuation made by Shenzhen Pengxin Assets Appraisal and Valuation Co., Limited and Wanlong (Shanghai) Asset Valuation Company Limited, both of which are independent third parties not connected with the Company. The valuation is prepared with reference to recent market prices of similar properties at the same location with the same purpose after capitalisation of net rental income (as appropriate).

(2) Location and age analysis of investment properties are as follows:

Item	Amount at the end of year	Amount at the beginning of year
Within the PRC		
Medium term (10-50 years)	66,388,962.20	66,388,962.20
Long term (over 50 years)	23,296,211.00	–
Total	89,685,173.20	66,388,962.20

(3) As at the end of the year, all the investment properties have proper legal property rights certificate.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Fixed assets

(1) Breakdown of fixed assets

Item	Machineries		Transportation		Others	Total
	Buildings	and equipment	Office facilities	facilities		
I. Original book value						
1. Balance at the beginning of year	852,240,075.85	808,982,858.12	60,852,690.05	141,915,388.50	197,962,290.04	2,061,953,302.56
2. Increase during the year	160,530,773.05	236,224,886.93	24,325,470.28	13,642,830.17	55,714,912.79	490,438,873.22
(1) Acquisition	6,780,905.05	33,400,079.43	15,024,290.85	12,793,922.91	18,302,445.11	86,301,643.35
(2) Transfer from work-in-progress	153,155,417.44	196,718,945.05	8,369,733.45	550,060.26	36,718,157.74	395,512,313.94
(3) Addition from business combination	-	-	469,305.01	63,076.92	44,181.56	576,563.49
(4) Others	594,450.56	6,105,862.45	462,140.97	235,770.08	650,128.38	8,048,352.44
3. Decrease during the year	18,324,266.01	33,472,153.77	7,117,270.05	20,759,752.24	14,021,704.71	93,695,146.78
(1) Disposal or retirement	17,063,141.62	28,049,043.18	4,248,961.20	19,903,342.00	9,675,339.31	78,939,827.31
(2) Decrease from business combination	-	-	-	-	-	-
(3) Transfer to work- in-progress	-	-	-	-	-	-
(4) Others	1,261,124.39	5,423,110.59	2,868,308.85	856,410.24	4,346,365.40	14,755,319.47
4. Balance at the end of year	994,446,582.89	1,011,735,591.28	78,060,890.28	134,798,466.43	239,655,498.12	2,458,697,029.00
II. Accumulated depreciation						
1. Balance at the beginning of year	145,365,101.98	313,391,182.91	33,339,975.28	89,658,121.45	64,621,289.92	646,375,671.54
2. Increase during the year	40,005,430.88	94,523,018.62	9,963,404.61	18,015,024.68	33,849,864.11	196,356,742.90
(1) Provision	39,832,288.88	93,725,581.85	9,630,564.97	17,949,606.22	33,388,951.27	194,526,993.19
(2) Addition from business combination	-	-	148,148.13	998.72	14,473.83	163,620.68
(3) Others	173,142.00	797,436.77	184,691.51	64,419.74	446,439.01	1,666,129.03
3. Decrease during the year	3,956,544.78	14,329,314.60	3,951,537.74	16,417,092.24	7,061,948.41	45,716,437.77
(1) Disposal or retirement	3,652,619.14	13,549,650.66	3,611,328.59	16,218,642.89	6,289,746.06	43,321,987.34
(2) Decrease from business combination	-	-	-	-	-	-
(3) Transfer to work- in-progress	-	-	-	-	-	-
(4) Others	303,925.64	779,663.94	340,209.15	198,449.35	772,202.35	2,394,450.43
4. Balance at the end of year	181,413,988.08	393,584,886.93	39,351,842.15	91,256,053.89	91,409,205.62	797,015,976.67
III. Impairment provision						
1. Balance at the beginning of year	9,921,957.84	8,089,115.69	-	283,301.18	57,860.93	18,352,235.64
2. Increase during the year	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-
(2) Addition from business combination	-	-	-	-	-	-
(3) Others	-	-	-	-	-	-
3. Decrease during the year	509,354.00	5,697,717.71	-	4,999.50	-	6,212,071.21
(1) Disposal or retirement	509,354.00	5,697,717.71	-	4,999.50	-	6,212,071.21
(2) Decrease from business combination	-	-	-	-	-	-
(3) Others	-	-	-	-	-	-
4. Balance at the end of year	9,412,603.84	2,391,397.98	-	278,301.68	57,860.93	12,140,164.43
IV. Book value						
1. Book value at the end of year	803,619,990.97	615,759,306.37	38,709,048.13	43,264,110.86	148,188,431.57	1,649,540,887.90
2. Book value at the beginning of year	696,953,016.03	487,502,559.52	27,512,714.77	51,973,965.87	133,283,139.19	1,397,225,395.38

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Fixed assets (Continued)

(1) *Breakdown of fixed assets (Continued)*

Depreciation and amortization of fixed assets recognized as profit or loss during the year was RMB194,526,993.19 (last year: RMB175,363,546.31).

Addition to fixed assets during the year includes transfer from work in progress of RMB395,512,313.94.

Loss from disposal of fixed assets during the year was RMB4,544,556.61.

(2) As at the end of the year, the Company has no idled fixed assets.

(3) *Fixed assets held under financial lease*

Year end	Original book value	Accumulated depreciation	Impairment provision	Book value
Transportation facilities	8,411,924.16	4,053,657.03	–	4,358,267.14
Total	8,411,924.16	4,053,657.03	–	4,358,267.14

The transportation equipment held under finance leases represent the motor vehicles held by the Company's subsidiary, Lik Shun Service under finance lease.

(4) As at the end of the year, for details of the leased out fixed assets through operating lease by the Company, please see note 14.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Fixed assets (Continued)

(5) Fixed assets without property rights certificates

The fixed assets included buildings with book value RMB332,846,830.73 (Amount at the beginning of the year: RMB351,652,987.39), their application of the property rights has not processed or is in process. In the light of the assets below are conducted according to related legal agreements, directors of the Company believed that the transfer of property rights would not result in substantive legal obstacles or affect the Company's normal operation to those buildings, no significant implications to the Company's normal operations, and impairment provision of fixed assets is not necessary, with no significant additional costs will be generated.

Item	Book value of 2017 year (net)	Reason for not obtaining proper ownership certificates in 2017
Warehouse and workshop of Jiangmen Dongjiang, a subsidiary	30,945,349.27	Application in progress
Factory and office building of Jiangmen Dongjiang, a subsidiary	54,303,344.95	Application in progress
Warehouse for sorting Solid Waste 16# of Jiangmen Dongjiang, a subsidiary	3,344,546.04	Application in progress
Office building and workshop of Coastal Solid Waste, a subsidiary	23,861,774.16	Application in progress
Six-storey office building of Shaoguan Recycling Resource, a subsidiary	1,657,679.40	Application in progress
Environmental protection workshop, factory and complex building of Xiamen Dongjiang, a subsidiary	25,465,935.51	Application in progress
Office building and factory of Zhuhai Yongxingsheng, a subsidiary	94,936,356.33	Application in progress
Factory 6# of Zhuhai Yongxingsheng, a subsidiary	14,145,097.94	Application in progress
Incineration plant and warehouse of Fujian Oasis, a subsidiary	9,077,937.31	Application in progress
Factory and dormitory of Baoan Dongjiang, a subsidiary	23,534,851.87	Application in progress
Factory of Zhejiang Jianglian, a subsidiary	5,751,565.09	Application in progress

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Fixed assets (Continued)

(5) Fixed assets without property rights certificates (Continued)

Item	Book value of 2017 year (net)	Reason for not obtaining proper ownership certificates in 2017
Phase II factory of Zhejiang Jianglian, a subsidiary	3,547,917.90	Application in progress
Workshop of physical and chemical treatment of Hengshui Ruitao, a subsidiary	1,146,667.84	Application in progress
Office building of Qingyuan Xinlv, a subsidiary	1,672,193.90	Application in progress
Dormitory and kitchen of Qingyuan Xinlv, a subsidiary	1,244,223.27	Application in progress
Factory of Qingyuan Xinlv, a subsidiary	2,466,424.16	Application in progress
Complex building (laboratory building) of Nantong Hui Tian Ran, a subsidiary	1,918,585.74	Application in progress
Pretreatment workshop of Nantong Hui Tian Ran, a subsidiary	5,746,679.58	Application in progress
Sewage treatment workshop of Nantong Hui Tian, a subsidiary	1,774,797.75	Application in progress
Workshop of general solid waste treatment of Nantong Hui Tian, a subsidiary	1,004,921.96	Application in progress
Warehouse of new ash of Rudong Daheng, a subsidiary	1,399,400.06	Application in progress
Office building of Tianyin Hazardous Waste, a subsidiary	5,775,004.50	Application in progress
Shift building of Tianyin Hazardous Waste, a subsidiary	9,692,886.53	Application in progress
Dining hall of Tianyin Hazardous Waste, a subsidiary	3,326,117.14	Application in progress
Incineration controlling building and factory of Tianyin Hazardous Waste, a subsidiary	5,106,572.53	Application in progress
Total	332,846,830.73	

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Construction in progress

(1) Breakdown of construction in progress

Item	Amount at the end of year			Amount at the beginning of year		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Recycling Resource)	189,629,898.28	-	189,629,898.28	172,849,602.03	-	172,849,602.03
Dongheng Konggang project (Dongheng Konggang)	120,242,887.99	-	120,242,887.99	169,381,158.90	-	169,381,158.90
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	154,309,652.37	-	154,309,652.37	166,813,160.97	-	166,813,160.97
Property construction phase II (Xiamen Oasis Environmental)	155,047,703.95	-	155,047,703.95	147,841,714.82	-	147,841,714.82
Tianyin office, factory and greening project (Hubei Tianyin)	97,568,738.17	-	97,568,738.17	85,153,492.51	-	85,153,492.51
Luohu Xiaping kitchen waste project (Headquarter)	4,715,223.95	-	4,715,223.95	74,253,247.05	-	74,253,247.05
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	32,177,742.41	-	32,177,742.41	71,550,154.34	-	71,550,154.34
Hui Tian Ran landfill site (Nantong HuiTian Ran)	-	-	-	59,029,185.82	-	59,029,185.82
Fujian Oasis rotary kiln project (Fujian Oasis)	24,240,758.33	-	24,240,758.33	691,029.38	-	691,029.38
Weifang Dongjiang project (Weifang Blue Sea)	160,908,867.23	-	160,908,867.23	47,247,782.31	-	47,247,782.31
Incineration plant (Shaoguan Recycling Resource)	57,558,366.63	-	57,558,366.63	46,159,213.85	-	46,159,213.85
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	45,019,210.35	-	45,019,210.35	42,162,162.16	-	42,162,162.16
Base technical renovation project (Huizhou Dongjiang)	8,881,987.53	-	8,881,987.53	39,732,989.85	-	39,732,989.85
Xiantao environmental protection project (Luyi Environmental)	86,589,924.30	-	86,589,924.30	39,649,996.08	-	39,649,996.08
Tianyin car dismantling project (Tianyin car dismantling)	36,414,333.10	-	36,414,333.10	36,054,928.38	-	36,054,928.38
Base technical renovation project (Baoan Dongjiang)	4,791,961.21	-	4,791,961.21	30,334,190.87	-	30,334,190.87
Plasma pilot project (Longgang Dongjiang)	29,249,814.72	-	29,249,814.72	28,573,733.68	-	28,573,733.68
Recycling project (Shaoguan Recycling Resource)	39,423,008.06	-	39,423,008.06	28,048,856.06	-	28,048,856.06
Wastewater treatment project (Shaoguan Recycling Resource)	28,166,866.01	-	28,166,866.01	26,274,220.17	-	26,274,220.17
Plant and road construction project phase III (Coastal Solid Waste)	57,936,678.63	-	57,936,678.63	25,819,831.40	-	25,819,831.40
Dongguan Hengjian renovation project (Dongguan Hengjian)	63,773,699.28	-	63,773,699.28	23,808,343.52	-	23,808,343.52
Jiangmen project (Jiangmen Dongjiang)	3,331,644.83	-	3,331,644.83	20,047,647.67	-	20,047,647.67
Shaoguan Recycling Resource hazardous waste landfill project (Shaoguan Recycling Resource BOT)	19,980,836.12	-	19,980,836.12	19,749,704.10	-	19,749,704.10
Hengshui project (Hengshui Ruitao)	67,817,629.35	-	67,817,629.35	16,510,812.79	-	16,510,812.79
Fengcheng Dongjiang Environmental industry base detoxification project (Jiangxi Dongjiang)	42,673,686.40	-	42,673,686.40	5,297,737.28	-	5,297,737.28
Technical renovation project (Qingyuan Xinlv)	2,885,038.12	-	2,885,038.12	2,607,512.40	-	2,607,512.40
Fengcheng Dongjiang Environmental industry base recycling (Jiangxi Dongjiang)	11,473,473.38	-	11,473,473.38	1,059,451.00	-	1,059,451.00
Other small projects in total	60,892,300.33	-	60,892,300.33	28,920,252.37	15,000.00	28,905,252.37
Total	1,605,701,931.03	-	1,605,701,931.03	1,455,622,111.76	15,000.00	1,455,607,111.76

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Construction in progress (Continued)

(2) Movement of major construction in progress

Name	Amount at the beginning of year	Increase during the year	Decrease during the year		Amount at the end of year
			Transfer to fixed assets	Other decrease	
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Recycling Resource)	172,849,602.03	16,780,296.25		-	189,629,898.28
Dongheng Konggang project (Dongheng Konggang)	169,381,158.90	1,357,347.05	21,231,845.13	29,263,772.83	120,242,887.99
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	166,813,160.97	64,342,527.30	76,846,035.90		154,309,652.37
Property construction phase II (Xiamen Oasis Environmental)	147,841,714.82	7,205,989.13			155,047,703.95
Tianyin office, factory and greening project (Hubei Tianyin)	85,153,492.51	12,415,245.66		-	97,568,738.17
Luohu Xiaping kitchen waste project (Headquarter)	74,253,247.05	10,423,040.62		79,961,063.72	4,715,223.95
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	71,550,154.34	27,530,896.78	66,903,308.71		32,177,742.41
Hui Tian Ran landfill site (Nantong Hui Tian Ran)	59,029,185.82	13,748,300.38	72,137,486.20	640,000.00	
Fujian Oasis rotary kiln project (Fujian Oasis)	691,029.38	23,947,164.83	397,435.88		24,240,758.33
Weifang Dongjiang project (Weifang Blue Sea)	47,247,782.31	114,904,887.79	1,243,802.87		160,908,867.23
Incineration plant (Shaoguan Recycling Resource)	46,159,213.85	11,399,152.78		-	57,558,366.63
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	42,162,162.16	2,857,048.19		-	45,019,210.35
Base technical renovation project (Huizhou Dongjiang)	39,732,989.85	9,019,504.49	39,870,506.81		8,881,987.53
Xiantao environmental protection project (Luyi Environmental)	39,649,996.08	46,939,928.22		-	86,589,924.30
Tianyin car dismantling project (Tianyin car dismantling)	36,054,928.38	359,404.72			36,414,333.10
Base technical renovation project (Baoan Dongjiang)	30,334,190.87	16,861,333.74	42,403,563.40	-	4,791,961.21
Plasma pilot project (Longgang Dongjiang)	28,573,733.68	676,081.04	-		29,249,814.72
Recycling project (Shaoguan Recycling Resource)	28,048,856.06	11,374,152.00		-	39,423,008.06
Wastewater treatment project (Shaoguan Recycling Resource)	26,274,220.17	1,892,645.84		-	28,166,866.01
Plant and road construction project phase III (Coastal Solid Waste)	25,819,831.40	32,243,357.63	126,510.40	-	57,936,678.63
Dongguan Hengjian renovation project (Dongguan Hengjian)	23,808,343.52	39,965,355.76			63,773,699.28
Jiangmen project (Jiangmen Dongjiang)	20,047,647.67	10,931,730.24	27,647,733.08		3,331,644.83
Shaoguan Recycling Resource hazardous waste landfill project (Shaoguan Recycling Resource BOT)	19,749,704.10	231,132.02			19,980,836.12
Hengshui project (Hengshui Ruitao)	16,510,812.79	52,364,198.65	1,057,382.09		67,817,629.35
Fengcheng Dongjiang Environmental industry base detoxification project (Jiangxi Dongjiang)	5,297,737.28	41,751,865.25	4,375,916.13		42,673,686.40
Technical renovation project (Qingyuan Xinlv)	2,607,512.40	3,832,069.58	3,554,543.86	-	2,885,038.12
Fengcheng Dongjiang Environmental industry base recycling project (Jiangxi Dongjiang)	1,059,451.00	10,908,039.47	494,017.09		11,473,473.38
Total	1,426,701,859.39	586,262,695.41	358,290,087.55	109,864,836.55	1,544,809,630.70

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Construction in progress (Continued)

(2) Movement of major construction in progress (Continued)

Name	Budget	Proportion of expenditure injected to budget (%)	Progress (%)	Accumulated capitalised interest	Including: Interest capitalised for the year	Interest capitalisation rate for the year (%)	Source of capital
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Recycling Resource)	205,000,000.00	92.50%	92.50%	57,168,516.40	4,590,144.07	5.59	Borrowing
Dongheng Konggang project (Dongheng Konggang)	200,000,000.00	85.37%	85.37%	3,732,040.32	2,265,373.62	5.42	Borrowing, own funds
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	301,984,923.42	76.55%	76.55%	19,500,148.32	9,962,160.08	5.50	Borrowing
Property construction phase II (Xiamen Oasis Environmental)	160,000,000.00	96.90%	96.90%	20,468,717.31	5,160,079.08	4.35	Borrowing
Tianyin office, factory and greening project (Hubei Tianyin)	140,000,000.00	86.30%	86.30%	22,958,836.89	10,029,894.76	5.50	Borrowing, own funds
Luohu Xiaping kitchen waste project (Headquarter)	100,000,000.00	84.68%	84.68%	-	-	-	
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	150,000,000.00	66.05%	66.05%	2,499,716.60	1,639,194.72	5.10	Borrowing, own funds
Hui Tian Ran landfill site (Nantong Hui Tian Ran)	80,000,000.00	90.97%	90.97%	2,595,970.37	-	-	
Fujian Oasis rotary kiln project (Fujian Oasis)	192,242,700.00	12.82%	12.82%	-	-	-	-
Weifang Dongjiang project (Weifang Blue Sea)	365,180,000.00	44.40%	44.40%	2,987,816.07	2,804,482.74	5.20	Borrowing, own funds
Incineration plant (Shaoguan Recycling Resource)	60,000,000.00	95.93%	95.93%	-	-	-	
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	150,000,000.00	30.01%	30.01%	-	-	-	
Base technical renovation project (Huizhou Dongjiang)	70,017,676.00	81.27%	81.27%	-	-	-	
Xiantao environmental protection project (Luyi Environmental)	475,000,000.00	18.23%	18.23%	6,140,170.91	5,857,684.79	5.09	Borrowing, own funds
Tianyin car dismantling project (Tianyin car dismantling)	38,000,000.00	95.83%	95.83%	4,651,459.82	-	-	
Base technical renovation project (Shajing Base)	78,020,000.00	82.10%	82.10%	-	-	-	
Plasma pilot project (Longgang Dongjiang)	60,000,000.00	48.75%	48.75%	-	-	-	

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Construction in progress (Continued)

(2) Movement of major construction in progress (Continued)

Name	Budget	Proportion of expenditure injected to budget (%)	Progress (%)	Accumulated capitalised interest	Including: Interest capitalised for the year	Interest capitalisation rate for the year (%)	Source of capital
Recycling project							
(Shaoguan Recycling Resource)	40,000,000.00	98.56%	98.56%	-	-	-	
Wastewater treatment project							
(Shaoguan Recycling Resource)	28,572,200.00	98.58%	98.58%	-	-	-	
Plant and road construction project							
phase III (Coastal Solid Waste)	265,099,500.00	46.60%	46.60%	4,442,179.70	3,067,729.70	4.92	Borrowing, own funds
Dongguan Hengjian renovation project							
(Dongguan Hengjian)	99,000,000.00	64.42%	64.42%	2,132,194.80	1,935,111.46	4.75	Borrowing, own funds
Jiangmen project (Jiangmen Dongjiang)	300,000,000.00	70.97%	70.97%	12,257,513.26	-	-	
Shaoguan Recycling Resource hazardous waste landfill project							
(Shaoguan Recycling Resource BOT)	30,000,000.00	66.60%	66.60%	-	-	-	
Hengshui project (Hengshui Ruitao)	107,000,000.00	66.55%	66.55%	514,227.10	514,227.10	5.23	Borrowing, own funds
Fengcheng Dongjiang Environmental industry base detoxification project							
(Jiangxi Dongjiang, the Company)	321,952,000.00	59.92%	59.92%	6,661,010.29	3,988,864.79	5.35	Borrowing, own funds
Technical renovation project							
(Qingyuan Xinlv)	28,000,000.00	70.73%	70.73%	-	-	-	
Fengcheng Dongjiang Environmental industry base recycling project							
(Jiangxi Dongjiang)	396,560,000.00	3.02%	3.02%	-	-	-	-
Total	4,441,628,999.42			168,710,518.16	51,814,946.91		

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

19. Intangible assets

(1) Breakdown of intangible assets

Item	Land use rights	Patent	Non-patent technology	BOT operating rights	Total
I. Original book value					
1. Balance at the beginning of year	409,599,312.65	1,977,911.18	10,720,652.12	736,349,820.91	1,158,647,696.86
2. Increase during the year	42,512,732.16	33,980.58	11,446,018.66	88,324,054.04	142,316,785.44
(1) Acquisition	19,522,291.88	33,980.58	4,928,897.65	86,127,472.59	110,612,642.70
(2) Addition from business combination	22,896,000.00	-	-	-	22,896,000.00
(3) Corporation in-house research and development	-	-	6,517,121.01	-	6,517,121.01
(4) Others	94,440.28	-	2,196,581.45	2,291,021.73	
3. Decrease during the year	-	-	-	471,741.56	471,741.56
(1) Disposal	-	-	-	471,741.56	471,741.56
(2) Decrease from business combination	-	-	-	-	-
(3) Others	-	-	-	-	-
4. Balance at the end of year	452,112,044.81	2,011,891.76	22,166,670.78	824,202,133.39	1,300,492,740.74
II. Accumulated amortisation					
1. Balance at the beginning of year	33,991,858.68	835,265.70	2,739,413.61	265,203,413.75	302,769,951.74
2. Increase during the year	9,194,808.74	235,137.48	1,725,576.97	50,673,292.59	61,828,815.78
(1) Provision	8,622,408.74	235,137.48	1,725,576.97	50,673,292.59	61,256,415.78
(2) Addition from business combination	572,400.00	-	-	-	572,400.00
(3) Others	-	-	-	-	-
3. Decrease during the year	274,637.13	-	-	3,597,105.58	3,871,742.71
(1) Disposal	-	-	-	317,378.32	317,378.32
(2) Decrease from business combination	-	-	-	-	-
(3) Others	274,637.13	-	-	3,279,727.26	3,554,364.39
4. Balance at the end of year	42,912,030.29	1,070,403.18	4,464,990.58	312,279,600.76	360,727,024.81
III. Impairment provision					
1. Balance at the beginning of year	-	-	-	27,532,216.34	27,532,216.34
2. Increase during the year	-	-	-	-	-
(1) Provision	-	-	-	-	-
3. Decrease during the year	-	-	-	75,106.15	75,106.15
4. Balance at the end of year	-	-	-	27,457,110.19	27,457,110.19
IV. Book value					
1. Book value at the end of year	409,200,014.52	941,488.58	17,701,680.20	484,465,422.44	912,308,605.74
2. Book value at the beginning of year	375,607,453.97	1,142,645.48	7,981,238.51	443,614,190.82	828,345,528.78

Intangible assets formed by the company in-house research and development at the end of this year are RMB6,517,121.01.

Depreciation and amortization of intangible assets recognized as profit and loss during the year was RMB61,256,415.78 (Amount of last year: RMB107,737,514.34).

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

19. Intangible assets

(2) *Land use rights without property rights certificates*

The intangible assets included land use rights with book value of RMB2,554,858.00 (amount at the beginning of the year: RMB2,616,358.84) and the application of the land use rights is in process. In the light of the assets below are acquired according to related legal agreements, the Directors of the Company believed that there is no substantive legal obstacle in the transfer of land use rights or affecting the normal use of the land use rights by the Company, no significant impact on the Company's normal operations, and that impairment provision of intangible assets is not required and no significant additional costs will be incurred.

Item	Book value	Reason for not obtaining proper ownership certificate
Qingyuan Xinlv, a subsidiary	2,554,858.00	In progress

(3) *Impairment provision of intangible assets*

BOT operating rights	Balance at the beginning of year	Increase provision during the year	Decrease disposal during the year	Balance at the end of year
Longgang Dongjiang	20,436,468.85	–	18,106.15	20,418,362.70
Hunan Dongjiang	7,095,747.49	–	57,000.00	7,038,747.49
Total	27,532,216.34	–	75,106.15	27,457,110.19

Impairment of intangible assets withdrawn during the year RMB0.00 (amount of last year:RMB0.00).

Longgang Dongjiang BOT operating rights refers to the hazardous waste landfill with a concession period of 22 years from February 2009 under the BOT agreement; Hunan Dongjiang refers to the household waste landfill with a concession period of 31 years from 1 January 2008 to 31 December 2038 under the BOT agreement. As the above mentioned hazardous waste and household waste filled up much faster than the expected, such landfills will be saturated before expiration of the concession period. Therefore, with regard to the total volume handled by these two companies since establishment (i.e. completed landfill volume), the Company calculated the cost per unit based on the construction cost of the landfills and total landfill volume, and calculated the amortized BOT operating rights at the end of 2014, the excess of which when compare with the actual amortized amount (carrying value) results in the amortization cost. As at the end of 2014, the Directors are of the opinion that such excess of carrying value of RMB27,532,216.34 should be fully provided for impairment. Once recognized, the impairment provision of intangible assets will not be reversed in future years.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

20. Development expenditure

Item	Amount at the beginning of year	Increase during the year		Decrease during the year			Amount at the end of year
		Internal development expenditure	Other increase	Recognized as intangible assets	Transfer to profit or loss for the period	Other decrease	
Research on diffusion dialysis technology in nitric acid recycling	3,480,815.29	1,754,349.18	-	-	-	-	5,235,164.47
Phosphoric acid recycling pilot test project	2,610,611.50	647,949.03	-	3,258,560.53	-	-	
Technology research and development on preparation of feed-grade dicalcium phosphate with waste acid containing phosphate	1,740,407.64	431,966.03	-	2,172,373.67	-	-	
Technology research and development on cascade recycling and reuse acid etching solution	1,115,384.71	2,054,704.52	-	-	-	-	3,170,089.23
Research on crystallization optimization in neutralizing treatment of hydrochloric acid, sulphuric acid and mixed acids	870,203.83	215,982.98	-	1,086,186.81	-	-	
863 project (anaerobic digestion of sludge and safe operation technology and equipment in southern cities)	70,000.00	776,699.03	-	-	-	-	846,699.03
Dabaoshan design and consultancy projects	-	212,656.92	-	-	-	-	212,656.92
Development and research project on technology and model of sponge cities through Industry-University-Research	-	271,551.99	-	-	-	-	271,551.99
Technology and demonstration project on the governance of Wujingang river basin through Industry-University-Research	-	912,909.14	-	-	-	-	912,909.14
BZ2017008 runoff biological filter technology (Jiangsu policy-guided planning)	-	92,665.92	-	-	-	-	92,665.92
Total	9,887,422.97	7,371,434.74	-	6,517,121.01	-	-	10,741,736.70

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

21. Goodwill

(1) Original value of goodwill

Name of investee	Balance at the beginning of year	Increase during the year From business combination	Decrease during the year Disposal	Balance at the end of year
Shaoguan Recycling Resource	30,831,658.44	-	-	30,831,658.44
Chengdu Treatment Centre	2,045,010.07	-	-	2,045,010.07
Lik Shun Services	3,052,019.14	-	-	3,052,019.14
Zhuhai Qingxin	13,100,912.02	-	-	13,100,912.02
Qingyuan Xinlv	17,538,809.93	-	-	17,538,809.93
Jiaxing Deda	9,097,974.10	-	-	9,097,974.10
Dongguan Hengjian	59,796,611.11	-	-	59,796,611.11
Coastal Solid Waste	25,662,811.29	-	-	25,662,811.29
Nanchang Xinguan	20,271,219.13	-	-	20,271,219.13
Hefei Xinguan	6,873,379.12	-	-	6,873,379.12
Xiamen Oasis Environmental	180,159,548.44	-	-	180,159,548.44
Wosen Environmental	14,369,932.91	-	-	14,369,932.91
Jiangxi Kangtai	5,131,308.16	-	-	5,131,308.16
Hengjian Tongda	136,773,774.37	-	-	136,773,774.37
Hubei Tianyin	54,255,302.08	-	-	54,255,302.08
Zhuhai Yongxingsheng	141,616,697.35	-	-	141,616,697.35
Green Environmental	10,800,000.00	-	-	10,800,000.00
Weifang Blue Sea	52,000,000.00	-	-	52,000,000.00
Hengshui Ruitao	44,065,339.97	-	-	44,065,339.97
Zhejiang Jianglian	39,770,465.88	-	-	39,770,465.88
Huaxin Environmental *1	69,183,492.34	-	-	69,183,492.34
Rudong Daheng	73,360,982.19	-	-	73,360,982.19
Nantong Hui Tian Ran	149,998,274.76	-	-	149,998,274.76
Dongheng Konggang	12,232,241.72	-	-	12,232,241.72
Huateng Environmental		16,677,905.10		16,677,905.10
Caofeidian		100,456,186.50		100,456,186.50
Total	1,171,987,764.52	117,134,091.60	-	1,289,121,856.12

*1. The goodwill of Huaxin Environmental was generated from the acquisition of Huaxin Environmental by Zhejiang Jianglian.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

21. Goodwill (Continued)

(2) Impairment provision of goodwill

Name of investee	Balance at the beginning of year	Increase during the year Provision	Decrease during the year Disposal	Balance at the end of year
Shaoguan Recycling Resource	30,831,658.44	-	-	30,831,658.44
Chengdu Treatment Centre	2,045,010.07	-	-	2,045,010.07
Lik Shun Services	3,052,019.14	-	-	3,052,019.14
Xiamen Oasis Environmental	6,600,000.00	-	-	6,600,000.00
Hubei Tianyin	10,598,716.99	-	-	10,598,716.99
Total	53,127,404.64	-	-	53,127,404.64

At the end of the year, the Company reviewed the goodwill generated from acquisition of all subsidiaries and did not find any indications of significant impairment of goodwill. The Directors are of the view that additional provision for goodwill impairment is not required.

In regard to significant goodwill, the Company engaged Guangzhou Hengding Property, Land and Assets Appraisal Co., Ltd. (廣州衡鼎房地產土地與資產評估有限公司), an independent third party, to assess the net future cash flows recoverable of Hubei Tianyin, Dongguan Hengjian, Rudong Daheng, Xiamen Oasis and Yancheng Coastal Solid Waste to estimate the future cash flow in the next ten years and the present value of the future cash flow recoverable at a discount rate of 12.6% to 13.4%.

For goodwill generated from acquisition of other companies, the Company estimated the future cash flow in the next ten years and determined the present value of future cash flow recoverable at a discount rate of 13.75%.

Impairment provision of goodwill provided during the year was RMB0.00 (amount of last year: RMB0.00).

22. Long-term unamortized expenses

Item	Amount at the beginning of year	Increase during the year	Amortized during the year	Other decreases during the year	Amount at the end of year
Facility improvement fees	3,468,084.77	1,164,006.93	1,760,301.66	-	2,871,790.04
Improvement fees	1,073,791.80	12,479,104.07	1,155,884.27	135,489.36	12,261,522.24
Others	486,018.74	6,020,922.72	577,954.65	1,082,606.25	4,846,380.56
Total	5,027,895.31	19,664,033.72	3,494,140.58	1,218,095.61	19,979,692.84

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

23. Deferred income tax assets and deferred income tax liabilities

(1) *Deferred income tax assets not yet offset*

Item	Balance at the end of year		Balance at the beginning of year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	46,838,215.48	9,523,045.58	40,850,448.29	9,006,132.15
Difference of fixed assets depreciation	2,922,245.28	588,959.85	943,156.19	141,473.42
Changes in fair value of financial assets at fair value through profit and loss of the period	-	-	5,375,060.00	806,259.00
Deferred income	26,228,063.49	4,141,630.41	24,145,083.03	3,700,029.13
Unrealised profit and loss on intra-group sales	2,481,175.96	426,821.24	2,481,175.96	620,293.99
Loss compensation	564,052.84	141,013.21	1,238,445.67	154,805.70
Share-based incentive	-	-	40,908,353.55	6,136,253.03
Long-term unamortized expenses	1,605,916.63	401,479.16	-	-
Total	80,639,669.68	15,222,949.45	115,941,722.69	20,565,246.42

(2) *Deferred income tax liabilities not yet offset*

Item	Balance at the end of year		Balance at the beginning of year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Change in fair value of investment properties	22,356,642.79	3,391,543.77	20,039,100.55	3,005,865.08
Total	22,356,642.79	3,391,543.77	20,039,100.55	3,005,865.08

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

23. Deferred income tax assets and deferred income tax liabilities

(3) Breakdown of unrecognized deferred income tax assets

Item	Amount at the end of year	Amount at the beginning of year
Deductible temporary difference	31,685,792.53	32,955,945.14
Deductible losses	180,760,893.52	126,378,730.07
Total	212,446,686.05	159,334,675.21

These deductible temporary differences and deductible losses are not recognized as deferred income tax assets because it is no longer probable that sufficient taxable profit in the future would be available to allow the benefit of deferred tax asset to be utilized.

(4) Deductible tax losses of unrecognised deferred income tax assets will expire by the following periods:

Item	Amount at the end of year	Amount at the beginning of year	Notes
2017	–	19,591,481.53	
2018	11,769,638.93	11,769,638.93	
2019	24,116,994.16	17,274,707.76	
2020	29,032,123.31	22,926,015.34	
2021	56,765,869.63	54,816,886.51	
2022	59,076,267.49	–	
Total	180,760,893.52	126,378,730.07	

24. Other non-current assets

Item	Balance at the end of year	Balance at the beginning of year
Payment for construction or equipment	192,891,698.08	173,249,401.27
Equity-based payment for acquisitions	–	24,180,001.00
Total	192,891,698.08	197,429,402.27

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

25. Short-term borrowings

(1) *Category of short-term borrowings*

Category of borrowings	Balance at the end of year	Balance at the beginning of year
Pledged borrowings	29,500,000.00	60,000,000.00
Guaranteed borrowings	68,359,000.00	17,890,200.00
Credit borrowings	1,774,778,100.25	1,657,971,988.25
Total	1,872,637,100.25	1,735,862,188.25

Pledged borrowings: as at the end of the year, short-term borrowings of RMB29,500,000.00 was secured by pledge of 18 buildings of Xiamen Oasis Environmental of book value of RMB113,127,100.00;

Guaranteed borrowings: was guaranteed with factoring and letter of guarantee provided by the Company in favour of Lik Shun Services, Jiangmen Dongjiang and Baoan Dongjiang.

As at 31 December 2017, weighted average rate of short-term borrowings was 4.40% (31 December 2016: 4.56%) per annum.

(2) The Company has no outstanding short-term borrowings overdue.

26. Accounts payable

(1) *Accounts payable*

Item	Amount at the end of year	Amount at the beginning of year
Raw material	344,840,864.01	340,231,613.10
Construction fees	189,697,017.86	179,520,813.84
Treatment fee	100,110,521.18	96,606,547.90
Equipment	37,464,737.25	65,586,873.07
Others	33,020,861.04	31,311,606.22
Total	705,134,001.34	713,257,454.13

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

26. Accounts payable (Continued)

(2) Age analysis of accounts payable

As at 31 December 2017, age analysis of accounts payable by invoice date are as follows:

Item	Amount at the end of year	Amount at the beginning of year
0-90 days	421,403,487.51	502,093,003.85
91-180 days	63,573,698.55	34,813,625.89
181-365 days	167,105,439.40	17,598,104.95
1-2 years	40,404,553.62	113,712,804.54
2-3 years	7,100,234.47	26,185,318.41
Over 3 years	5,546,587.79	18,854,596.49
Total	705,134,001.34	713,257,454.13

(3) Significant accounts payable aged over 1 year

Name	Balance at the end of year	Within 1 year	Over 1 year	Reason for not yet settled or carried forward
Jiangsu Guangxing Group Co., Ltd.	33,824,500.00	25,824,500.00	8,000,000.00	Not yet due
Weigang Environment Technology Limited	28,235,160.53	18,892,000.00	9,343,160.53	Not yet due
LIDA Environmental Engineering Limited	7,120,000.00	5,483,404.87	1,636,595.13	Not yet due
Xin Zhongtian Environment Protection Co., Ltd.	5,438,000.00	–	5,438,000.00	Not yet due
Shenzhen Crystal Energy Co., Ltd.	4,830,435.25	3,547,543.80	1,282,891.45	Not yet due
Guangdong Gaozhou Construction Engineering Corporation (廣東省高州市建築工程總公司)	3,608,620.20	540,000.00	3,068,620.20	Not yet due
Shenzhen Guohongyuan Transportation Co., Ltd. (深圳市國鴻源運輸服務有限公司)	3,199,657.00	621,105.30	2,578,551.70	Not yet due
China Nerin Engineering Co., Ltd.	2,963,576.12	1,666,661.05	1,296,915.07	Not yet due
Fujian Zhuoyue Hongchang Construction Materials and Equipment Co., Ltd.	2,010,000.00	–	2,010,000.00	Not yet due
Huizhou Tonghu Qiaochang Construction Project Co., Ltd. (惠州潼湖橋場建築工程公司)	1,237,950.00	–	1,237,950.00	Not yet due
Total	92,467,899.10	56,575,215.02	35,892,684.08	

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

27. Receipts in advance

(1) Receipts in advance

Item	Balance at the end of year	Balance at the beginning of year
Payments for goods	25,113,899.48	21,486,530.93
Treatment fees	113,934,610.51	78,263,689.71
Construction fees	–	19,750,000.00
Interest	–	2,697,626.67
Others	311,857.90	469,853.87
Total	139,360,367.89	122,667,701.18

(2) As at the end of the year, there are no significant receipts in advance aged over 1 year.

28. Employee benefits payables

(1) Categories of employee benefits payables

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Short-term emolument	48,995,344.60	464,401,022.22	450,500,609.39	62,895,757.43
Post-employment benefit – defined contribution schemes	29,275.12	26,791,793.70	26,739,263.33	81,805.49
Termination benefits	–	5,496,814.15	5,496,814.15	–
Total	49,024,619.72	496,689,630.07	482,736,686.87	62,977,562.92

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

28. Employee benefits payables (Continued)

(2) Short-term emolument

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Salaries, bonus, allowance and subsidies	47,969,038.98	405,403,561.39	393,245,542.72	60,127,057.65
Staff welfare	504,494.07	32,225,459.01	31,710,546.90	1,019,406.18
Social Insurance	4,706.93	11,094,660.13	11,078,245.30	21,121.76
Including: Medical insurance	916.53	9,057,777.92	9,041,328.48	17,365.97
Injury Insurance	3,579.10	1,169,218.42	1,171,129.04	1,668.48
Maternity	211.30	867,663.79	865,787.78	2,087.31
Housing provident fund	-5,907.85	11,108,324.77	11,027,691.83	74,725.09
Union operation cost and employee education fund	523,012.47	4,569,016.92	3,438,582.64	1,653,446.75
Total	48,995,344.60	464,401,022.22	450,500,609.39	62,895,757.43

(3) Defined contribution schemes

The Company participates in the social insurance schemes established by government authorities as required. Pursuant to such schemes, the Company makes contribution to the schemes in accordance with the relevant local government regulations. Apart from making the above contributions, the Company does not undertake further payment obligation. The corresponding expenses are charged to the profit or loss or the cost of relevant assets for the period in which they incurred.

The contribution payable to pension, annuity and unemployment insurance schemes by the Company during the year is as follows

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Basic pension	29,254.82	25,585,437.51	25,534,851.88	79,840.45
Unemployment insurance	20.30	963,926.94	961,982.20	1,965.04
Mandatory provident fund	-	242,429.25	242,429.25	
Total	29,275.12	26,791,793.70	26,739,263.33	81,805.49

Contribution payable to defined contribution schemes by the Company was RMB26,791,793.70 for the year (2016: RMB22,501,620.87). As at 31 December 2017, the Company has an outstanding balance of RMB81,805.49 (as at 31 December 2016: RMB29,275.12) payable which is overdue in the reporting period. The amount payable was paid subsequent to the reporting period.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

29. Tax payable

Item	Balance at the end of year	Balance at the beginning of year
VAT	29,563,602.75	20,350,045.92
EIT	21,639,690.00	63,093,520.12
Individual income tax	1,761,966.92	1,110,255.45
Urban maintenance and construction tax	2,010,844.44	1,469,532.89
Education surcharge	1,496,721.28	1,084,184.42
Land use tax	2,691,384.73	3,915,272.07
Property tax	2,571,057.95	2,850,423.29
Stamp duty	40,577.14	27,240.26
Others	35,448.03	370,427.24
Total	61,811,293.24	94,270,901.66

As at the end of the year, tax payable does not include Hong Kong Profit Tax.

30. Interest payable

Item	Balance at the end of year	Balance at the beginning of year
Interest payable on bank borrowings	891,381.67	492,344.62
Total	891,381.67	492,344.62

31. Dividend payable

Item	Balance at the end of year	Balance at the beginning of year
Dividend of ordinary shares	6,593,410.01	2,240,850.00
Total	6,593,410.01	2,240,850.00

As at the end of the year, there is no significant dividend payable overdue for over 1 year.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

32. Other payables

(1) Other payables categorized by nature

Nature	Balance at the end of year	Balance at the beginning of year
Share-based payment for repurchases	124,677,510.00	210,095,760.00
Equity-based payment for acquisitions	92,373,978.64	94,247,728.64
Guaranteed deposits	15,746,253.97	22,441,101.30
Provisions	1,533,260.91	1,706,189.24
Receipts on behalf of third parties	5,399,921.40	6,047,753.14
Others	67,496,750.27	51,837,829.34
Total	307,227,675.19	386,376,361.66

(2) Significant other payables aged over 1 year

Name	Balance at the end of year	Within 1 year	Over 1 year	Reason for not yet settled or carried forward
Zhejiang Hualian Group Co., Ltd.	12,028,000.00	-	12,028,000.00	Amount due to minority interests prior to acquisition of subsidiary
Sichuan Xingli Wheel Co., Ltd.	4,400,000.00	-	4,400,000.00	These subsidiaries have ceased operation, hence it is uncertain whether payment is required
The People's Government of Qingbaijiang, Chengdu Province	1,600,000.00	-	1,600,000.00	These subsidiaries have ceased operation, hence it is uncertain whether payment is required
Meng Xianlin	1,152,133.34	-	1,152,133.34	Amount for share transfer due to minority shareholders of Hengshui Ruitao
Total	19,180,133.34	-	19,180,133.34	

33. Non-current liabilities due within 1 year

Item	Amount at the end of year	Amount at the beginning of year
Long-term borrowings due within 1 year (Note VI.35)	4,500,000.00	294,791,061.75
Long-term payables due within 1 year (Note VI.37)	1,631,610.36	1,755,243.70
Total	6,131,610.36	296,546,305.45

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

34. Other current liabilities

(1) Categories of other current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Deferred income of government grants related to assets carry over within 1 year (Note VI.39)	7,384,032.79	7,063,249.92
Unrecognised gain on sale and lease-back transaction under finance lease due within 1 year	–	–
Total	7,384,032.79	7,063,249.92

(2) Government grants

Government grant item	Balance at the beginning of year	Amount of new subsidies during the year	Amount of non-operating income during the year	Other changes	Balance at the end of year	Related to assets/income
Clinical waste treatment plant project	474,895.60	–	474,895.61	400,664.16	400,664.15	Related to asset
Waste electrical appliances recycle treatment plant renovation and expansion project	452,202.84	–	452,202.84	419,505.04	419,505.04	Related to asset
Recycling system building project of Resource Recycling	373,394.76	–	373,394.76	316,394.76	316,394.76	Related to asset
Xiang'an District Xinxu Town subsidy	134,000.00	–	134,000.00	134,000.00	134,000.00	Related to asset
Subsidies for clinical waste treatment	25,000.00	–	25,000.00	25,000.00	25,000.00	Related to asset
Special construction funds from NDRC	900,000.00	–	900,000.00	900,000.00	900,000.00	Related to asset
Industrial park development subsidy funds	546,780.60	–	546,780.60	546,780.60	546,780.60	Related to asset
Resource saving and environment protection engineering funding of Renewable Energy	849,999.96	–	849,999.96	849,999.96	849,999.96	Related to asset
Special funds of Shenzhen government for energy-saving and emission-reduction projects	80,000.03	–	80,000.14	80,000.14	80,000.03	Related to asset
Special Funds of Shenzhen Environmental Protection Project	399,999.94	–	399,999.77	399,999.77	399,999.94	Related to asset

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

34. Other current liabilities (Continued)

(2) Government grants (Continued)

Government grant item	Balance at the beginning of year	Amount of new subsidies during the year	Amount of non-operating income during the year	Other changes	Balance at the end of year	Related to assets/income
Economy recycling and energy saving and emission reduction special funds/RO membrane	86,000.03	-	86,000.13	86,000.13	86,000.03	Related to asset
Environmental special fund for Baoan Energy	300,000.00	-	300,000.00	300,000.00	300,000.00	Related to asset
Special funds for environmental protection projects	356,083.08	-	356,083.08	356,083.08	356,083.08	Related to asset
Land return fund and farmland occupied tax, deed tax return	1,338,094.48	-	1,338,094.48	1,338,094.48	1,338,094.48	Related to asset
2013 support enterprise development funds	260,000.00	-	260,000.00	260,000.00	260,000.00	Related to asset
2014 economy recycling development special funds	389,314.19	-	97,484.41	-194,345.37	97,484.41	Related to asset
Compensation for demolition	97,484.41	-	383,464.99	669,445.57	383,464.99	Related to asset
Incentives of Fujian Oasis for deep emission reduction of major pollution sources	-	-	-	216,000.00	216,000.00	Related to asset
Special engineering funds by way of incentives rather than subsidies of Longyan Oasis for hazardous waste treatment	-	-	-	157,894.68	157,894.68	Related to asset
Subsidies for Food Waste Project of Shenzhen Environmental Hygiene Management Office	-	-	-	116,666.64	116,666.64	Related to asset
Total	7,063,249.92		7,057,400.77	7,378,183.64	7,384,032.79	

Other movement represents transfer from reclassification of deferred income of RMB7,378,183.64.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

35. Long-term borrowings

Item	Amount at the end of year	Amount at the beginning of year
Long-term bank borrowings	297,054,335.54	692,702,048.74
Less: Amount due within one year and showed under non-current liabilities due within one year (Note VI.33)	4,500,000.00	294,791,061.75
Long-term borrowings due after one year	292,554,335.54	397,910,986.99

(1) Categories of borrowings

Categories of borrowings	Amount at the end of year	Amount at the beginning of year
Secured borrowings (Note 1)	4,500,000.00	105,204,338.31
Pledged borrowings (Note 2)	157,343,150.00	130,779,000.00
Guaranteed borrowings (Note 3)	135,211,185.54	307,318,710.43
Credit borrowings	–	149,400,000.00
Total	297,054,335.54	692,702,048.74
The carrying value of the above borrowings are payable as follows:		
Within 1 year	4,500,000.00	294,791,061.75
1-2 years	3,000,000.00	92,904,921.67
2-5 years	229,711,185.54	282,670,847.72
Over 5 years	59,843,150.00	22,335,217.60
Total	297,054,335.54	692,702,048.74

Interest rate for long-term bank borrowings was 4.75%-6.60%, with weighted average rate of 5.23% (2016: interest rate for long-term borrowings was 4.04%-7.04%, with weighted average rate of 5.77%).

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

35. Long-term borrowings (Continued)

(1) Categories of borrowings (Continued)

Note 1: Secured borrowings were primarily secured by 40% equity of Shaoguan Recycling Resource held by the Company.

Note 2: Pledged borrowings were primarily secured by pledge of the land use right of industrial land of 49,635.00 square meters with a term from 10 December 2015 to 9 December 2062 held by Coastal Solid Waste of the Company, 18 buildings with an appraised value of RMB113,127,100.00 held by Xiamen Oasis Environmental, property and land with an appraised value of RMB123,060,000.00 held by Tianyin Hazardous Waste Disposal and all properties with the estimated value of RMB95,019,374.00 held by Li Yonghan, a natural person, and Zhuhai Yongxingsheng.

Note 3: Guaranteed borrowings were borrowings granted to subsidiaries secured by the guarantee to the bank provided by the Company.

36. Bond payables

(1) Categories of bond payables

Item	Balance at the end of year	Balance at the beginning of year
2014 Corporate Bond (first tranche) of Dongjiang Environmental Company Limited	358,013,680.70	357,165,749.95
2017 Green Bond of Dongjiang Environmental Company Limited	621,332,018.82	–
Asset-backed Project in relation to the GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project	310,381,337.03	–
Total	1,289,727,036.55	357,165,749.95
The carrying value of the above bonds are repayable as follows:		
Within 1 year	–	–
After 1 year from the balance sheet date but within 2 years	358,013,680.70	–
After 2 years from the balance sheet date but within 5 years	649,799,183.35	357,165,749.95
After 5 years from the balance sheet date	281,914,172.50	–
Less: Amount of bonds due within one year shown under current liabilities	–	–
Amount of bonds shown under non-current liabilities	–	–

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

36. Bond payables (Continued)

(2) Movement of bond payables (excluding other financial instruments such as preferential shares classified as financial liabilities and perpetual bonds)

Name of bond	Total carrying amount		Term of bond	Amount issued	Balance at the beginning of year	Issued during the year	Interest provision		Repayment during the year	Payment of underwriting fee	Balance at the end of year
	amount	Issue date					based on carrying amount	Premium/ discounts amortization			
Corporate Bond	350,000,000.00	2014-8-1	5 years	350,000,000.00	357,165,749.95	-	22,750,000.00	847,930.75	22,750,000.00	-	358,013,680.70
Green Bond	600,000,000.00	2017-3-10	3 years	600,000,000.00	-	600,000,000.00	24,500,000.00	-3,167,981.18	-	-	621,332,018.82
Humen Green 01	41,000,000.00	2017-3-15	3 years	41,000,000.00	-	41,000,000.00	1,399,242.63	-6,433,067.40	7,499,010.70	-	28,467,164.53
Humen Green 02	49,000,000.00	2017-3-15	6 years	49,000,000.00	-	49,000,000.00	1,599,132.37	-	1,073,236.07	-	49,525,896.30
Humen Green 03	58,000,000.00	2017-3-15	9 years	58,000,000.00	-	58,000,000.00	1,898,969.87	-	1,270,361.07	-	58,628,608.80
Humen Green 04	69,000,000.00	2017-3-15	12 years	69,000,000.00	-	69,000,000.00	2,298,755.13	-	1,511,291.61	-	69,787,463.52
Humen Green 05	83,000,000.00	2017-3-15	15 years	83,000,000.00	-	83,000,000.00	2,790,134.37	-	1,817,930.49	-	83,972,203.88
Subordinated bond	20,000,000.00	2017-3-15	15 years	20,000,000.00	-	20,000,000.00	-	-	-	-	20,000,000.00
Total	1,270,000,000.00			1,270,000,000.00	357,165,749.95	920,000,000.00	57,236,234.37	-8,753,117.83	35,921,829.94	-	1,289,727,036.55

In 2014, the Company issued 5-year bonds with total carrying value of RMB350 million at the rate of 6.5% per annum, with interest payable on 1 August of each year, and principal repayable upon expiry along with last installment of interest. The actual net subscription payment received by the Company was approximately RMB346 million, with actual interest rate of 6.78%;

During the year, the Company issued 3-year bonds with total carrying value of RMB600 million at the rate of 4.9% per annum, with interest payable on 31 December of each year, and principal repayable upon expiry. The actual net subscription payment received by the Company was approximately RMB596,263,136.82, with actual interest rate of 5.04%;

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

36. Bond payables (Continued)

(2) *Movement of bond payables (excluding other financial instruments such as preferential shares classified as financial liabilities and perpetual bonds) (Continued)*

Humen Green, a subsidiary, set up GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project on 15 March 2017, which includes senior asset-backed securities (senior 01 tranche-senior 05 tranche) and subordinated asset-backed securities. Senior asset-backed securities were fully subscribed for by China Minsheng Banking Corp., Ltd. and the subordinated asset-backed securities were fully subscribed for by Humen Green. The actual amount of funds received for the Project by Humen Green was RMB320 million. The breakdown of the asset-backed securities is as follows: The issuing size of Humen Green 01 was RMB41 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2020, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of Humen Green 02 was RMB49 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2023, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of Humen Green 03 was RMB58 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2026, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of Humen Green 04 was RMB69 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2029, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of Humen Green 05 was RMB83 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2032, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of the subordinated asset-backed securities was RMB20 million with no expected rate of return and they were expected to mature on 21 March 2032, and subordinate return would be distributed after settlement of principal of all senior securities.

37. Long-term payables

Item	Balance at the end of year	Balance at the beginning of year
Financial lease payables	3,323,208.60	3,802,556.75
Less: amount due within 1 year (note VI.33)	1,631,610.36	1,755,243.70
Amount due after 1 year	1,691,598.24	2,047,313.05
Others	—	—
Total	1,691,598.24	2,047,313.05

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

37. Long-term payables (Continued)

(1) Breakdown of financial lease payables

Financial lease payable is the net minimum lease payment under financial lease, net of unrecognized financial cost, with the breakdown as follows:

Name	Balance at the end of year		Amount at the beginning of year	
	Foreign currency (HKD) (exchange rate: 0.8359)	Amount in RMB	Foreign currency (HKD) (exchange rate: 0.89451)	Amount in RMB
China Merchants Bank Financial Leasing Co., Ltd.	-	-	-	-
China Construction Bank (Asia) Corporation Limited	1,142,959.15	955,399.55	2,478,672.92	2,217,197.71
The Bank of East Asia, Limited	-	-	174,343.06	155,951.61
Wing Hang Bank Limited	-	-	-	-
OCBC Wing Hang Bank Limited	2,832,646.31	2,367,809.05	1,597,978.14	1,429,407.43
Total		3,323,208.60		3,802,556.75

(2) The Company subsequently calculates these long-term payables using the actual interest rate approach based on amortized costs.

(3) As at the end of the year, minimum lease payment under financial lease falls due as follows:

Item	Balance at the end of year	Amount at the beginning of year
Within 1 year	1,751,648.43	1,813,081.42
1-2 year(s)	855,478.45	1,467,912.38
2-3 years	524,694.43	464,787.40
Over 3 years	411,576.34	116,196.85
Sub-total	3,543,397.65	3,861,978.05
Less: unrecognized finance cost	220,189.05	59,421.30
Total	3,323,208.60	3,802,556.75

The Company amortizes unrecognized finance cost over each period during lease term using the actual interest rate approach, which should base on borrowing cost policy.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

38. Special accounts payable

Item	Balance at the beginning of year	Increase during the period	Decrease during the period	Balance at the end of year
Compensation for demolition	–	4,500,000.00	2,424,740.51	2,075,259.49
Total	–	4,500,000.00	2,424,740.51	2,075,259.49

Compensation for demolition represents compensation that a subsidiary, Baoan Dongjiang, received from Land Planning Bureau of Shenzhen Baoan District in respect of demolition of Dormitory B and the factory shed.

39. Deferred income

(1) Categories of deferred income

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year	Reason
Government grants	152,709,774.72	12,659,983.08	9,472,020.58	155,897,737.22	
Total	152,709,774.72	12,659,983.08	9,472,020.58	155,897,737.22	

(2) Government-funded projects

Government-funded projects	Balance at the beginning of year	Increase of grants during the year	Amount included in non-operating income during the year	Other changes	Balance at the end of year	Related to assets/income
Clinical waste treatment plant project	1,354,256.14	–	–	400,664.16	953,591.98	Related to assets
Waste electrical appliances recycle treatment plant renovation and expansion project	1,511,256.41	–	–	419,505.04	1,091,751.37	Related to assets
Construction funds for recycling system of Resource Recycling	2,113,073.16	–	–	316,394.76	1,796,678.40	Related to assets
Subsidies for Xiang'an District Xinxu Town	648,666.67	–	–	134,000.00	514,666.67	Related to assets
Subsidies for clinical waste treatment	75,000.00	25,000.00	25,000.00	25,000.00	50,000.00	Related to assets
Special construction funds from NDRC	3,975,000.00	–	–	900,000.00	3,075,000.00	Related to assets
Special subsidies for Northern Guangdong sewage treatment	5,000,000.00	–	–	–	5,000,000.00	Related to assets
Northern Guangdong agent construction project	4,636,000.00	–	–	–	4,636,000.00	Related to assets
Subsidies for industrial park development	20,094,225.82	–	–	546,780.60	19,547,445.22	Related to assets
Resource saving and environment protection engineering funding of Resource Recycling	2,345,833.62	–	–	849,999.96	1,495,833.66	Related to assets

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

39. Deferred income (Continued)

(2) Government-funded projects (Continued)

Government-funded projects	Balance at the beginning of year	Increase of grants during the year	Amount included in non-operating income during the year	Other changes	Balance at the end of year	Related to assets/income
Special funds for Shenzhen Environmental Protection Project	2,000,000.06	-	-	399,999.77	1,600,000.29	Related to assets
Special funds from Shenzhen government for energy-saving and emission-reduction projects	399,999.97	-	-	80,000.14	319,999.83	Related to assets
Wastewater treatment re-construction projects	0.01	-	0.01	-	-	Related to assets
Special funds for central environmental protection projects	6,142,433.27	356,083.08	356,083.07	356,083.08	5,786,350.20	Related to assets
Other resource exploration electricity information (Xiaping kitchen waste)	5,000,000.00	-	-	-	5,000,000.00	Related to assets
Special funds for central environmental protection projects of Baoan Energy	925,000.00	-	-	300,000.00	625,000.00	Related to assets
Technical research project on contamination control during recycling process of waste electrical and electronic appliances and environmental safety control on recycled products	1,305,000.00	-	672,217.37	-	632,782.63	Related to assets
Special funds for 2014 provincial circular economy development	780,660.05	-	-	-194,345.37	975,005.42	Related to assets
Special funds for circular economy and energy saving and emission reduction/RO membrane	207,833.28	-	-	86,000.13	121,833.15	Related to assets
Special funds for energy saving and development of environmental protection industry in Shenzhen	5,000,000.00	-	-	-	5,000,000.00	Related to assets
Technical research on contamination control during recycling process of waste electrical and electronic appliances and environmental safety control on recycled product	870,000.00	-	-	-	870,000.00	Related to assets
Hazardous waste liquid and waste water treatment technology engineering laboratory project in Shenzhen	5,000,000.00	-	-	65,811.96	4,934,188.04	Related to assets
Supporting project for 863 Project	80,000.00	-	-	-	80,000.00	Related to assets
Funds for land return and farmland occupation tax and deed tax return	62,059,556.48	628,900.00	628,900.00	1,338,094.48	60,721,462.00	Related to assets
Special funds for 2013 enterprise development support	628,333.33	-	-	260,000.00	368,333.33	Related to assets
Research and development on cascade recycling and reuse technology of waste acid etching solution -Special project	1,500,000.00	-	-	-	1,500,000.00	Related to assets

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

39. Deferred income (Continued)

(2) Government-funded projects (Continued)

Government-funded projects	Balance at the beginning of year	Increase of grants during the year	Amount included in non-operating income during the year	Other changes	Balance at the end of year	Related to assets/income
Integration and demonstration project of sludge reduction, nitrogen and phosphorus recycling, methane production and technology enhancement in municipal sewage treatment	1,600,000.00	-	-	-	1,600,000.00	Related to assets
Food Waste Project of Shenzhen Environmental Hygiene Management Office	1,400,000.00	-	116,666.64	116,666.64	1,166,666.72	Related to assets
Compensation for demolition	3,057,646.45	-	-	669,445.57	2,388,200.88	Related to assets
Dongheng Konggang Industrial Park Technology Supporting Funds	13,000,000.00	2,000,000.00	-	-	15,000,000.00	Related to assets
End gas denitration system of generating units of Xiaping Power Plant of Shenzhen Dongjiang Environment Recycled Resources Co., Ltd.	-	2,200,000.00	-	-	2,200,000.00	Related to assets
Subsidies for rainwater biofiltration technology research and development project	-	1,000,000.00	-	-	1,000,000.00	Related to assets
Awards for deep emission reduction of key pollution sources of Fujian Oasis	-	1,620,000.00	216,000.00	216,000.00	1,188,000.00	Related to assets
Special funds for hazardous waste treatment	-	3,000,000.00	-	-	3,000,000.00	Related to assets
Rural water supply and drainage model optimization system based on ecological and health risk control	-	90,000.00	-	-	90,000.00	Related to assets
The safest water- supply technology and application demonstration in the mode of fetching handy water to purify	-	50,000.00	-	-	50,000.00	Related to assets
Integration solution and control technology system for rural water supply and drainage	-	50,000.00	-	-	50,000.00	Related to assets
Research on application of nanotechnology in control on heavy metal pollution in the industrial cluster	-	1,140,000.00	-	-	1,140,000.00	Related to assets
Special funds for project package with rewards rather than subsidies in respect of hazardous waste treatment of Longyan Oasis	-	500,000.00	13,157.89	157,894.68	328,947.43	Related to assets
Total	152,709,774.72	12,659,983.08	2,028,024.98	7,443,995.60	155,897,737.22	

Other changes represents transfer to other current liabilities of RMB7,378,183.64 (see note VI.34) and purchase of equipments of RMB65,811.96.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

40. Other non-current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Unrealized gain on sale and lease-back transaction under finance lease	–	252,644.91
Less: carry forward within 1 year and listed under current liability	–	252,644.91
Unrealized gain on sale and lease-back transaction under finance lease carry forward after 1 year	–	–
863 Project	2,813,900.00	2,813,900.00
Compensation for demolition	–	–
Total	2,813,900.00	2,813,900.00

41. Share capital

The movement of authorized, issued and paid-up share capital of the Company is as follows. All shares of the Company are ordinary shares with a par value of RMB1 per share.

During the Year

Item	Balance at the beginning of year	Issue of new shares	Movement during the year (+, -)				Sub-total	Balance at the end of year
			Grant of shares	Transfer of shares from reserve	Others			
Total amount of shares	887,152,102.40	1,380,000	–	–	-295,000	1,085,000.00	888,237,102.40	

On 28 September 2017, the Company convened the 5th Meeting of the 6th session of the Board to consider and approve the “Resolution on the grant of reserved restricted shares to incentive objects” and determined the date of grant was 28 September 2017 to grant 1,380,000 restricted shares to 47 incentive objects.

On 29 March 2017, the Company convened the 68th Meeting of the 5th session of the Board to consider and approve the “Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants of 2013 Restricted Share Incentive Scheme” and “Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants of 2016 Restricted Share Incentive Scheme” to repurchase and cancel 295,000 restricted shares granted but not yet unlocked from 6 former incentive participants who ceased to be qualified as they had resigned for personal reasons and completed the relevant procedures for leaving office.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

41. Share capital (Continued)

During last year

Item	Balance at the beginning of year	Issue of new shares	Movement during the year (+, -)			Sub-total	Balance at the end of year
			Grant of shares	Transfer of shares from reserve	Others		
Total amount of shares	869,382,102.40	18,140,000.00	-	-	-370,000.00	17,770,000.00	887,152,102.40

42. Capital reserve

During the year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Share premium	478,007,350.37	9,784,200.00	2,114,940.00	485,676,610.37
Other capital reserves	40,908,353.55	22,372,195.14	43,129,786.39	20,150,762.30
Total	518,915,703.92	32,156,395.14	45,244,726.39	505,827,372.67

During the Year, increase in share premium under capital reserve was attributable to premium of share incentives, decrease in share premium was attributable to the repurchase and cancellation of restricted shares not yet unlocked that are held by former participants who had left office, increase in other capital reserve was attributable to equity-based incentive fees, and decrease in other capital reserve was attributable to the acquisition of minority interests of subsidiaries.

During last year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Share premium	327,750,582.86	151,937,014.10	1,680,246.59	478,007,350.37
Other capital reserves	33,166,851.49	7,741,502.06	-	40,908,353.55
Total	360,917,434.35	159,678,516.16	1,680,246.59	518,915,703.92

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

43. Treasury shares

During the year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Treasury shares	210,095,760.00	13,669,500.00	99,087,750.00	124,677,510.00
Total	210,095,760.00	13,669,500.00	99,087,750.00	124,677,510.00

The increase in treasury shares for the year was attributable to the repurchase obligation of restricted shares, and the decrease was attributable to discharge of repurchase obligation.

During the last year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Treasury shares	99,934,300.00	157,999,400.00	47,837,940.00	210,095,760.00
Total	99,934,300.00	157,999,400.00	47,837,940.00	210,095,760.00

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

44. Other comprehensive income

Item	Balance at the beginning of year	Incurred during the year, before income tax	Incurred during the year		Less: income tax expense	Attributable to parent company after tax	Attributable to minority interests after tax	Balance at the end of year
			Incurring amount previously recognized in other comprehensive income and transferred to profit and loss during the period	Less: amount previously recognized in other comprehensive income and transferred to profit and loss during the period				
I. Other comprehensive income that cannot be reclassified to profit and loss in future periods	-	-	-	-	-	-	-	-
II. Other comprehensive income that will be reclassified to profit and loss in future periods	3,060,802.36	-496,036.13	-	-	-	-496,036.13	-	2,564,766.23
Including: exchange difference on translation of financial statement in foreign currency	-448,898.84	-496,036.13	-	-	-	-496,036.13	-	-944,934.97
The excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value	3,509,701.20	-	-	-	-	-	-	3,509,701.20
Total	3,060,802.36	-496,036.13	-	-	-	-496,036.13	-	2,564,766.23

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

45. Special reserves

During the year

Item	Amount at the beginning of the year	Increase during the year	Decrease during the year	Amount at the end of the year
Safety production fees	1,912,526.46	3,124,876.10	1,908,960.34	3,128,442.22
Total	1,912,526.46	3,124,876.10	1,908,960.34	3,128,442.22

During last year

Item	Amount at the beginning of the year	Increase during the year	Decrease during the year	Amount at the end of the year
Safety production fees	146,004.53	2,609,474.34	842,952.41	1,912,526.46
Total	146,004.53	2,609,474.34	842,952.41	1,912,526.46

According to the regulations of "Management Measures of Extraction and Usage of Enterprise Safety Production Costs" (Cai Qi [2012]16) issued by Ministry of Finance and State Administration of Work Safety, the safety production fees of Qingdeng Wastes Treatment and Longgang Dongjiang, subsidiaries of the Company, were extracted using excess regressive method every month.

The scope of using the safety production fees mainly includes the expenses below: 1. improvement, renovation and maintenance of safety equipment, facilities expenses; 2. expenses for the equipment of necessary emergency rescue equipment, equipment and field operations personnel security items; 3. safety inspection and evaluation expenditure; 4. evaluation of major hazards, major accident hazards, rectification, monitoring expenditure; 5. safety skills training and emergency rescue drill expenditure; 6. other expenditures directly related to safety production.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

46. Surplus reserve

During the year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of the year
Statutory surplus reserve	190,854,508.48	8,401,212.96	–	199,255,721.44
Total	190,854,508.48	8,401,212.96	–	199,255,721.44

During last year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Statutory surplus reserve	153,885,483.70	36,969,024.78	–	190,854,508.48
Total	153,885,483.70	36,969,024.78	–	190,854,508.48

According to Chinese law and regulation, as well as the articles of the Company, each subsidiary of the Company have to transfer 10% of after tax income to statutory surplus reserve every year, until such balance equals to 50% of the registered capital. Surplus reserves can be used to offset any future losses as well as increase share capital. Any uses other than to reduce losses must not result in surplus reserves lower than 25% of the registered capital.

47. General risk provision

During the year

Item	Amount at the end of year	Amount at the beginning of year	Proportion of provisions (%)
General risk provision	4,114,125.00	4,114,125.00	1.5
Total	4,114,125.00	4,114,125.00	

General risk provision represented loan risk provision made by Huiyuan Micro Finance, a subsidiary of the Company.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

48. Unallocated profit

During the year

Item	Amount	Percentage of withdrawal or allocation (%)
Amount at the end of last year	1,892,980,408.00	
Add: Unallocated profit adjustment at the beginning of year	–	
Amount at the beginning of the year	1,892,980,408.00	
Add: Net profit attributable to shareholders of the parent company during the year	473,375,978.13	
Less: Withdrawal of statutory surplus reserve	8,401,212.96	10
Appropriation to general risk provision	–	
Dividend payable of ordinary shares	107,309,709.34	
Amount at the end of the year	2,250,645,463.83	

During last year

Item	Amount	Percentage of withdrawal or allocation (%)
Amount at the end of last year	1,467,253,273.48	
Add: Unallocated profit adjustment at the beginning of year	–	
Amount at the beginning of the year	1,467,253,273.48	
Add: Net profit attributable to shareholders of the parent company during the year	533,813,817.46	
Less: Withdrawal of statutory surplus reserve	36,969,024.78	10
Appropriation to general risk provision	1,640,490.00	
Dividend payable of ordinary shares	69,477,168.16	
Amount at the end of the year	1,892,980,408.00	

Statutory surplus reserve of the year was provided based on 10% of net profit.

Dividends declared and paid and proposed to be paid during the Track Record Period are as follows:

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

48. Unallocated profit *(Continued)*

(a) For the year ended 31 December 2017

Pursuant to the resolution passed at the Board meeting on 29 March 2017, and the shareholders' resolution passed at the 2016 Annual General Meeting, the First Class Meeting of Holders of A Shares in 2017 and the First Class Meeting of Holders of H Shares in 2017 dated 26 June 2017, the payment of cash dividend of RMB1.21 (including taxes) distributed by the Company to all shareholders for every 10 shares they held based on the total share capital of the Company of 886,857,102 shares (i.e. 887,152,102 shares less the proposed repurchase of cancelled restricted shares not yet unlocked under share-based incentive of 295,000 shares) was considered and approved. The total cash dividend to be distributed will be RMB107,309,709.34. The remaining distributable profit will be carried forward with no bonus shares will be awarded and no capital reserves will be converted into shares.

(b) For the year ended 31 December 2016

Pursuant to the resolution passed at the Board meeting on 24 March 2016, and the shareholders' resolution passed at the 2015 Annual General Meeting, the First Class Meeting of Holders of A Shares in 2016 and the First Class Meeting of Holders of H Shares in 2016 dated 6 June 2016, the payment of cash dividend of RMB0.80 (including taxes) distributed by the Company to all shareholders for every 10 shares they held based on the total share capital of the Company of 869,382,102 shares was considered and approved. The total cash dividend to be distributed will be RMB69,550,568.16. The remaining distributable profit will be carried forward with no bonus shares will be awarded and no capital reserves will be converted into shares. In addition, the reversal of dividends of the restricted shares not yet unlocked that were held by former incentive participants who have resigned in 2016 was RMB73,400.00.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

49. Minority interests

Minority interests attributable to minority shareholders of each subsidiary

Name of subsidiary	Proportion of minority interest (%)	Amount at the end of year	Amount at the beginning of year
Dongjiang Heritage	38	19,088,663.42	16,655,142.56
Longgang Dongjiang	46	77,400,897.76	94,864,203.68
Qingdeng Wastes Treatment	49	57,792,315.86	45,832,806.34
Hunan Dongjiang	5	780,673.27	735,523.08
Qingyuan Xinlv	37.5	41,910,646.71	38,777,063.34
Jiaxing Deda	49	33,944,525.95	29,124,114.17
Dongjiang Shangtian	49	–	3,311,588.76
Coastal Solid Waste	25	17,399,527.16	26,819,627.15
Xiamen Oasis Environmental	40	87,527,967.30	150,030,507.91
Xiamen Dongjiang	40	70,259,014.61	
Wosen Environmental	17.18	10,532,501.93	8,538,099.01
Jiangmen Fine Chemical	100	–	6,903,453.99
Shaoxing Dongjiang	48	-208,693.90	-256,393.47
Jiangxi Kangtai	49	4,825,269.13	10,334,713.34
Green Environmental	45	24,092,797.79	24,092,797.79
Hubei Tianyin	40	11,911,973.82	10,357,221.54
Zhuhai Yongxingsheng	20	27,479,049.20	20,164,572.96
Humen Green	10	10,147,579.80	8,636,175.22
Hengshui Ruitao	15	7,473,673.50	7,470,587.65
Dongheng Konggang	43.75	27,623,380.45	27,777,645.53
Zhejiang Jianglian	40	34,105,410.40	27,106,685.87
Zhenjiang Dongjiang	40	738,340.37	1,522,658.84
Weifang Blue Sea	30	17,900,366.56	17,999,737.82
Huangshi Dongjiang	30	189,792.64	–
Tangshan Wandesi	20	9,836,368.48	–
Total		592,752,042.21	576,798,533.08

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

50. Net current assets

Item	Amount at the end of year	Amount at the beginning of year
Current assets	3,036,408,740.99	2,711,693,259.53
Less: current liabilities	3,170,148,435.66	3,407,801,976.59
Net current assets	-133,739,694.67	-696,108,717.06

51. Total assets less current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Total assets	9,240,147,372.47	8,189,148,516.08
Less: current liabilities	3,170,148,435.66	3,407,801,976.59
Total assets less current liabilities	6,069,998,936.81	4,781,346,539.49

52. Borrowings

Borrowings of the Company are summarized as follows:

Item	Amount at the end of year	Amount at the beginning of year
Short-term bank borrowings	1,872,637,100.25	1,735,862,188.25
Long-term borrowings	297,054,335.54	692,702,048.74
Bonds payable	1,289,727,036.55	357,165,749.95
Obligations under finance lease	3,323,208.60	3,802,556.75
Total	3,462,741,680.94	2,789,532,543.69

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

52. Borrowings (Continued)

(1) Analysis of borrowings

Item	Amount at the end of year	Amount at the beginning of year
Bank borrowings		
– repayable within 1 year	1,877,137,100.25	2,030,653,250.00
– repayable after 1 year	292,554,335.54	397,910,986.99
Sub-total	2,169,691,435.79	2,428,564,236.99
Other borrowings		
– repayable within 1 year	1,631,610.36	1,755,243.70
– repayable after 1 year	1,291,418,634.79	359,213,063.00
Sub-total	1,293,050,245.15	360,968,306.70
Total	3,462,741,680.94	2,789,532,543.69

Other borrowings represents the total amount of short-term bank borrowings, long-term borrowings, bonds payable, obligations under finance lease under table 1, excluding bank borrowings (borrowings from financial institutes).

(2) Analysis of maturity of borrowings

Bank borrowings:

Item	Amount at the end of year	Amount at the beginning of year
On demand or within 1 year	1,877,137,100.25	2,030,653,250.00
1-2 years	3,000,000.00	92,904,921.67
2-5 years	229,711,185.54	282,670,847.72
Over 5 years	59,843,150.00	22,335,217.60
Total	2,169,691,435.79	2,428,564,236.99

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

52. Borrowings (Continued)

(2) Analysis of maturity of borrowings (Continued)

Other borrowings:

Item	Amount at the end of year	Amount at the beginning of year
On demand or within 1 year	1,631,610.36	1,755,243.70
1-2 years	1,691,598.24	1,403,884.31
2-5 years	1,289,727,036.55	357,809,178.69
Total	1,293,050,245.15	360,968,306.70

53. Operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	3,099,658,647.44	1,987,509,300.10	2,617,076,763.36	1,671,757,249.99
Other businesses	–	–	–	–
Total	3,099,658,647.44	1,987,509,300.10	2,617,076,763.36	1,671,757,249.99

Revenue from main businesses (turnover of the Company) represents the net amounts received and receivables for sale of goods and rendering of services by the Company to outside customers, less trade discounts during the year.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

53. Operating revenue and operating costs (Continued)

(1) Main businesses – by business categories

Product name	Amount of the year		Amount of last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Industrial waste recycling	1,181,528,804.30	859,206,068.70	791,230,577.75	530,771,527.08
Industrial waste treatment and disposal	1,167,436,763.04	610,084,304.10	843,267,265.74	421,806,795.79
Municipal waste treatment and disposal	192,959,514.67	168,293,339.43	305,774,583.08	239,066,043.72
Renewable energy utilization	92,982,463.50	58,960,461.94	91,864,323.28	58,521,773.51
Environmental engineering and services	279,820,620.98	207,858,164.67	245,432,137.01	186,500,504.42
Trading and others	73,847,603.38	35,692,798.26	71,226,841.91	28,815,258.53
Dismantling household appliances	57,310,913.88	47,414,163.00	220,635,047.81	206,275,346.94
Interest income from small-scale loans	53,771,963.69	-	47,645,986.78	-
Total	3,099,658,647.44	1,987,509,300.10	2,617,076,763.36	1,671,757,249.99

(2) Percentage of purchase from the largest supplier is 1.57%, where percentage of purchase from the five largest suppliers is 7.14%;

Percentage of turnover or sales of the largest customers is 3.97%, where percentage of turnover or sales of the five largest customers is 13.05%.

54. Gross profit

Item	Amount of the year	Amount of last year
Operating revenue	3,099,658,647.44	2,617,076,763.36
Less: operating costs	1,987,509,300.10	1,671,757,249.99
Gross profit	1,112,149,347.34	945,319,513.37

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

55. Sales tax and levies

Item	Amount of the year	Amount of last year
Business tax	–	1,194,585.07
Urban maintenance and construction tax	13,751,763.17	10,802,483.55
Education surcharge	10,937,229.41	8,660,224.57
Land use tax	7,423,026.88	8,602,043.38
Property tax	7,835,930.14	7,862,778.57
Stamp duty	1,659,167.11	916,378.66
Others	379,234.69	68,506.25
Total	41,986,351.40	38,107,000.05

56. Selling expenses

Item	Amount of the year	Amount of last year
Total	68,630,471.74	57,847,413.77
Including:		
Salaries	29,804,459.40	26,759,952.29
Vehicle costs	5,124,094.40	4,411,744.10
Entertainment expenses	6,565,392.76	3,080,516.11
Transportation expenses	2,067,580.34	2,904,281.12
Traveling expenses	2,633,163.49	2,870,911.79
Staff welfare	1,960,506.24	2,313,196.45
Promotion and marketing fee	1,753,244.17	2,257,076.20

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

57. Administrative expenses

Item	Amount of the year	Amount of last year
Total	415,278,552.29	339,798,493.78
Including:		
Salaries	129,215,459.79	102,854,320.48
Research and development expenses	64,696,266.82	37,668,604.08
Depreciation expenses	36,909,620.47	31,560,523.42
Entertainment expenses	19,714,690.19	16,036,847.97
Staff welfare	16,473,243.29	15,207,886.99
Office expenses	8,979,862.08	11,222,050.94
Vehicle costs	10,520,725.80	10,525,863.46
Social insurance expenses	11,319,105.64	9,743,982.10

Administrative expenses for the year of the Company include:

Item	Amount of the year	Amount of last year
Auditors' remuneration		
– Audit service fee for annual report	662,735.82	1,132,075.47
– Audit service fee for internal control	165,094.34	330,188.68
– Other service fee	431,390.00	92,617.69
Total	1,259,220.16	1,554,881.84

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

58. Finance costs

(1) Breakdown of finance costs

Item	Amount of the year	Amount of last year
Interest expenses	105,424,157.53	102,061,330.71
Less: interest income	7,472,584.20	8,334,989.24
Add: exchange losses	-491,322.24	721,234.08
Add: other expenses	1,216,459.41	1,638,192.83
Total	98,676,710.50	96,085,768.38

(2) Breakdown of interest expenses

Item	Amount of the year	Amount of last year
Interests on bank borrowings and overdrafts	108,372,421.55	113,651,129.79
Bond interests calculated based on actual interest rates	48,666,812.75	23,542,500.69
Finance lease charge	199,870.14	229,424.58
Sub-total	157,239,104.44	137,423,055.06
Less: capitalized interests	51,814,946.91	35,361,724.35
Total	105,424,157.53	102,061,330.71

General borrowing cost capitalized during the year is calculated by applying a capitalization rate of 5.21% (last year: 5.36%).

(3) Breakdown of interest income

Item	Amount of the year	Amount of last year
Interest income from bank deposits	7,472,584.20	8,334,989.24
Total	7,467,803.47	8,334,989.24

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

59. Impairment loss of assets

Item	Amount of the year	Amount of last year
Provisions for bad debts	11,430,278.10	9,150,516.51
Impairment loss on inventories	–	–
Provisions for loans loss	–	–
Impairment loss on fixed assets	–	–
Impairment loss on intangible assets	–	–
Impairment loss on goodwill	–	–
Impairment loss on long-term deferred expenses	–	–
Total	11,430,278.10	9,150,516.51

60. Gain/loss on changes in fair value

Item	Amount of the year	Amount of last year
Financial assets at fair value through profit and loss of the period	–	120,870.00
Investment properties at fair value	380,473.53	1,023,176.00
Total	380,473.53	1,144,046.00

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

61. Investment income

Item	Amount of the year	Amount of last year
Income from long-term equity investments under equity approach	22,434,846.72	16,085,160.64
Investment income from disposal of long-term equity investments	346,083.90	162,303,249.16
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period	1,736.68	28,800.00
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period	–	–
Investment income from disposal of financial assets available-for-sale	562,500.00	–
Investment income from financial products	344,469.69	424,217.29
Total	23,689,636.99	178,841,427.09

Investment income generated from listed and unlisted investments during the year amounted to RMB1,736.68 and RMB23,687,900.31 respectively.

62. Asset disposal income

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Gain on disposal of fixed assets	1,008,397.71	320,941.33	1,008,397.71
loss on disposal of fixed assets	-5,609,212.54	-17,654,295.28	-5,609,212.54
Total	-4,600,814.83	-17,333,353.95	-4,600,814.83

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

63. Other income

Item	Amount of the year	Amount of last year
Value Added Tax refunds immediately after payment	110,137,172.44	–
Total	110,137,172.44	–

64. Non-operating income

(1) Breakdown of non-operating income

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Donations	26,475.12	–	26,475.12
Government grants *1	18,510,113.16	122,895,656.28	18,510,113.16
Inventory profit	40,652.80	1,341.94	40,652.80
Guaranteed performance compensation	–	-13,664,528.32	–
Others	4,614,518.71	8,133,836.20	4,614,518.71
Total	23,191,759.79	117,366,306.10	23,191,759.79

*1. Government grants related to daily operations were accounted in other revenues according to the requirement of new amendments of government grants standards during the year.

Amount charged to non-recurring profit or loss during the year was RMB23,191,759.79 (last year: RMB47,459,164.09).

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Non-operating income (Continued)

(2) Breakdown of government grants

Item	Amount of the year	Amount of last year	Origins and evidences	Related to assets/income
Typical demonstration project funds of Energy-saving and Emission Reduction Fiscal Policy Comprehensive Demonstration City of Shaoguan (the fourth batch)	2,851,900.00	–	Document of Shaoguan Finance – Shao Cai Gong [2016] No. 88	Related to asset
Amortization of the land return fund and special fund subsidy level	1,451,340.52	–	Jiang Kai Guan Wen [2015] No. 6	Related to asset
Special construction funds from NDRC	900,000.00	900,000.00	Letter of accountability for utilization of Wuhua District special fund No. 2012022	Related to asset
Funds for resource conservation and environmental protection project of Renewable Energy	849,999.96	–	National Development and Reform Commission (Fa Gai Tou Zi [2010] No. 451) and Development and Reform Commission of Shenzhen Municipality (Shen Fa Gai [2010] No. 582)	Related to asset
Incentive of science and technology from Office of Financing of Shenzhen Science and Technology Innovation Commission	800,000.00	–	Shen Fu [2016] No. 87, "Implementing rules for the incentive measure of science and technology of Shenzhen"	Related to income
Land return fund and farmland occupied tax, deed tax return	775,653.96	1,134,927.88	Jiang Kai Guan Wen [2015] No. 6	Related to asset
Expensed expenditures of Tsinghua project special funds	672,217.37	–	Project No. : 2014BAC03B04	Related to income
Gains from government grants – other government grants (Subsidy Fund)	614,800.00	–	"Notice of Fund Granting for Research and Development of Provincial Enterprises in 2016" (Qing Cai Gong [2016] No.113) "Notice of Fund Granting Project for Research and Development of Provincial Enterprises in 2016" (Yue Ke Gui Cai Zi [2016] No.124)	Related to income
2017 special funds for scientific and technology innovation in Jurong city	600,000.00	–	Ju Cai Jiao [2017] No.22 and Ju Ke Jiao [2017] No.43	Related to income
EFT 2015 project related to technical transformation	597,700.00	–	He Cai Gong [2017] No. 23	Related to income
Subsidy for industrial park development	546,780.60	–	Document of Shaoguan Finance (Shao Cai Gong [2011] No. 154 – Notice of Granting Subsidies of Special Funds for Ecological Civilization Construction in 2009)	Related to asset
2016 incentive of Shenzhen science and technology and the industrial research bonus of production of non-toxic alkali cupric chloride by using waste etching solution	500,000.00	–	Shen Fu [2017] No. 50	Related to income

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Non-operating income (Continued)

(2) Breakdown of government grants (Continued)

Item	Amount of the year	Amount of last year	Origins and evidences	Related to assets/income
National supporting funds from Office of Financing	490,000.00	-	Shen Ke Ji Chuang Xin Ji Zi [2017] No. 10149	Related to income
2014 economy recycling development special fund	480,949.40	-	Shan Fa Gai [2014] No. 235	Related to asset
Subsidies for Clinical waste treatment plant project	474,895.61	-	Xia Fa Gai Tou Zi [2007] No. 649	Related to asset
Waste electrical appliances recycle treatment plant renovation and expansion project	452,202.84	-	Fa Gai Ban Huan Zi [2011] No. 2934 and Xia Fa Gai Chan Ye [2012] No. 12	Related to asset
2017 first batch of national provincial supporting funds plan	430,000.00	-	Shen Ke Ji Chuang Xin Ji Zi [2017] No. 9524	Related to income
2016 subsidies for investment of productive technical equipment from Binhai Finance Bureau	411,000.00	-	"Decisions on Incentive for Industrial Transformation and Upgrading by the People's Government of Binhai County in 2016" (Bin Zheng Fa [2017] No.23)	Related to income
Incentive Supporting Plan of Science and Technology Bureau of Nanshan District, Shenzhen	400,000.00	-	Shen Nan Ke [2017] No. 93	Related to income
Project appropriation from Human Settlements and Environment Commission of Shenzhen Municipal	399,999.96	-	Shenzhen environmental protection special fund utilisation contract between Human Settlements and Environment Commission of Shenzhen Municipal and Ping An Bank (Shenzhen Branch)	Related to asset
Recycling system building project of Resource Recycling	373,394.76	-	Cai Ban Jian [2012] No. 53, Cai Jian [2012] No. 176 and Xia Shang Wu Liu Tong [2012] No. 455	Related to asset
Demonstration Base	356,083.08	-	China National Environmental Protection Agency (Cai Jian [2005] No.767)	Related to income
CDM Project of utilisation of methane in waste sanitary landfill sites in Lao Hu Keng of Bao'an district	300,000.00	-	Fund utilisation contract for Shenzhen environmental projects (Signed with Human Settlements and Environment Commission of Shenzhen Municipal, Contract No 2010-003)	Related to asset
Karamay Baijiantan Finance Bureau construction fund for livelihood project Re-Employment Subsidy	257,942.58	550,677.46	Ke Ren She Fa [2012] No. 49	Related to income
Bonus for emission reduction of key source of pollution in Fujian Oasis	216,000.00	-	Document of comprehensive demonstration for energy-saving and emission-reduction projects in Nanping City, Nan Huan Bao [2016] No.95	Related to asset

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Non-operating income (Continued)

(2) Breakdown of government grants (Continued)

Item	Amount of the year	Amount of last year	Origins and evidences	Related to assets/income
Incentive of science and technology	200,000.00	-	"2017 Application for Incentive of Science and Technology in Shenzhen and Supporting Incentive of Science and Technology in China and Guangdong Province"	Related to income
Supporting fund for acquisition of Hi-tech Enterprise Certification for the first time	200,000.00	-	The Provisional Measures for Encouraging Investment and Promoting Enterprise Development in Hi-tech Zone (Baijiantan) (on trail)	Related to income
Taxpayer incentives	160,000.00	-		Related to income
Xiang'an District Xinxu Town subsidy	134,000.00	134,000.00		Related to asset
2017 employment stabilisation subsidy	127,582.93	-	Shen Ren She Gui [2016] No. 1 and Shen Ren She Gui [2016] No. 1	Related to income
Shenzhen pilot city subsidies for food waste resources utilization and harmless treatment	116,666.64	-	Shen Cheng Guan [2013] No.212	Related to income
Special fund of incentive (other than subsidies) for hazardous waste management in Longyan Oasis	113,157.89	-	Long Cai Jian Zhi [2017] No.33	Related to asset
Incentive for technology from Environmental Protection Department of Guangdong Province	100,000.00	-	Yue Fu [2017] No.6	Related to income
2016 incentive for Qiandeng town top ten domestic enterprise taxpayer	100,000.00	-	Qian Wei Fa [2017] No.33	Related to income
Economy recycling and energy saving and emission reduction special funds /RO membrane	86,000.04	86,000.00	Shenzhen Development and Reform Commission "Notice of first batch of recipients of 2015 Shenzhen Recycling economy, energy saving and emission reduction special fund"	Related to asset
Energy saving and emission reduction special fund from government	80,000.04	-	Shen Cai Jian [2012] No. 220 and Shen Fa Gai [2013] No. 547	Related to asset
2017 industry and information funds	80,000.00	-	Shan Cai Qi [2017] No. 107	Related to income
Funds for county-level science and technology projects	80,000.00	-	Shan Ke [2015] No. 33	Related to income
Unemployment insurance and employment stabilisation subsidy	73,902.79	-	Xia Ren She [2016] No.22 Notice of Industrial Insurance Support and Employment Stabilisation Subsidy in Xiamen Finance Bureau	Related to income
Subsidy funds	63,000.00	-	Shan Cai Qi [2017] No. 146 and Shan Jing Xin [2017] No. 6	Related to income
Special incentive funds for 2016 (hazardous waste management)	60,000.00	-	Long Cai Jian Zhi [2016] No.60	Related to income

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Non-operating income (Continued)

(2) Breakdown of government grants (Continued)

Item	Amount of the year	Amount of last year	Origins and evidences	Related to assets/income
16-17 special subsidies for environmental protection in Kun Shan city	58,950.00	–	Kun Cai Zi [2017] No.228	Related to income
Enterprise subsidies for certification from Science and Technology Bureau of High-tech Zone	50,000.00	–	Hui Zhong Cai Gong [2017] No.89 – Notice of Special Funds for Hi-tech and Innovation Enterprise Certification in 2017	Related to income
2016 incentive for provincial high-tech enterprise from Binhai Finance Bureau	50,000.00	–	Bin Fa [2016] No.8	Related to income
Employment stabilisation subsidy	36,433.46	–	Shen Ren She Gui [2016] No. 1 and Shen Ren She Gui [2016] No. 1	Related to income
Unemployment insurance remitted from Social Security Bureau	36,099.49	–	Hui Shi Ren She Han [2017] No.157 Notice of Application of 2016 Industrial Insurance Support and Employment Stabilisation Subsidy	Related to income
Employment stabilisation subsidy from Social Security Bureau	34,206.55	–	Shen Ren She Gui [2016] No. 1 and Shen Ren She Gui [2016] No. 1	Related to income
Subsidies for early phase out of yellow label vehicles	27,000.00	64,800.00	Zhu Ke Gong Mao Xin [2013] No. 93	Related to income
Income tax refund	26,849.14	–	–	Related to income
Subsidies for environmental protection project	25,000.00	–	Min Cai Jian [2008] No.86 and Long Cai Jian [2008] No. 21	Related to income
2016 employment stabilisation subsidy form Ministry of Human Resources and Social Security	23,958.11	–	Hui Shi Ren She Han [2017] No.157 Notice of Application of 2016 Industrial Insurance Support and Employment Stabilisation Subsidy	Related to income
2016 incentive of municipal enterprise engineering centre from Binhai Finance Bureau	20,000.00	–	Bin Fa [2015] No.22	Related to income
Environmental impact report on the disposal of hazardous waste demonstration project in plasma furnace of Shenzhen Longgang Dongjiang Industrial Waste Treatment Base	18,000.00	–	2017 Notice of the Propose Enterprises and Projects of the First Government Support Fund in Longgang District	Related to income
Subsidies of intellectual property patents from Market and Quality Supervision Commission of Shenzhen Municipality	14,000.00	–	Shen Cai Gui [2014] No. 18	Related to income
Subsidies for Wastewater	13,244.83	–	–	Related to income
2015 incentive for small enterprises growth	12,500.00	–	–	Related to income
Subsidies and incentive fund for patent application	10,980.00	–	Measures of Patent Subsidies and Incentives in Baijiantan	Related to income
2016 technology innovation bonus	10,000.00	–	Nil	Related to income

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Non-operating income (Continued)

(2) Breakdown of government grants (Continued)

Item	Amount of the year	Amount of last year	Origins and evidences	Related to assets/income
Domestic and foreign invention patent application support from Science and Technology Bureau of Nanshan District, Shenzhen	10,000.00	–	Shen Nan Fu Ban Gui [2017] No. 2, “Administrative Measures of Special Fund for Innovation Industries Development of Nanshan District”	Related to income
Awards for technological transfer	10,000.00	–		Related to income
Other government grants (under RMB10,000)	45,720.61	–		Related to income
Value Added Tax refunds immediately after payment	–	69,907,142.01	Cai Shui [2008] No.156, Cai Shui [2011] No.115, Cai Shui [2015] No. 78, Shen Guo Shui Luo Tui Di Shui [2015] No.0260	Related to income
Subsidies for Karamay Baijiantan Commission of Commerce and Informatization Project	–	9,939,146.00	Xin Ke Zheng Fa [2013] No. 1	Related to income
Industry development supporting fund	–	8,000,000.00	Memorandum of meeting of construction leading group of Jiangsu Province Rudong Coastal Economic Development Zone Party Branch Project	Related to income
Dongheng Konggang Industrial Park Technology Supporting Fund	–	6,000,000.00	Su Fa Gai Fu Wu Fa [2013] No. 1913 and Su Cai Jian [2013] No. 406	Related to income
Infrastructure construction incentive for enterprises	–	3,908,700.00	Notice from the office of Fengcheng People’s Government (Feng Fu Ban Chao Zi [2016] No. 362)	Related to income
4th and 5th batch of government-bank-enterprise cooperation special funds on strategic emerging industries	–	2,150,000.00	Yue Cai Gong [2014] No. 257	Related to income
Shenzhen Science and Technology Innovation Commission Demonstration Zone Research Fund (Corporate Research and Development Subsidy Fund)	–	1,893,000.00	Shen Fa [2016] No. 7	Related to income
Subsidy from Coastal Industrial Park Finance Bureau	–	1,886,000.00	Bin Huan Guan [2015] No. 123	Related to income
Shajing Treatment Base Expansion Project	–	1,760,000.00	Shen Fa Gai [2016] No. 1362	Related to income
Resource conservation and environmental protection project funds for Qingyuan Dongjiang	–	1,333,333.36	Qing Kai Cai [2011] No. 77 and Fa Gai Ban Huan Zi [2011] No. 1191	Related to asset
Development fund from management committee for environmental projects	–	1,000,000.00	Su Cai Jian [2016] No. 214	Related to income

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Non-operating income (Continued)

(2) Breakdown of government grants (Continued)

Item	Amount of the year	Amount of last year	Origins and evidences	Related to assets/income
Funds for resource conservation and environmental protection project of Renewable Energy	-	849,999.96	Fa Gai Tou Zi [2010] No. 451 and Shen Fa Gai [2010] No. 582	Related to asset
Sludge reduction project of Shajing Base	-	710,000.00	Shen Fa Gai Wei [2015] No. 1495	Related to asset
Funds for Transformation Project of Provincial Enterprises and Replacement Project of Old Equipment for 2015	-	675,000.00	Yue Jing Xin Ji Gai [2015] No. 487, Notice of Fund Granting for Transformation Project of Provincial Enterprises in Guangdong Province for 2015 (upgrade and replacement project of old equipment)	Related to income
Subsidy for yellow label vehicles	-	628,400.00	Subsidy proposal for early phase out of commercial "yellow label" vehicles in Shenzhen, Shenzhen Incentive Measures for Early Phase Out of Commercial "Yellow Label" Vehicles (2013-2015)	Related to income
EFTV0cs improvement project	-	550,000.00	He Huan Han [2016] No. 68	Related to income
Subsidy for industrial park development	-	546,780.60	Shao Cai Gong [2011] No. 154	Related to asset
Employment Stabilisation Subsidy	-	536,887.21	Shen Ren She Gui [2016] No. 1	Related to income
Research subsidy from Shenzhen Baoan Finance Bureau for proposed projects under the "industry, academia and research" technology collaboration project	-	500,000.00	Shen Bao Ke [2016] No. 10	Related to income
Government special fund (loss from operation suspension and external pre-repair and maintenance)	-	500,000.00	Shao Cheng Guan Cheng [2016] No. 27	Related to income
Development and application of high efficient and low consumption wastewater denitrification and dephosphorization technology in electronic industry	-	490,000.00	Shen Ke Ji Chuang Xin [2013] No. 179	Related to asset
Economy, Trade and Information Commission of Shenzhen Municipality brand building project	-	490,000.00	Shen Jing Mao Xin Xi Yu Suan Zi [2016] No. 252	Related to income
Compensation for demolition	-	486,642.71	Agreement of compensation for demolition	Related to asset
Medical waste treatment plant project	-	481,644.00	Xia Fa Gai Tou Zi [2007] No. 649	Related to asset
Waste electrical appliance recycle and treatment plant renovation and expansion project	-	452,202.84	Fa Gai Ban Huan Zi [2011] No. 2934 and Xia Fa Gai Chan Ye [2012] No. 12	Related to asset
Shenzhen high and new technology industry special fund	-	426,400.00		Related to income

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Non-operating income (Continued)

(2) Breakdown of government grants (Continued)

Item	Amount of the year	Amount of last year	Origins and evidences	Related to assets/income
Special fund for Shenzhen environmental projects	-	400,000.00	Fund utilisation contract for Shenzhen environmental projects	Related to asset
Fund for construction of recycling system of Resource Recycling	-	373,394.76	Cai Ban Jian [2012] No. 53, Cai Jian [2012] No. 176 and Xia Shang Wu Liu Tong [2012] No. 455	Related to asset
Other government grants (under RMB100,000)	-	361,448.42		Related to income
2016 corporate research and development subsidy from Shenzhen Science and Technology Innovation Commission	-	361,000.00	"Notice of First Batch of Recipients of 2016 enterprise research and development subsidy from Shenzhen Science and Technology Innovation Commission" and Shen Fa [2016] No. 7	Related to income
Special funds for environmental protection projects	-	356,083.08	China National Environmental Protection Agency (Cai Jian [2005] No.767)	Related to asset
Special funds for Baoan Energy environmental protection projects	-	300,000.00	Administrative Measures of Special Funds for Environmental Protection Projects in Shenzhen	Related to asset
2013 Special fund for supporting enterprise development	-	260,000.00	E Cai Qi Fa [2013] No.111	Related to asset
Waste appliances disassembling project	-	251,966.24	Contract for waste appliances and electronic products disassembling and recycling investment project	Related to asset
EFT 2016 Heshan Industrial Enterprises Capital Increase and Capacity Expansion Project	-	200,000.00	He Fu Ban [2014] No. 33	Related to income
Guangdong Province Significant Technology Project (Recycling of waste printed circuit board)	-	190,000.00	Shen Ke Ji Chuang Xin [2012] No. 267	Related to asset
Incentive for projects of developing mid-to-small enterprises	-	150,000.00	Dong Jing Xin Han [2016] No. 321	Related to income
2014 special fund for development of provincial circular economy	-	121,855.54	Shan Fa Gai [2014] No. 235	Related to asset
Service coupon awarded for scale expansion of micro and small enterprises	-	100,000.00	Dong Cai Han [2015] No. 2009	Related to income
Energy saving and emission reduction special fund from Shenzhen government	-	80,000.00	Shen Fa Gai [2013] No. 547 and Shen Cai Jian [2012] No. 220	Related to asset
Unemployment insurance and employment stabilisation subsidy	-	77,821.38	"Xiamen Unemployment Insurance Regulations"	Related to income
2016 subsidies for municipal technology project	-	70,000.00	Shao Ke [2016] No. 44	Related to income
Government subsidy (safe production)	-	60,000.00	Shan An Jian [2015] No. 21	Related to income

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Non-operating income (Continued)

(2) Breakdown of government grants (Continued)

Item	Amount of the year	Amount of last year	Origins and evidences	Related to assets/income
2015 financial supporting fund for scientific and technology innovation	-	50,000.00	Shan Cai Qi [2016] No. 142	Related to income
Subsidies for early phase out of old automobiles	-	35,200.00	Su Fu Tong [2015] No. 24	Related to income
2016 Shenzhen patent subsidies from Market and Quality Supervision Commission of Shenzhen Municipality	-	34,000.00	Shen Cai Gui [2014] No. 18	Related to income
Subsidies for medical waste treatment	-	25,000.00	Min Cai Jian [2008] No.86 and Long Cai Jian [2008] No. 21	Related to asset
Unemployment insurance and employment stabilisation subsidy	-	19,744.92	Shan Ren She [2016] No. 54	Related to income
Patent subsidy for on-the-job inventions	-	16,100.00	Shan Ke [2016] No. 30	Related to income
Subsidy from Hong Kong government for purchasing environmentally friendly vehicles	-	15,357.89	"Incentive Scheme to Replace Pre-Euro and Euro I Diesel Commercial Vehicles by New Commercial Vehicles" of the Environmental Protection Department of Hong Kong	Related to asset
2016 Nanshan District Innovation Special Subsidy from Science and Technology Bureau of Nanshan District, Shenzhen	-	15,000.00	"Administrative Measures of Special Fund for Innovation Industries Development of Nanshan District"	Related to income
Wastewater treatment renovation project	-	0.02	Shenzhen Environmental Protection Bureau and Shen Fu [2006] No. 196	Related to asset
Total	18,510,113.16	122,895,656.28		

65. Non-operating expenses

Item	Amount of the year	Amount of last year	Amount charged to in non-recurring profit or loss during the year
Donations	1,263,500.00	2,211,500.00	1,263,500.00
Inventory loss	85.14	2,931,242.29	85.14
Others	5,108,482.43	5,496,339.74	5,101,840.34
Total	6,372,067.57	10,639,082.03	6,372,067.57

The amount charged to non-recurring profit or loss during the year was RMB6,372,067.57 (last year: RMB10,639,082.03).

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

66. Income tax expenses

(1) *Income tax expenses*

Item	Amount of the year	Amount of last year
Current income tax – EIT of the PRC	66,373,580.21	102,213,894.85
– The PRC	66,373,580.21	102,213,894.85
– Hong Kong	–	–
Overprovision (underprovision) of income tax in the previous year	-2,880,708.26	-4,157,597.26
– The PRC	-2,880,708.26	-4,157,597.26
Deferred income tax	5,724,222.28	-1,486,732.90
Total	69,217,094.23	96,569,564.69

(2) *Adjustment to income tax expenses and total profit*

Income tax calculated using applicable tax rates based on total profit under the combined income statement is adjusted as income tax expenses as follows:

Item	Amount of the year	Amount of last year
Total consolidated profit of the year	622,573,143.66	673,705,415.68
Income tax expenses calculated at statutory/ applicable tax rates	93,385,971.55	101,055,812.35
Effect of different tax rate applicable to subsidiaries	35,621,992.16	44,585,993.47
Effect of overprovision (underprovision) of income tax in the previous year	-2,880,708.26	-4,157,597.26
Effect of non-taxable income	-40,441,299.78	-20,619,799.93
Effect of non-deductible costs, expenses and losses	7,092,764.11	7,590,811.47
Effect of utilization of unrecognized deductible losses of deferred income tax assets in the previous period	-2,797,834.85	-2,951,802.66
Effect of deductible temporary difference or deductible loss of unrecognized deferred income tax assets of the year	16,311,702.50	16,689,883.90
Effect of additional research and development expenditure deduction	-8,331,543.65	-4,273,302.27
Effect of special tax exemption	-28,743,949.55	-41,350,434.38
Changes of balance of deferred income tax asset/ liability at the beginning of year caused by tax rate changed	–	–
Other adjustments	–	–
Income tax expenses	69,217,094.23	96,569,564.69

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

67. Depreciation and amortization

Depreciation/amortization recognized under the income statement of the year was RMB259,277,549.55 (last year: RMB286,281,438.37).

68. Operating lease expenses

Operating lease expenses of the year was RMB16,917,963.07 (last year: RMB16,690,198.94), including rental expenses of industrial equipment and machineries of RMB3,713,675.93 (last year: RMB731,320.02).

69. Rental income

The rental income from lands and buildings (net of government rent, rates and other expenditure) for the year was RMB12,538,300.90 (last year: RMB11,259,675.39).

70. Earnings per share

(1) Basic earnings per share

Basic earnings per share was calculated based on consolidated net profit attributable to ordinary shareholders of the parent company divided by weighted average number of issued ordinary shares of the parent company.

Item	The Year	Last year
Consolidated net profit attributable to ordinary shareholders of the parent company	473,375,978.13	533,813,817.46
Consolidated net profit attributable to ordinary shareholders of the parent company (net of non-recurring profit or loss)	463,523,482.67	379,234,585.42
Weighted average number of issued ordinary shares of the parent company	865,497,102.00	858,305,019.00
Basic earnings per share (RMB/share)	0.55	0.62
Basic earnings per share (RMB/share) (net of non-recurring profit or loss)	0.54	0.44

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

70. Earnings per share (Continued)

(1) *Basic earnings per share (Continued)*

The weighted average number of ordinary shares was calculated as follows:

Item	The Year	Last year
Number of issued ordinary shares at the beginning of year	860,157,102.00	850,607,102.00
Adjustment from transfer of capital reserve to share		
Number of shares increased for unlocking of restricted shares (the first batch)	8,010,000.00	8,325,000.00
Number of months starting from the next month of the unlocking restricted shares (first batch) to the end of the reporting period	8	11
Number of shares increased for unlocking of restricted shares (the second batch)	5,115,000.00	800,000.00
Number of months starting from the next month of the unlocking restricted shares (second batch) to the end of the reporting period		1
Subtotal of unlocking restricted shares	5,340,000.00	7,697,917.00
Number of issued ordinary shares at the end of year	865,497,102.00	858,305,019.00

(2) *Diluted earnings per share*

Basic earnings per share was same as the diluted earnings per share for the two years ended 31 December 2017 as there were no diluting events during both years.

71. Other comprehensive income

Item	Amount of the year	Amount of last year
Exchange difference on translation of financial statements in foreign currency	-496,036.13	514,954.92
The excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value	-	3,509,701.20
Less: net amount of disposal of overseas operations charged to profit or loss of the period	-	-
Total	-496,036.13	4,024,656.12

For details, please refer to "VI.44 Other comprehensive income".

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

72. Dividend

Dividend of the year is as follows:

Item	Amount of the year	Amount of last year
Interim dividend declared and distributed of RMB0.00 per share (2016: RMB0.00)	–	–
Final dividend proposed after the balance sheet date of RMB0.161 per share (2016: RMB0.121)	142,823,116.42	107,309,709.34
Total	142,823,116.42	107,309,709.34

The Board recommends the payment of a cash dividend of RMB1.61 (inclusive of tax) for every 10 share of the Company (2016: RMB1.21 for every 10 shares) held by all shareholders of the Company based on the total number of shares of 887,100,102 shares of the Company as at 29 March 2018, with the total amount of cash dividend to be paid amounting to RMB142,823,116.42. No capital reserves will be converted into shares and no bonus shares will be awarded.

73. Notes on items under the cash flow statement

(1) *Cash received/paid in relation to other operating/investment/financing activities*

1) Other cash receipts relating to operating activities

Item	Amount of the year	Amount of last year
Government grant	12,672,828.38	57,261,259.52
Interest income	7,472,584.20	8,334,989.24
Current accounts with other companies and individuals	29,614,030.83	–
Total	49,759,443.41	65,596,248.76

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

73. Notes on items under the cash flow statement (Continued)

(1) Cash received/paid in relation to other operating/investment/financing activities (Continued)

2) Other cash payments relating to operating activities

Item	Amount of the year	Amount of last year
Current accounts with other companies and individuals	28,081,799.75	67,621,585.27
Other expenses	31,186,535.91	34,509,611.79
Transportation expenses	22,202,802.33	22,454,948.57
Entertainment expenses	26,280,082.95	19,117,364.08
Office expenses	10,263,031.11	12,945,430.43
Research and development expenses	17,420,824.97	10,910,854.56
Intermediate brokerage fee	7,807,890.41	7,803,159.59
Traveling expenses	9,002,840.92	7,622,516.42
Securities service fees	6,640,347.77	6,641,093.62
Maintenance fee	5,483,066.42	6,065,673.21
Utilities	6,008,858.17	4,666,786.16
Consultation fee	2,496,605.76	4,372,340.46
Rent	5,046,201.42	4,224,254.82
Security expenses	5,415,952.32	3,818,165.87
Promotion and marketing expenses	1,753,244.17	2,257,076.20
Total	185,090,084.38	215,030,861.05

3) Other cash received in relation to investing activities:

Item	Amount of the year	Amount of last year
Wealth management products	95,417,393.75	–
Cash at the beginning of acquisition of Huateng and Wandesi	3,852,409.19	–
Receipt of borrowings paid by Sound on behalf of Qingyuan Dongjiang and Hubei Dongjiang	–	148,842,400.00
Considerations for equity transfer and deposits	–	48,000,000.00
Total	99,269,802.94	196,842,400.00

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

73. Notes on items under the cash flow statement (Continued)

(1) Cash received/paid in relation to other operating/investment/financing activities (Continued)

4) Other cash payments relating to investing activities

Item	Amount of the year	Amount of last year
Deposits for equity transfer	48,000,000.00	–
Senior bonds of Humen Green	23,080,000.00	–
Total	71,080,000.00	–

5) Other cash receipts relating to financing activities

Item	Amount of the year	Amount of last year
Subscription margin for non-public issue of shares	–	–
Guaranteed deposits	12,788,950.44	30,000,000.00
Total	12,788,950.44	30,000,000.00

6) Other cash payments relating financing activities

Item	Amount of the year	Amount of last year
Subscription margin for non-public issue of shares	–	69,084,840.00
Payment for repurchase of shares	9,791,900.00	–
Guaranteed deposits	–	3,679,090.73
Other handling charges	1,125,288.00	–
Total	10,917,188.00	72,763,930.73

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

73. Notes on items under the cash flow statement (Continued)

(2) Supplementary information of consolidated cash flow statement

Item	Amount of the year	Amount of last year
1. Net profit adjusted as cash flow of operating activities:		
Net Profit	553,356,049.43	577,135,850.99
Add: Impairment loss for assets	11,430,278.10	9,150,516.51
Depreciation of fixed assets	194,526,993.19	175,363,546.31
Consumption of oil and gas assets	-	-
Depreciation of productive biological assets	-	-
Amortization of intangible assets	61,256,415.78	107,737,514.34
Amortization of long-term unamortized expenses	3,494,140.58	3,180,377.72
Amortization of unamortized expenses	-	-
Accrued expenses	-	-
Loss from disposal of fixed assets, intangible assets and other long term assets (gain represented in "-" sign)	4,600,814.83	17,333,353.95
Loss on written off of disposal fixed assets (gain represented in "-" sign)	-	-
Gain/loss of changes in fair value (gain represented in "-" sign)	-380,473.53	-1,144,046.00
Finance costs (gain represented in "-" sign)	105,424,157.53	102,061,330.71
Investment loss (gain represented in "-" sign)	-23,689,636.99	-178,841,427.09
Decrease in deferred income tax assets (increase represented in "-" sign)	5,342,296.97	-3,700,344.02
Increase in deferred income tax liabilities (decrease represented in "-" sign)	385,678.69	778,540.82
Decrease in inventories (increase represented in "-" sign)	-45,336,891.53	-28,617,966.85
Decrease in operating receivables (increase represented in "-" sign)	-241,420,944.70	-338,290,249.16
Increase in operating payables (decrease represented in "-" sign)	42,407,427.53	247,697,201.71
Others	-	-
Net cash flow generated from operating activities	671,396,305.88	689,844,199.94
2. Significant non-cash investing and financing transactions		
Debts transferred to capital	-	-
Convertible corporate bonds due within 1 year	-	-
Fixed assets under finance lease	-	-
3. Net changes in cash and cash equivalents		
Cash balance at the end of the period	1,221,930,230.43	1,139,658,566.94
Less: cash balance at the beginning of the period	1,139,658,566.94	815,961,534.58
Add: balance of cash equivalents at the end of the period	-	-
Less: balance of cash equivalents at the beginning of the period	-	-
Net increase in cash and cash equivalents	82,271,663.49	323,697,032.36

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

73. Notes on items under the cash flow statement (Continued)

(3) Information of acquisition of or disposal of subsidiaries or other operating units

Item	Amount of the year	Amount during the year
Information of acquisition of subsidiaries and other operating units		
1. Consideration for acquisition of subsidiaries and other operating units	158,562,500.00	827,058,000.00
2. Cash and cash equivalents paid for acquisition of subsidiaries and other operating units	127,340,000.00	345,690,600.00
Less: cash and cash equivalents held by subsidiaries and other operating units	25,192,480.35	73,628,532.42
3. Net cash paid for acquisition of subsidiaries and other operating units	102,147,519.65	272,062,067.58
4. Net assets of subsidiaries acquired	51,523,761.22	281,028,900.36
Current assets	25,608,896.20	171,566,578.81
Non-current assets	25,976,915.22	375,407,000.91
Current liabilities	62,050.20	222,289,814.36
Non-current liabilities	–	43,654,865.00
Information of disposal of subsidiaries and other operating units		
1. Consideration for disposal of subsidiaries and other operating units	–	365,525,600.00
2. Cash and cash equivalents received upon disposal of subsidiaries and other operating units	–	327,535,600.00
Less: cash and cash equivalents held by subsidiaries and other operating units	–	9,437,118.42
3. Net cash received upon disposal of subsidiaries and other operating units	–	318,098,481.58
4. Net assets of subsidiaries disposed of	–	203,251,798.36
Current assets	–	350,063,848.49
Non-current assets	–	216,476,511.41
Current liabilities	–	357,458,765.05
Non-current liabilities	–	5,829,796.49

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

73. Notes on items under the cash flow statement (Continued)

(4) *Cash and cash equivalents*

Item	Balance at the end of year	Balance at the beginning of year
Cash	1,221,930,230.43	1,139,658,566.94
Including: Cash on hand	825,886.03	729,725.40
Bank deposits readily available for payments	1,199,805,525.53	1,128,276,484.75
Other monetary fund readily available for payments	21,298,818.87	10,652,356.79
Central bank deposits readily available for payments	–	–
Deposits in other banks	–	–
Call loans to banks	–	–
Cash equivalents	–	–
Including: bond investments due within 3 months	–	–
Balance of cash and cash equivalents at the end of the period	1,221,930,230.43	1,139,658,566.94
Including: restricted cash and cash equivalents used by the parent company and members of the Group	–	–

(5) *Non-cash expenses of the period in relation to significant investment and financing activities*

The Group has no non-cash expenses of the period in relation to significant investment and financing activities other than the abovementioned fixed assets under finance lease.

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

74. Restricted assets in respect of ownership or use rights

Item	Book value at the end of year	Reason for restriction
Monetary fund	23,177,700.00	Fulfillment and bank acceptances margin
Construction-in-progress	85,249,982.04	Pledged borrowings of Xiamen Oasis
Fixed assets	132,982,034.97	Pledged borrowings of Hubei Tianyin and Zhuhai Yongxingsheng
Intangible assets	74,770,438.59	Pledged borrowings of Hubei Tianyin, Zhuhai Yongxingsheng and Hengshui Ruitao; Pledge made by Weifang Dongjiang and Coastal Solid Waste
Other receivables	21,555,473.48	Account of Humen Green managed by GF Securities Asset Management (Guangdong) Co., Ltd., which was used for the repayment of principal and interests of bonds :
Accounts receivable	70,742,384.00	Accounts receivable factoring of Jiangmen Dongjiang and Baoan Dongjiang; PPP project of utilizing the income right of sewage treatment of Humen Ningzhou sewage treatment plant and Humen Haidao sewage treatment plant, which are constructed and operated by Humen Green, as the underlying assets to issue bonds

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VI. EXPLANATORY NOTES FOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

75. Items denominated in foreign currencies

Item	Balance at the end of year in foreign currencies	Exchange rate	Balance at the end of year in RMB
Monetary fund			4,739,476.27
Including: Hong Kong Dollars	5,669,658.54	0.8359	4,739,267.57
US Dollars	31.94	6.5342	208.70
Accounts receivable			3,416,497.93
Including: Hong Kong Dollars	3,780,354.00	0.8359	3,159,997.91
US Dollars	39,255.00	6.5342	256,500.02
Other receivables – HKD	7,272,526.62	0.8359	6,079,105.00
Short-term borrowings – HKD	10,000,000.00	0.8359	8,359,000.00
Accounts payable – HKD	627,918.81	0.8359	524,877.33
Other payables – HKD	15,111,961.89	0.8359	12,632,088.94
Non-current liabilities due within 1 year – HKD	1,951,920.52	0.8359	1,631,610.36
Long-term payables – HKD	2,023,684.94	0.8359	1,691,598.24

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VII. CHANGES IN CONSOLIDATION SCOPE

1. Business combination not under common control

(1) Business combination not under common control during the year

Name of acquiree	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquired (%)	Method of equity acquisition	Date of purchase	Recognition basis as at the date of purchase	Income of acquiree from the date of acquisition to the end of year	Net profit of acquiree from the date of acquisition to the end of year
Tangshan Wandesi	25 Sep 2017	140,000,000.00	80.00	Equity transfer	25 Sep 2017	Transfer of control	-	(247,924.48)
Huateng Environmental	15 Jun 2017	18,562,500.00	90.00	Equity transfer	15 Jun 2017	Transfer of control	-	(72,749.32)

(2) Combination costs and goodwill

Item	Tangshan Wandesi	Huateng Environmental
Cash	140,000,000.00	16,500,000.00
Fair value of non-cash assets	-	-
Fair value of debts issued or assumed	-	-
Fair value of equity securities issued	-	-
Fair value of contingent considerations	-	-
Fair value of equity held before acquisition as at the acquisition date	-	2,062,500.00
Total combination costs	140,000,000.00	18,562,500.00
Less: share of fair value of identifiable net assets acquired	39,543,813.50	1,884,594.90
Goodwill	100,456,186.50	16,677,905.10

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VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

1. Business combination not under common control (Continued)

(3) Identifiable assets and liabilities of the acquiree as at the acquisition date

Unit: RMB

Item	Tangshan Wandesi		Huateng Environmental	
	Fair value as at acquisition date	Book value as at acquisition date	Fair value as at acquisition date	Book value as at acquisition date
Assets:				
Monetary fund	259,594.40	259,594.40	1,642,909.29	1,642,909.29
Notes receivable				
Accounts receivable				
Prepayment	102,500.11	102,500.11		
Other receivables	23,368,613.68	23,368,613.68	94,456.32	94,456.32
Inventories				
Other current assets	140,822.40	140,822.40		
Long-term receivable				
Long-term equity investments				
Fixed assets	90,343.13	90,343.13	284,506.88	284,506.88
Work-in- progress	3,278,465.21	3,278,465.21		
Intangible assets	22,323,600.00	22,323,600.00		
Goodwill				
Long-term unamortized expenses				
Liabilities:				
Short-term borrowings				
Bill payables				
Accounts payable	46,608.00	46,608.00		
Receipt in advance				
Employee benefits payables	20,469.92	20,469.92		
Tax payables	605.23	605.23	-72,121.85	-72,121.85
Other payables	66,488.90	66,488.90		
Long-term loans				
Deferred income				
Net assets	49,429,766.88	49,429,766.88	2,093,994.34	2,093,994.34
Less: minority interests	9,885,953.38	9,885,953.38	209,399.44	209,399.44
Net assets acquired	39,543,813.50	39,543,813.50	1,884,594.90	1,884,594.90

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VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

2. Disposal of subsidiaries

Guangdong Dongjiang Shangtian Environmental Restoration Ltd., a subsidiary of the Company, was deregistered during the Year.

3. Changes in scope of combination due to other reasons

Name of companies	Acquisition method	Date of equity acquisition	Capital injection	Proportion of capital injection (%)
Zhaoqing Dongsheng	Newly established subsidiary	27 December 2016	50,000,000.00	100.00
Xiantao Dongjiang	Newly established subsidiary	14 November 2017	10,000,000.00	100.00
Huangshi Dongjiang	Newly established subsidiary	1 November 2016	700,000.00	70.00

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Company

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of shareholding (%)		Acquisition method
								Direct	Indirect	
Resource Recycling	LLC	Zhang Kai	91440300755694530Q	Shenzhen	Shenzhen	100.00	Industrial	100	-	Wholly-owned
Dongjiang Heritage	LLC	Li Yong Peng	91440300755672809L	Shenzhen	Shenzhen	2,500.00	Industrial	62	-	Wholly-owned
Longgang Dongjiang	LLC	Deng Wei Liang	91440300750498397Z	Shenzhen	Shenzhen	10,000.00	Industrial	54	-	Wholly-owned
Yunnan Dongjiang	LLC	Xie Heng Hua	91530102560058446N	Kunming	Kunming	1,000.00	Industrial	100	-	Wholly-owned
Huizhou Dongjiang	LLC	Zeng Yu	91441300738594407X	Huizhou	Huizhou	500.00	Industrial	100	-	Wholly-owned
Qiandeng Wastes Treatment	LLC	Liao He Ping	91320583762827004C	Kunshan	Kunshan	3,000.00	Industrial	51	-	Wholly-owned
Huabao Technology	LLC	Chen Fang	91440300783926298G	Shenzhen	Shenzhen	1,000.00	Services	100	-	Combination not under common control
Qingdao Dongjiang	LLC	Ma Hong Jun	91370222675268718B	Qingdao	Qingdao	1,500.00	Industrial	100	-	Wholly-owned
Hunan Dongjiang	LLC	Luo Bu Sheng	914305006685850459	Shaoyang	Shaoyang	1,000.00	Industrial	95	-	Wholly-owned
Chengdu Treatment Centre	LLC	Li Yong Peng	91510100728085895U	Chengdu	Chengdu	1,000.00	Industrial	100	-	Wholly-owned
Renewable Energy	LLC	Liu An	91440300785660404Z	Shenzhen	Shenzhen	9,032.45	Industrial	100	-	Wholly-owned
Shaoguan Dongjiang	LLC	Huang Bo	91440200782025746P	Shaoguan	Shaoguan	500.00	Industrial	100	-	Wholly-owned

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Structure of the Company (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of shareholding (%)		Acquisition method
								Direct	Indirect	
Shaoguan Recycling Resource	LLC	Huang Bo	9144022979299871X2	Shaoguan	Shaoguan	20,873.35	Industrial	100	-	Combination not under common control
Dongjiang Properties	LLC	Huang Shu Wan	91440300699086185K	Shenzhen	Shenzhen	100.00	Services	100	-	Wholly-owned
Baoan Energy	LLC	Ma Hong Jun	91440300674839742Q	Shenzhen	Shenzhen	1,000.00	Industrial	100	-	Wholly-owned
Dongjiang HK	LLC	Not Available	Not Available	Hong Kong	Hong Kong	HKD2,470.00	Services	100	-	Wholly-owned
Lik Shun Services	LLC	Not Available	Not Available	Hong Kong	Hong Kong	HKD1,000.00	Services	-	100	Combination not under common control
Dongjiang Transport	LLC	Ma Guo Hong	91441300688636380C	Huizhou	Huizhou	3,400.00	Services	100	-	Wholly-owned
Products Trading	LLC	Li Yong Peng	914403005827118052	Shenzhen	Shenzhen	200.00	Trading	100	-	Wholly-owned
Zhuhai Qingxin	LLC	Wen Wei	91440400732179587R	Zhuhai	Zhuhai	900.00	Industrial	100	-	Combination not under common control
Qingyuan Xinlv	LLC	Cheng Longying	91441803MA4UTUXA36	Qingyuan	Qingyuan	5,216.00	Industrial	62.5	-	Combination not under common control
Jiaxing Deda	LLC	Liao He Ping	91330421254836027Y	Jiashan County	Jiashan County	4,200.00	Industrial	51	-	Combination not under common control
Jiangmen Dongjiang	LLC	Chen Chang Fu	91440784056831604R	Jiangmen	Jiangmen	5,000.00	Industrial	100	-	Wholly-owned
Dongguan Hengjian	LLC	Qin Ke Hua	914419007829645409	Dongguan	Dongguan	3,900.00	Industrial	100	-	Combination not under common control
Dongjiang Kaida	LLC	Ma Guo Hong	91440300306164059L	Shenzhen	Shenzhen	100.00	Services	100	-	Wholly-owned
Coastal Solid Waste	LLC	Zhao Zhong Hua	91320922750000210G	Yancheng	Yancheng	870.00	Industrial	75	-	Combination not under common control
Nanchang Xinguan	LLC	Ma Hong Jun	913601087814528186	Nanchang	Nanchang	1,000.00	Industrial	-	100	Combination not under common control
Hefei Xinguan	LLC	Ma Hong Jun	91340122796420595F	Hefei	Hefei	1,000.00	Industrial	-	100	Combination not under common control
Fujian Oasis Solid Waste Disposal	LLC	Ji Ren Wang	91350700591740421Y	Nanping	Nanping	2,000.00	Industrial	-	60	Indirectly owned through subsidiary
Sanming Oasis Resources	LLC	Ji Ren Jin	91350400593453111T	Sanming	Sanming	200.00	Industrial	-	60	Indirectly owned through subsidiary
Xiamen Oasis Environmental Technology	LLC	Hong Jian Kang	9135021373786142XF	Xiamen	Xiamen	500.00	Industrial	-	60	Indirectly owned through subsidiary

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Structure of the Company (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of shareholding (%)		Acquisition method
								Direct	Indirect	
Longyan Oasis Environmental Technology	LLC	Huang Huan Hua	91350800777548892H	Longyan	Longyan	300.00	Industrial	-	60	Indirectly owned through subsidiary
Nanping Oasis Environmental Technology	LLC	Lan Jun	91350700777506879J	Nanping	Nanping	500.00	Industrial	-	60	Indirectly owned through subsidiary
Sanming Oasis Environmental Technology	LLC	Ji Ren Jin	913504007661523311	Sanming	Sanming	400.00	Industrial	-	54	Indirectly owned through subsidiary
Xiamen Dongjiang	LLC	Li Kai Yan	91350200MA2XRMY2R	Xiamen	Xiamen	1,000.00	Industrial	60	-	By way of demerger
Wosen Environmental Technology	Other limited liability company	Wen Yuan	91650204057725598E	Kelamayi	Kelamayi	5,000.00	Industrial	82.82	-	Combination not under common control
Jiangmen Fine Chemistry (江門精細化工)	LLC	Chen Chang Fu	914407843148389654	Jiangmen	Jiangmen	3,000.00	Industrial	-	100	Wholly-owned
Jiangxi Dongjiang	LLC	Xie Heng Hua	913609813147107422	Fengcheng	Fengcheng	5,000.00	Industrial	100	-	Wholly-owned
Shaoxing Dongjiang	LLC	Yan Wen Jian	913306003077281947	Shaoxing	Shaoxing	200.00	Industrial	52	-	Wholly-owned
Jiangxi Kangtai	Joint stock company with limited liability	Xie Heng Hua	91360405662009186U	Jiujiang	Jiujiang	2,081.63	Industrial	51	-	Combination not under common control
Huiyuan Micro Finance	LLC	Huang Wei Ming	91440300326399963T	Shenzhen	Shenzhen	30,000.00	Financial	100	-	Wholly-owned
Hengjian Tongda	LLC	Wu Wenjian	9144030032622379XY	Shenzhen	Shenzhen	1,000.00	Industrial	100	-	Combination not under common control
Humen Green	Other limited liability company	Wu Wenjian	91441900789434892W	Dongguan	Dongguan	5,800.00	Industrial	-	100	Indirectly owned through subsidiary
Hubei Tianyin	Other limited liability company	Lin Yuan Fu	914210245942289253	Jingzhou	Jingzhou	4,875.50	Industrial	60	-	Combination not under common control
Tianyin Technology	LLC	Lin Yuan Fu	9142102459423855XH	Jingzhou	Jingzhou	2,000.00	Industrial	-	60	Indirectly owned through subsidiary
Tianyin Hazardous	LLC	Lin Yuan Fu	91421024058128760H	Jingzhou	Jingzhou	2,000.00	Industrial	-	60	Indirectly owned through subsidiary
Tianyin Vehicle Dismantle	LLC	Lin Yuan Fu	9142102409586322XD	Jingzhou	Jingzhou	1,000.00	Industrial	-	60	Indirectly owned through subsidiary

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Structure of the Company (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of shareholding (%)		Acquisition method
								Direct	Indirect	
Zuhai Yongxingsheng	Other limited liability company	Wen Wei	914404007122356683	Zuhai	Zuhai	4,500.00	Industrial	80	-	Combination not under common control
Green Environmental	Other limited liability company	Han Yan	9142900458545869X8	Xiantao	Xiantao	3,444.00	Industrial	55	-	Combination not under common control
Nantong Hui Tian Ran	LLC	Li Kai Yan	913206233139399241	Rudong County	Rudong County	3,000.00	Industrial	100	-	Combination not under common control
Rudong Daheng	LLC	Li Kai Yan	91320623734404100L	Jurong	Jurong	3,000.00	Industrial	100	-	Combination not under common control
Hengshui Ruitao	LLC	Duan Chun Fa	91131102078790102Q	Hengshui	Hengshui	4,000.00	Industrial	85	-	Combination not under common control
Dongheng Konggang	LLC	Ren Ren	913211835810772678	Jurong	Jurong	4,571.89	Real estate	56.25	-	Combination not under common control
Qianhai Dongjiang	LLC	Zhou Yao Ming	91440300319760853N	Shenzhen	Shenzhen	5,000.00	Services	100	-	Wholly-owned
Baoan Dongjiang	LLC	Yu Xiao Hua	914403003594785297	Shenzhen	Shenzhen	6,000.00	Industrial	100	-	Wholly-owned
Zhejiang Jianglian	LLC	Hong Chun Qiang	91330621329938926E	Shaoxing	Shaoxing	5,000.00	Financial	60	-	Combination not under common control
Huaxin Environmental	LLC	Zhang Dong Liang	913306217772014427	Shaoxing	Shaoxing	3,000.00	Industrial	-	60	Indirectly owned through subsidiary
Huatai Environmental	LLC	Du Li Fu	91330621322989819K	Shaoxing	Shaoxing	200.00	Services	-	36	Indirectly owned through subsidiary
Zhenjiang Dongjiang	LLC	Hu Jiu Kun	91321183MA1MK96R1B	Jurong	Jurong	200.00	Services	60	-	Wholly-owned
Weifang Blue Sea	Other limited liability company	Duan Chun Fa	91370786MA3BYD8Y26	Changyi	Changyi	4,000.00	Industrial	70	-	Combination not under common control
Xiamen Oasis Environmental	Other company limited by shares	Li Kai Yan	913502007054598748	Xiamen	Xiamen	3,500.00	Industrial	60	-	Combination not under common control
Nantong Dongjiang	LLC	Lu Jiang	91320623MA1MUTMU7E	Rudong County	Rudong County	USD2,000.00	Services	-	100	Wholly-owned
Jingzhou Dongjiang	LLC	Liu Hai Long	91421024MA48DEQ061	Jiangling County	Jiangling County	1,000.00	Industrial	100	-	Wholly-owned
Huangshi Dongjiang	LLC	He De Qiang	91420222MA48E9L73W	Yangxin County	Yangxin County	1,000.00	Industrial	70	-	Combination not under common control

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Structure of the Company (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of shareholding (%)		Acquisition method
								Direct	Indirect	
Zhaoqing Dongsheng	LLC	Cheng Longying	91441284MA4W42H92W	Zhaoqing	Zhaoqing	5,000.00	Trading	100	-	Combination not under common control
Huateng Environment	LLC	Huang Shu Wan	9144030031937352X6	Shenzhen	Shenzhen	2,000.00	Services	100	-	Combination not under common control
Tangshan Wandesi	Other limited liability company	Jiang Jin Ming	91130230070827302U	Tangshan	Tangshan	13,300.00	Services	80	-	Combination not under common control
Xiantao Dongjiang	LLC	Liu Hai Long	91429004MA491YHC76	Xiantao	Xiantao	1,000.00	Services	100	-	Combination not under common control

(2) Significant non-wholly owned subsidiaries

Name of subsidiaries	Shareholdings of minority interest	Profit or loss attributable to minority interest for the year	Dividend declared to minority interest for the year	Balance of equity of minority interest at the end of the year
Dongjiang Heritage	38%	1,911,038.30	-	16,655,142.57
Longgang Dongjiang	46%	19,336,694.08	43,200,000.00	77,400,897.76
Qiandeng Wastes Treatment	49%	26,659,509.52	15,300,000.00	55,901,018.42
Qingyuan Xinlv	37.50%	3,133,583.37	-	41,910,646.71
Jiaxing Deda	51%	5,800,411.78	1,020,000.00	33,944,525.95
Zhuhai Yongxingsheng	20%	7,314,476.24	-	27,479,049.20
Xiamen Oasis Environmental	40%	-359,941.94	-	87,527,967.30
Xiamen Dongjiang	40%	8,078,424.14	-	70,259,014.61

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Balance at the end of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongjiang Heritage	50,123,933.88	2,970,814.32	53,094,748.20	2,861,423.37	0.00	2,861,423.37
Longgang Dongjiang	98,105,044.50	113,234,138.94	211,339,183.44	35,622,244.70	7,041,833.27	42,664,077.97
Qiandeng Wastes						
Treatment	131,055,656.03	28,967,348.87	160,023,004.90	38,730,562.55	632,782.63	39,363,345.18
Qingyuan Xinlv	112,596,407.98	36,937,730.13	149,534,138.11	37,772,413.53	0.00	37,772,413.53
Jiaxing Deda	48,555,061.78	71,924,994.69	120,480,056.47	44,842,307.39	6,363,206.30	51,205,513.69
Zhuhai Yongxingsheng	52,155,826.17	209,625,987.91	261,781,814.08	104,543,418.10	19,843,150.00	124,386,568.10
Xiamen Oasis						
Environmental	213,481,220.88	194,086,164.59	407,567,385.47	178,359,037.45	10,388,429.77	188,747,467.22
Xiamen Dongjiang	84,709,819.39	159,676,199.74	244,386,019.13	63,524,741.44	6,035,206.08	69,559,947.52

Name of subsidiaries	Amount at the beginning of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongjiang Heritage	52,245,822.79	3,209,157.24	55,454,980.03	11,625,657.47	-	11,625,657.47
Longgang Dongjiang	97,808,790.13	125,151,037.44	222,959,827.57	9,125,464.52	7,607,833.31	16,733,297.83
Qiandeng Wastes						
Treatment	103,378,199.90	30,446,211.43	133,824,411.33	37,070,545.40	3,217,526.46	40,288,071.86
Qingyuan Xinlv	93,659,423.44	34,748,441.41	128,407,864.85	25,002,362.60	-	25,002,362.60
Jiaxing Deda	31,559,558.72	75,433,912.25	106,993,470.97	28,613,275.09	18,943,228.17	47,556,503.26
Zhuhai Yongxingsheng	16,467,434.67	180,573,812.80	197,041,247.47	82,039,382.69	14,179,000.00	96,218,382.69
Xiamen Oasis						
Environmental	257,211,056.10	319,972,860.24	577,183,916.34	186,631,879.62	16,202,252.38	202,834,132.00
Xiamen Dongjiang						

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Key financial information of significant non-wholly owned subsidiaries (Continued)

Name of subsidiaries	Incurred during the year				Incurred last year			
	Operating income	Net profit	Total consolidated income	Cash flow from operating activities	Operating income	Net profit	Total consolidated income	Cash flow from operating activities
Dongjiang Heritage	101,892,184.70	6,404,002.27	6,404,002.27	-25,218,107.31	78,951,545.29	5,029,048.16	5,029,048.16	8,592,582.64
Longgang Dongjiang	91,201,269.09	42,036,291.48	42,036,291.48	37,434,093.24	86,568,458.43	39,526,712.91	39,526,712.91	27,732,805.98
Qiandeng Wastes Treatment	274,930,338.67	54,407,162.28	54,407,162.28	59,476,142.10	181,810,666.70	30,091,476.13	30,091,476.13	35,598,825.27
Qingyuan Xinlv	211,094,526.09	8,356,222.33	8,356,222.33	10,204,738.73	181,215,634.31	8,539,593.78	8,539,593.78	3,270,094.29
Jiaying Deda	105,071,487.22	11,837,575.07	11,837,575.07	5,490,669.79	76,190,479.45	8,015,606.07	8,015,606.07	5,608,754.94
Zhuhai Yongxingsheng	141,153,551.64	36,572,381.20	36,572,381.20	48,685,731.16	28,024,137.22	1,089,830.43	1,089,830.43	29,114,394.10
Xiamen Oasis Environmental	60,116,539.08	-899,854.84	-899,854.84	24,861,497.95	154,372,285.26	7,929,779.77	7,929,779.77	43,286,921.49
Xiamen Dongjiang	118,298,322.43	20,196,060.36	20,196,060.36	38,839,629.84				

(4) Significant restrictions on use of assets and settlement of debts of corporate

There were no significant restrictions on use of assets and settlement of debts of corporate.

2. Changes in shareholders' equity in the subsidiary without loss of control

(1) Changes in shareholders' equity in the subsidiary

On 3 July 2017, the Company entered into an equity transfer agreement with Zhejiang Xinhai pharmaceutical Co., Ltd., to acquire 15% equity interest of Yancheng Coastal Solid Waste Disposal Co., Ltd.. The equity interest held by the Company in Yancheng Coastal Solid Waste Disposal Co., Ltd. increased to 75%.

On 10 May 2017, Jiangmen Dongjiang Environmental Technology Ltd., a subsidiary of the Company, entered into an equity transfer agreement with Shenzhen Lvlvda Environmental Co., Ltd., to successfully acquire 40% equity interest of Jiangmen Dongjiang Fine Chemistry Co., Ltd.. The equity interest held by Jiangmen Dongjiang in Jiangmen Fine Chemistry increased to 100%.

In October 2017, the Company entered into an equity transfer agreement with Li Yongjun, to successfully acquire 10% equity interest of Huateng Environmental information technology Co., Ltd.. The equity interest held by the Company in Huateng Environmental information technology Co., Ltd. increased to 100%.

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VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

2. Changes in shareholders' equity in the subsidiary without loss of control *(Continued)*

(2) *Effect of changes in shareholders' equity in the subsidiary on equity*

Item	Coastal Solida Waste	Jiangmen Fine Chemistry	Huateng Environment
Cash	48,000,000.00	10,800,000.00	1,500,000.00
Total consideration for acquisition	48,000,000.00	10,800,000.00	1,500,000.00
Less: Share of net assets of subsidiaries calculated based on acquired shareholding	10,439,716.30	5,780,318.79	202,124.50
Difference	37,560,283.70	5,019,681.21	1,297,875.50
Including: Adjustment of capital reserve	37,942,639.82	3,896,546.01	1,290,600.56
Adjustment of surplus reserve	–	–	–
Adjustment of undistributed profit	-382,356.12	1,123,135.20	7,274.94

3. Interests in joint ventures or associates

(1) *Significant joint ventures or associates*

Name of joint ventures or associates	Principal place of domain	Principal place of operation	Nature of business	Proportion of shareholding (%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
Dongjiang Veolia	Huizhou	Huizhou	Industrial	50.00	–	Equity approach
Shenzhen Resource	Shenzhen	Shenzhen	Industrial	49.00	–	Equity approach
Shenzhen Micronutrients	Shenzhen	Shenzhen	Service	38.00	–	Equity approach
Fujian Dongjiang	Quanzhou	Quanzhou	Industrial	42.50	–	Equity approach
Foshan Fulong	Foshan	Foshan	Industrial	30.00	–	Equity approach

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VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(1) Significant joint ventures or associates *(Continued)*

1) Dongjiang Veolia

Full name: Huizhou Dongjiang Veolia Environmental services Limited (惠州東江威立雅環境服務有限公司)

Dongjiang Veolia has a registered capital of RMB60,000,000. The Company invested RMB30,822,200 and owned 51% equity interest therein. The Board of Directors of Dongjiang Veolia comprise 6 directors, 3 of them were appointed by the Company and the other 3 were appointed by the another shareholders who had one veto power in the matters (including the allocation of manpower requirement, equipment and material resources) relating to the design, construction or operating technology of the Hazardous Waste Treatment Centre. Accordingly, it is accounted for using equity method of accounting.

Pursuant to the equity transfer agreement dated 31 December 2014, 1% out of the 51% equity interest in Dongjiang Veolia originally held by the Company had been transferred to its partner, Veolia Environmental Services Hong Kong Limited. The relevant equity transfer and procedures of change in industrial and commercial registration were completed in July 2015. As of 31 December 2017, the Company holds 50% equity interest and 50% voting rights in Dongjiang Veolia.

2) Shenzhen Resource

Full name: Shenzhen Resource Environmental Technology Company Limited (深圳市萊索思環境技術有限公司)

Shenzhen Resource has a registered capital of RMB35,000,000. The Company invested RMB17,500,000 and owned 50% equity interest therein. The other 50% equity interest was owned by Shenzhen Hazardous Wastes Treatment Station Company Limited.

Pursuant to the framework agreement dated 19 August 2010, 1% out of the 50% equity interest in Shenzhen Resource originally held by the Company had been transferred to its partner, Shenzhen Hazardous Wastes Treatment Station Company Limited (hereinafter referred to as the City Hazardous Waste Treatment Station) and the composition of the Board of Directors of Shenzhen Resource would be adjusted whereby the Company has rights to nominate 3 out of 7 directors. The relevant equity transfer and procedures of change in industrial and commercial registration were completed in January 2011. As of 31 December 2017, the Company holds 49% equity interest and 42.86% voting rights in Shenzhen Resource.

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(1) Significant joint ventures or associates *(Continued)*

3) Shenzhen Micronutrients

Full name: Heritage Dongjiang Micronutrients Additives (Shenzhen) Co., Limited (華瑞東江微營養添加劑(深圳)有限公司)

Shenzhen Micronutrients has a registered capital of RMB2,000,000. The Company invested RMB760,000 and owned 38% equity interest therein. Its scope of business includes research and development of new technologies of feed additive; provision of technical services and consultation concerning feed; importing, exporting and wholesaling of feeds, feed additives, chemical materials, chemical products (exclusive of hazardous goods) (excluding State-managed goods, and the application procedures of products involved in quota, license management and other specific regulations and management will be handled in accordance with relevant regulations of PRC).

4) Fujian Dongjiang

Full name: Fujian Xingye Dongjiang Environmental Technology Co., Ltd. (福建興業東江環保科技有限公司)

Fujian Dongjiang has a registered capital of RMB100,000,000. The Company invested RMB42,500,000 and owned 42.50% equity interest therein. Its scope of business includes disposal and comprehensive utilization of wastes (including industrial waste and general solid waste); treatment of wastewater, waste air and noise; design, construction and operation of environmental protection facilities; production and trading of environmental materials, recycled products and environmental equipment; development, promotion and application of new environmental products and technologies (for businesses subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities). As of 31 December 2017, the Company holds 42.50% equity interest and 42.50% voting rights in Fujian Dongjiang.

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VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(1) Significant joint ventures or associates (Continued)

5) Foshan Fulong

Full name: Foshan Fulong Environmental Protection Technology Co., Ltd (佛山市富龍環保科技有限公司)

Foshan Fulong has a registered capital of RMB52,587,700. The Company invested RMB48,000,000 and owned 30.00% equity interest therein. Its scope of business includes comprehensive utilization and disposal of hazardous wastes (including waste mineral oil (HW08); oil/water, hydrocarbon/water mixture or emulsion (HW09); other wastes (HW49)) and wholesaling and retailing of recycled products and base oil of the above hydrocarbon wastes; incineration disposal of hazardous wastes (including organic solvent wastes (HW06), waste mineral oil (HW08), oil/water, hydrocarbon/water mixture or emulsion (HW09), fine steam distillation residue (HW11), dyes, paint waste (HW12), organic resin waste (HW13), photographic material waste (HW16) and other wastes (HW49)); research and development as well as promotion and application of environmental protection technology; information consulting and exchange services; consultation of environmental impact assessment; research and development, maintenance, sale and installation of environmental equipment and product; design and construction of environmental protection engineering; treatment and dispose of wastewater, waste air and noise; soil restoration; technical services of environmental inspection; international and domestic trade. As of 31 December 2017, the Company holds 30.00% equity interest and 30.00% voting rights in Foshan Fulong.

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VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(2) Key financial information of significant joint ventures

Item	Balance at the end of year/ incurred during the year Dongjiang Veolia	Balance at the beginning of year/ incurred during last year Dongjiang Veolia
Current assets:	159,806,753.79	96,056,742.77
Including: cash and cash equivalent	56,511,782.76	50,323,318.63
Non-current assets	238,420,177.45	228,631,650.49
Total assets	398,226,931.24	324,688,393.26
Current liabilities:	183,474,615.02	137,925,892.77
Non-current liabilities	22,602,021.39	33,363,406.57
Total liabilities	206,076,636.41	171,289,299.34
Minority interests	25,835,671.19	32,002,970.33
Equity interests attributable to shareholders of the parent company	166,314,623.64	121,396,123.59
Share of net asset based on shareholdings	83,157,311.82	60,698,061.80
Adjustments		
– Goodwill	–	–
– Unrealized profit from intra-group transactions	–	–
– Others	–	–
Book value of investments in interest of joint venture	68,153,384.30	58,641,440.11
Fair value of investments in interest in joint venture with open market quotations	–	–
Operating revenue	297,069,674.71	212,293,044.19
Financial costs	658,538.85	-194,835.36
Income tax expenses	1,976,930.27	6,628,793.19
Net profit	42,772,443.03	25,869,231.16
Net profit from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	42,772,443.03	25,869,231.16
Dividends received from joint venture during the year	12,500,000.00	22,500,000.00

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures or associates (Continued)

(3) Key financial information of significant associates

Item	Balance at the end of year/ incurred during the year				Balance at the beginning of year/ incurred during last year		
	Shenzhen Resource	Shenzhen Micronutrients	Fujian Dongjiang	Foshan Fulong	Shenzhen Resource	Shenzhen Micronutrients	Fujian Dongjiang
Current assets:	30,166,454.90	38,445,430.50	33,698,370.10	10,246,263.56	26,033,186.25	55,133,373.16	72,796,128.25
Including: cash and cash equivalent	18,827,370.10	29,729,445.43	3,430,223.08	3,314,621.72	14,123,076.29	29,142,471.54	17,904,465.14
Non-current assets	37,902,142.60	95,211.81	114,834,667.58	167,693,765.28	39,695,954.39	171,384.74	27,646,777.67
Total assets	68,068,597.50	38,540,642.31	148,533,037.68	177,940,028.84	65,729,140.64	55,304,757.90	100,442,905.92
Current liabilities:	12,802,937.81	2,699,921.07	46,376,398.49	140,705,489.84	11,190,625.71	25,757,040.89	1,244,834.80
Non-current liabilities	-	-	6,530,000.00	-	-	-	-
Total liabilities	12,802,937.81	2,699,921.07	52,906,398.49	140,705,489.84	11,190,625.71	25,757,040.89	1,244,834.80
Minority interests	-	-	-	-	-	-	-
Equity interests attributable to shareholders of the parent company	55,265,659.69	35,840,721.24	95,626,639.19	37,234,539.00	54,538,514.93	29,547,717.01	99,198,071.12
Share of net asset based on shareholdings	27,080,173.25	13,619,474.07	40,641,321.66	11,170,361.70	26,723,872.32	11,228,132.46	42,159,180.23
Adjustments	-	-	-	-	-	-	-
- Goodwill	-	-	-	-	-	-	-
- Unrealized profit from intra-group transactions	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-
Book value of investments in interest of associates	25,896,630.32	13,574,712.91	40,641,321.66	47,718,892.49	25,540,329.39	11,200,600.58	42,159,180.23
Fair value of investments in interest in associates with open market quotations	-	-	-	-	-	-	-
Operating income	34,481,299.96	75,835,675.36	-	17,671,660.60	26,422,722.95	107,918,606.21	-
Financial costs	-80,182.10	-3,186,367.49	-1,772,328.87	390,539.71	-134,163.01	-5,287,953.38	-573,410.24
Income tax expenses	-	2,356,445.71	-	-	-1,754,970.13	6,879,152.34	-
Net profit	727,144.77	6,247,664.03	-3,571,431.93	-8,206,686.58	-6,731,528.12	20,480,297.19	-801,928.88
Net profit from discontinued operations	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	727,144.77	6,247,664.03	-3,571,431.93	-8,206,686.58	-6,731,528.12	20,480,297.19	-801,928.88
Dividends received from associates during the year	-	-	-	-	-	3,512,511.35	-

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1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(4) *Summarized financial information of insignificant joint ventures and associates*

Item	Balance at the end of year/ incurred during the year	Balance at the beginning of year/ incurred during last year
Associates:		
Total book value of investments	47,325,078.36	15,465,323.01
Total amounts based on shareholding		
– Net profit	-1,712,401.36	-569,529.98
– Other comprehensive income	–	–
– Total comprehensive income	-1,712,401.36	-569,529.98

(5) *Significant restrictions on transfer of funds from joint ventures or associates to the Company*

There were no significant restrictions on transfer of funds from joint ventures or associates to the Company.

(6) *Excess loss incurred by joint ventures or associates*

There was no excess loss incurred by joint ventures or associates.

(7) *Unrecognized guarantee in relation to investments in joint ventures*

There was no unrecognized guarantee in relation to investments in joint ventures.

(8) *Contingent liabilities in relation to investments in joint ventures or associates*

There were no contingent liabilities in relation to investments in joint ventures or associates.

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Company include monetary fund, financial assets at fair value through profit or loss of the period, notes receivables, accounts receivable, other receivables, borrowings, accounts payable, accrued staff emoluments, other payables, etc. Detailed descriptions of these financial instruments are set out in Note VI. Below are the risks associated with such financial instruments and the risk management policies adopted by the Company to mitigate such risks. The management of the Company manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Objective and policies of risk management

The Company engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Company's operating results are minimised, in order to maximise the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of the Company's risk management is to ascertain and analyse all types of risks exposures of the Company, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

(1) Market risks

1) Foreign exchange risk

The Company is mainly exposed to foreign exchange risks in connection with USD and HKD, except for certain subsidiaries of the Company which effect purchases and sales in USD and HKD, all the business activities of the remaining principal operations of the Company are settled with RMB. On 31 December 2017, except for the USD balances and HKD balances in assets and liabilities, all the balances of assets and liabilities of the Company were denominated in RMB. The foreign exchange risk arising from assets and liabilities in such USD balances and HKD balances may affect the operating results of the Company.

Item	Amount at the end of year	Amount at the beginning of year
Monetary fund – USD	31.94	2,138.65
Monetary fund – HKD	5,669,658.54	11,237,129.08
Account receivables – HKD	3,780,354.00	5,497,853.21
Account receivables – USD	39,255.00	
Prepayment – HKD	751,340.59	1,091,568.11
Other receivables – HKD	7,272,526.62	9,368,443.01
Inventories – HKD	82,351.16	77,013.22
Long-term equity investments – HKD	164,962,283.75	164,962,283.75
Fixed assets – HKD	8,016,449.16	13,875,767.52
Short-term borrowings – HKD	10,000,000.00	20,000,000.00
Account payable – HKD	627,918.81	2,680,857.19
Tax payable – HKD	–	-345,105.31
Other payable – HKD	15,111,961.89	16,345,236.19
Non-current liabilities due within 1 year – HKD	1,951,920.52	1,962,240.44
Long-term payable – HKD	2,023,684.94	2,288,753.68

The Company closely monitors changes in foreign exchange rates as to their effects to the Company exposure in foreign exchange risk. Currently, the Company has not adopted other policies to circumvent foreign exchange risks.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Objective and policies of risk management *(Continued)*

(1) Market risks *(Continued)*

2) Interest rate risk

The risk that changes in interest rate lead to changes in cash flow of the financial instruments of the Company is mainly associated with floating-rate bank borrowings. The Company currently does not have a foreign currency hedging policy to hedge against its exposures. However, the management will closely monitor foreign currency risk and will consider hedging significant foreign currency risk when the risk arises.

3) Price risk

The Company other price risk is mainly concentrated on investments held for trading quoted in the stock exchange of the PRC. The management monitors the price risk exposure and will take appropriate measures should the need arise.

(2) Credit risk

On 31 December 2017, the most significant credit risk exposure that might incur financial losses on the Company was mainly attributable to a contractual counterparty's failure to perform its obligations resulting losses on financial assets of the Company and financial guarantee undertaken by the Company, specific details are set out as follows:

The carrying amount of financial assets recognised in the consolidated balance sheet: in respect of financial instruments carried at fair value, the carrying amount reflects the risk exposure; however, such amount does not represent the maximum credit exposure which changes in line with future changes in fair value.

In order to mitigate credit risk, the Company established a committee to be responsible for determining credit limits, approving credit applications and carrying out other monitoring procedures to ensure necessary actions are taken to collect overdue debts. Besides, the Company reassesses the collectability of each amount receivable on an individual basis at each balance sheet date, in order to ensure sufficient bad debt provision is allocated for amounts that are not recoverable. As such, the management of the Company believes the credit risk assumed by the Company has been significantly reduced.

The Company places its liquid funds at banks with relatively higher credit ratings; therefore, the credit risk with respect to liquid funds is low.

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1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Objective and policies of risk management *(Continued)*

(2) Credit risk (Continued)

Since the Company's risk exposures are distributed among various contractual parties and various customers, the Group has no significant concentration risk.

Top five account receivables in total: RMB332,921,296.20.

(3) Liquidity risk

The liquidity risk is the Company's impossibility to perform its financial obligations after the maturity date. In the management of the liquidity risk, the Company monitors and maintains a level of working capital deemed adequate by the management to perform the Company's obligations, thus will not cause loss or damage to the reputation of the Company. Moreover, the Company analyses its debt structure and deadline regularly and maintain sufficient fund. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. In the meanwhile, the management conducts negotiation on financing issues with financial institutions to maintain enough credit limits and mitigate liquidity risk.

The Company's main capital source is from bank borrowing. As at 31 December 2017, the unused credit facilities of bank borrowing of the Company was RMB3.689 billion (31 December 2016: RMB1.153 billion), including unused short-term bank borrowings facilities of the Company of RMB3.257 billion (31 December 2016: RMB1.030 billion), representing a significant change as compared to last year, mainly due to the issuance of bonds for financing in this period which results in more remaining credit of bank borrowings.

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IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Objective and policies of risk management (Continued)

(3) Liquidity risk(Continued)

The following table demonstrates the financial assets (book value before impairment provision) and financial liabilities the Group held according to the maturity of undiscounted remaining contractual obligations:

Amount as at 31 December 2017:

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets					
Monetary fund	1,242,430,230.43	-	-	-	1,242,430,230.43
Financial assets held for trading	-	-	-	-	-
Notes receivables	86,366,871.17	-	-	-	86,366,871.17
Account receivables	715,484,041.65	-	-	-	715,484,041.65
Other receivables	302,049,644.14	770,800.00	2,974,052.49	6,653,700.00	312,448,196.63
Loans	254,980,000.00	-	-	-	254,980,000.00
Non-current liabilities due within					
1 year	11,084,380.33	-	-	-	11,084,380.33
Available- for-sale financial assets	-	-	-	13,431,700.00	13,431,700.00
Long-term receivables	-	19,462,443.58	168,969,595.44	6,497,746.00	194,929,785.02
Financial liabilities					
Short-term borrowings	1,872,637,100.25	-	-	-	1,872,637,100.25
Account payable	705,134,001.34	-	-	-	705,134,001.34
Other payables	307,227,675.19	-	-	-	307,227,675.19
Dividend payable	6,593,410.01	-	-	-	6,593,410.01
Interest payable	891,381.67	-	-	-	891,381.67
Employee benefits payables	62,977,562.92	-	-	-	62,977,562.92
Non-current liabilities due within					
1 year	6,131,610.36	-	-	-	6,131,610.36
Long-term borrowings	-	3,000,000.00	229,711,185.54	59,843,150.00	292,554,335.54
Bonds payable	-	358,013,680.70	649,799,183.35	281,914,172.50	1,289,727,036.55
Long-term payables	-	794,584.02	897,014.22	-	1,691,598.24

NOTES TO FINANCIAL STATEMENTS

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

2. Sensitivity analysis

The Company applies sensitivity to analyze the rationality of technical risk variables and the effect of possible changes on the current profit and loss or owner's equity. As any risk variable seldom varies independently, and correlation among variables will play a major role in the ultimate amount of a special risk variable. Therefore, the followings are carrying out on the assumed condition that each variable changes independently.

(1) Sensitivity analysis of foreign exchange risk

The hypothesis of sensibility analysis of foreign exchange risk: all the foreign operations and investments and cash flows are highly effective.

The influence of reasonable movements of exchange rates on the current net profit and loss and equity based on the above assumptions with other variables holding constant is as follows:

Item	Change in exchange rate	During the year		During last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Increase 5% against RMB	1,669.70	1,669.70	90.89	90.89
USD	decrease 5% against RMB	-1,669.70	-1,669.70	-90.89	-90.89
HKD	Increase 5% against RMB	-520,268.27	-520,268.27	-729,880.64	-729,880.64
HKD	decrease 5% against RMB	520,268.27	520,268.27	729,880.64	729,880.64

(2) Sensitivity analysis of interest rate risk

The sensitivity analysis of interest rate risk is based on the following assumptions:

The fluctuation of market interest rate will have impact on interest income or expense of variable interest-rate financial instrument;

For the fixed interest-rate financial instrument measured at fair value, the changes of market interest rate can only affect its interest income or expense;

The market interest rate at the balance sheet date shows the fair value changes of derivative financial instrument and other financial assets and liabilities calculated on discounted cash flow method.

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IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

2. Sensitivity analysis (Continued)

(2) Sensitivity analysis of interest rate risk (Continued)

The influence after tax of reasonable movements of interest rate on the current net profit and loss and equity based on the above assumptions with other variables holding constant is as follows:

Item	Change in interest rate	During the year		During last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Borrowings with floating interest rate	Increase 1%	-2,271,125.52	-2,271,125.52	-3,388,262.28	-3,388,262.28
Borrowings with floating interest rate	Decrease 1%	2,271,125.52	2,271,125.52	3,388,262.28	3,388,262.28

X. DISCLOSURE OF FAIR VALUE

1. Amounts of assets and liabilities measured at fair value at the end of year and levels of fair value measurement

Item	Fair value at the end of year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuous fair value measurement	-	-	-	-
(1) Financial assets at fair value through profit and loss				
Financial assets held for trading-equity instrument investments	-	-	-	-
(2) Investment properties				
Leased buildings	-	89,685,173.20	-	89,685,173.20
Total assets with continuous fair value measurement	-	89,685,173.20	-	89,685,173.20

NOTES TO FINANCIAL STATEMENTS

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X. DISCLOSURE OF FAIR VALUE *(Continued)*

2. Determination basis of market prices of continuous and non-continuous level 1 fair value measurement items

The Company's investments in equity instruments under financial assets held for trading are equity investments in the secondary market, with the fair value measurement determined by reference to quoted market closing price.

3. Valuation method and qualitative and quantitative data of significant input of continuous and non-continuous level 2 fair value measurement items

The fair value measurement of investment property at fair value of the Company is based on the valuation made by Shenzhen Pengxin Assets Appraisal and Valuation Co., Limited (an independent third party with no connection to the Company). The valuation was determined based on the recent market prices of similar properties at the same location and use with net rental income capitalised (as appropriate).

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Relationships of related parties

(1) *Controlling shareholder and ultimate controlling shareholder*

1) Controlling shareholder and ultimate controlling shareholder

The controlling shareholder and the ultimate controlling shareholder of the Company were Guangdong Rising Assets Management Co., Ltd. and the SASAC of Guangdong Province respectively.

2) The shareholdings or interest of controlling shareholder and the movement

Controlling shareholder	Balance at the end of year	
	Shareholding	Proportion of Shareholdings (%)
Guangdong Rising Assets	121,713,495.00	13.70
Subsidiaries of Guangdong Rising Assets	17,743,195.00	2.00
Total	139,456,690.00	15.70

As at 31 December 2016, Guangdong Rising Assets and its subsidiaries jointly held 64,880,898 shares of the Company, representing 7.31% of the total share capital of the Company. Zhang Weiyang, a shareholders of the Company, who held 61,030,624 shares of the Company (representing 6.88% of the total share capital of the Company), undertook to vote according to the instruction of Guangdong Rising Assets. The above 61,030,624 shares have been transferred to Guangdong Rising Assets by Zhang Weiyang in 2017.

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XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

1. Relationships of related parties *(Continued)*

(1) *Controlling shareholder and ultimate controlling shareholder (Continued)*

2) *The shareholdings or interest of controlling shareholder and the movement (Continued)*

As at 31 December 2017, Guangdong Rising Finance Holding Co., Ltd., a wholly-owned subsidiary of Guangdong Rising Assets, held 13,545,168 A Shares of the Company, representing 1.52% of the total share capital of the Company; Shenzhen Rising Investment Development Co., Ltd. held 1,302,027 A Shares of the Company, representing 0.15% of the total share capital of the Company; and Guangdong Rising H.K. (Holding) Limited held 2,896,000 H Shares of the Company, representing 0.33% of the total share capital of the Company.

(2) *Subsidiaries*

Details of subsidiaries of the Group are set out in "Structure of the Company" under Note VIII.1 (1).

(3) *Joint ventures and associates*

Details of significant joint ventures and associates of the Company was set out under "Significant joint ventures or associates" under note VIII.3(1). Joint ventures or associates who had related party transactions with the Company or previous balance of related party transactions with the Company are as follows:

Name of joint ventures and associates	Relations with the Company
Dongjiang Veolia	Joint venture
Shenzhen Micronutrients	Associate
Shenzhen Resource	Associate
Fujian Dongjiang	Associate
Foshan Fulong	Associate
Chaoyue Dongchuang	Associate
Jiangsu Suquan	Associate

(3) *Other related parties*

Name of other related parties	Relations with the Company
Suntime Environmental Remediation Co., Ltd. (" Jiangsu Suntime ")	Other*1
Guangzhou Huajian Engineering Construction Co., Ltd. (" Guangzhou Huajian ")	Other*2

*1 ∙ Suntime Environmental Remediation Co., Ltd. is a related party owned as to 10% by the Company.

*2 ∙ Guangzhou Huajian Engineering Construction Co., Ltd. is a related party indirectly controlled by controlling shareholders of the Company.

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XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

2. Related party transactions

(1) *Related party transactions in respect of purchase and sales of goods, providing and receiving services*

1) Purchasing goods and receiving services

Related Party	Related party transactions	Occurred during the year	Occurred during last year
Dongjiang Veolia	Receiving services	29,356,944.42	16,108,116.76
Guangzhou Huajian	Receiving services	8,272,490.05	–
Shenzhen Resource	Receiving services	–	72,100.00
Total		37,629,434.47	16,180,216.76

2) Sales of products and providing services

Related Party	Related party transactions	Occurred during the year	Occurred during last year
Dongjiang Veolia	Providing services	74,901,872.74	45,639,865.94
Dongjiang Veolia	Sales of goods	840,160.59	213,600.00
Shenzhen Micronutrients* ¹	Sales of goods	66,220,026.55	76,081,748.55
Fujian Xingye	Providing services	69,955,000.00	–
Foshan Fulong	Providing services	47,297,297.30	–
Total		259,214,357.18	121,935,214.49

(2) *Related parties leasing*

1) Leasing

Leasor	Lessee	Leased assets	Recognised rental income of the year	Recognised rental income of last year
The Company	Shenzhen Micronutrients	Buildings	135,037.60	126,793.06

(3) *Guarantee with related parties*

Name of Guarantor	Name of Secured party	Amount guaranteed	Date of commencement	Date of termination	Whether the guarantee was completed
Dongjiang HK	Lik Shun Services	4,931,810.00	2015-01-22	2022-2-13	No

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

3. Consolidation and parent company

Emoluments of key management

(1) Emoluments of Directors and Supervisors

Emoluments of Directors and Supervisors during the year are as follows:

Name	Fees of Directors and Supervisors	Salaries, bonus and allowances	Retirement benefits scheme contributions	Total
Executive Directors				
Liu Ren	–	1,547,876.00	73,762.39	1,621,638.39
Li Yong Peng	–	1,245,850.00	74,977.93	1,320,827.93
Zhang Kai	–	536,777.45	24,042.00	560,819.45
Chen Shusheng		1,316,002.00	36,008.64	1,352,010.64
Sub-total	–	4,646,505.45	208,790.96	4,855,296.41
Non- executive Directors				
Liu Boren	–	–	–	–
Deng Qian	–	–	–	–
Huang Yiming	–	–	–	–
Sub-total	–	–	–	–
Independent non-executive Directors				
Wong Hin Wing	150,000.00	–	–	150,000.00
Qu Jiuhui	150,000.00	–	–	150,000.00
Zhu Zheng Fu	150,000.00	–	–	150,000.00
Sub-total	450,000.00	–	–	450,000.00
Supervisors				
Zhang Anli	–	–	–	–
Huang Weiming	–	1,058,385.00	64,829.67	1,123,214.67
Li Yue	–	96,600.00	24,013.20	120,613.20
Shu Yixin	–	96,540.00	15,039.46	111,579.46
Sub-total	–	1,251,525.00	103,882.33	1,355,407.33
Total	450,000.00	5,898,030.45	312,673.29	6,660,703.74

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

3. Consolidation and parent company (Continued)

Emoluments of key management (Continued)

(1) Emoluments of Directors and Supervisors (Continued)

Emoluments of Directors and Supervisors for last year were as follows:

Name	Fees of Directors and Supervisors	Salaries, bonus and allowances	Retirement benefits scheme contributions	Total
Executive Directors				
Zhang Weiyang	–	1,643,835.00	67,476.87	1,711,311.87
Chen Shusheng	–	1,307,750.00	67,476.87	1,375,226.87
Li Yongpeng	–	883,502.00	65,104.92	948,606.92
Liu Ren	–	191,666.00	13,234.66	204,900.66
Sub-total	–	4,026,753.00	213,293.32	4,240,046.32
Non-executive Directors				
Feng Tao	–	–	–	–
Wu Shuiqing	–	–	–	–
Liu Boren	–	–	–	–
Deng Qian	–	–	–	–
Huang Yiming	–	–	–	–
Sun Jiping	–	–	–	–
Sub-total	–	–	–	–
Independent non-executive directors				
Wong Hin Wing	150,210.00	–	–	150,210.00
Qu Jihui	150,000.00	–	–	150,000.00
Su Qiyun	129,166.67	–	–	129,166.67
Zhu Zheng Fu	21,428.57	–	–	21,428.57
Sub-total	450,805.24	–	–	450,805.24
Supervisors				
Yuan Wei	–	–	–	–
Cai Wensheng	–	–	–	–
Zhang Anli	–	–	–	–
Ren Yunan	–	–	–	–
Huang Weiming	–	581,300.00	51,665.43	632,965.43
Shu Yixin	–	61,364.86	15,901.54	77,266.40
Liu An	–	394,046.00	45,131.26	439,177.26
Sub-total	–	1,036,710.86	112,698.23	1,149,409.09
Total	450,805.24	5,063,463.86	325,991.55	5,840,260.65

NOTES TO FINANCIAL STATEMENTS

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

3. Consolidation and parent company (Continued)

Emoluments of key management (Continued)

(1) Emoluments of Directors and Supervisors (Continued)

On 26 June 2017, Mr. Zhang Kai was appointed as executive Director; On 28 June 2017, executive Director Chen Shusheng resigned as Director; on 29 December 2017, Supervisor Mr. Shu Yixin resigned as Supervisor; on 30 December 2017, Mr. Li Yue was appointed as executive Supervisor.

(2) Top five employees with highest emoluments:

During the year, top five employees with highest emoluments include three (last year: three) directors, and the other two (last year: two) employees with the highest emoluments were as follows:

Item	Amount of the year	Amount of last year
Salaries, bonus and allowance	2,422,085.00	1,521,789.04
Retirement benefits scheme contribution	149,955.86	134,779.04
Total	2,572,040.86	1,656,568.08

Individuals with the highest emolument are categories based on band of emolument as follows(number of person):

Item	During the year	During last year
Nil – RMB837,800 (HKD1,000,000)	–	1
RMB837,800 – RMB1,675,600 (HKD1,000,001 – HKD2,000,000)	5	4
Total	5	5

(3) During the Track Record Period, none of the Directors had waived or agreed to waive any remuneration. During the Track Record Period, no remuneration was paid by the Company to any Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as a compensation for loss of office.

(4) Key management remuneration

Key management remuneration, including remuneration paid or payable to Directors, Supervisors and senior management, is as follows:

Item	Amount of the year	Amount of last year
Salaries, bonus and allowances	6,639,887.00	5,335,663.04
Cost of social insurance, housing fund and related pension cost	398,633.70	422,061.20
Total	7,038,520.70	5,757,724.24

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1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

4. Borrowings due from Directors/related companies of Directors

- (1) There is no borrowings due from Directors/related companies of Directors;
- (2) The Company has not provided guarantee for borrowings due from Directors/related companies of Directors.

5. Related Party Balance

(1) Consolidated

1) Related Party Receivable Items

Item	Related Party	Balance at the end of year		Balance at the beginning of year	
		Book value	Bad debt provision	Book value	Bad debt provision
Account receivable	Shenzhen Micronutrients	0.10	-	21,551,083.74	-
Account receivable	Dongjiang Veolia	33,456,391.75	-	18,078,609.62	-
Account receivable	Jiangsu Suquan	11,543,872.50	-	-	-
Account receivable	Foshan Fulong	47,297,297.30	-	-	-
Account receivable	Fujian Xingye	46,067,612.63	-	-	-
Other receivable	Dongjiang Veolia	2,083,469.93	-	1,652,827.97	-
Other receivable	Fujian Xingye	1,093,098.80	-	-	-
Other receivable	Jiangsu Suntime	-	-	2,000,000.00	-

2) Related Party Payable Items

Item	Related Party	Balance at the end of year	Balance at the beginning of year
Account payable	Dongjiang Veolia	11,853,491.46	551,395.60
Other payables	Shenzhen Resource	135,458.63	76,357.63
Other payables	Dongjiang Veolia	15,000.00	49,000.00
Other payables	Shenzhen Micronutrients	-	14,835.30

6. Other Related Party Transactions

On 17 January 2017, the Company entered into the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. ("**Rising Finance Company**"), pursuant to which, Rising Finance Company will provide the Company (including its subsidiaries) with the deposit services, settlement services and other financial services as permitted by the China Banking Regulatory Commission. As at 31 December 2017, the Company has a deposit balance of RMB35,191,486.63 with Rising Finance Company and a loan balance of RMB50,000,000.00 to Rising Finance Company based on actual capital requirements. Deposits with Rising Finance Company constitute connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules of Hong Kong Stock Exchange.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

6. Other Related Party Transactions *(Continued)*

On 15 March 2017, "Assets-Backed Project in relation to GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project" was established by Humen Green, its subsidiary, which had paid RMB533,333.33 to Rising Finance Company as counter guarantee fees.

In October 2017, the Company entered into an equity transfer agreement with Li Yongjun in relation to the acquisition of his 10% equity interest in Shenzhen Huateng Environment Information Technology Co., Ltd. (深圳市華藤環境信息科技有限公司), and then the Company's shareholding percentage in Shenzhen Huateng Environment Information Technology Co., Ltd. (深圳市華藤環境信息科技有限公司) increased to 100%. Li Yongjun is a family member of a Director of the Company.

XII. SHARE-BASED PAYMENTS

1. Details of share-based payments

Item	Details
Total amount of equity instrument granted by the Company during the year	1,380,000.00
Total amount of equity instruments exercised by the Company during the year	13,125,000.00
Total amount of equity instruments lapsed of the Company during the year	295,000.00
<hr/>	
Scope of exercise prices of share options issued by the Company at the end of year and remaining term of contract	
<hr/>	
Scope of exercise prices of other equity instruments of the Company at the end of year and remaining term of contract	

Breakdown of share-based payments:

(1) *Grant of Restricted Shares*

Pursuant to the resolution of the second EGM in 2016, the Second Class Meeting of Holders of A Shares in 2016 and the Second Class Meeting of Holders of H Shares in 2016 and "Resolution on Grant of Reserved Portion of Restricted Shares to Share Incentive Participants" considered and passed in the 5th meeting of the sixth session of the Board on 28 September 2017, 1.38 million restricted shares were granted to 47 share incentive participants granted with reserved portion of Restricted Shares under the 2016 Restricted Share Incentive Scheme at the price of RMB8.09 per Share on 28 September 2017.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XII. SHARE-BASED PAYMENTS *(Continued)*

1. Details of share-based payments *(Continued)*

(2) Unlocking Restricted Shares

Pursuant to the "Resolution on Unlocking the Third Unlocking Period of 2013 Restricted Share Incentive Scheme" considered and passed at the 68th meeting of the fifth session of the Board on 29 March 2017, 8,010,000 Shares held by 92 participants were unlocked. The Restricted Shares which have been unlocked commenced trading on 14 April 2017.

Pursuant to the "Resolution on Unlocking the First Unlocking Period of 2016 Restricted Share Incentive Scheme" considered and passed at the 7th meeting of the sixth session of the Board on 23 November 2017, 5,115,000 Shares held by 316 participants were unlocked. The Restricted Shares which have been unlocked commenced trading on 5 December 2017.

(3) Repurchase and cancellation of Restricted Shares granted but not yet unlocked held by former participants who had left office

Pursuant to the "Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Former Participants Who Had Left Office Under the 2013 Restricted Share Incentive Scheme" and "Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Former Participants Who Had Left Office Under the 2016 Restricted Share Incentive Scheme" considered and passed at the 68th meeting of the fifth session of the Board on 29 March 2017, 295,000 Restricted Shares granted but not yet unlocked were repurchased from 6 former participants who ceased to be qualified as they resigned for personal reasons and completed the relevant procedures for leaving office. Such shares were cancelled following the repurchase.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XII. SHARE-BASED PAYMENTS *(Continued)*

2. Payment of equity-settled share-based payment

Item	Details
Determination method of fair value of equity instruments as at the date of grant	Select Black-Scholes option pricing model to measure the fair value of stock options of the Company. Calculation method of the fair value of Restricted Shares: the fair value of each Restricted Share = $C - P - X * ((1 + R)^N - 1)$. Where: C is the value of a call option; P is the value of a put option; X is the grant price of Restricted Shares; R is the rate of capital gains; N is the investment period of purchase fund of Restricted Shares.
Determination basis of number of exercisable equity instruments	Estimated based on the results condition of each unlocking period
Reason for significant difference between estimation made during the year and estimation during last year	Nil
Accumulated amount of equity-settled share-based payment in capital reserve	63,280,548.69
Total expenses of equity-settled share-based payment recognized during the year	22,372,195.14

Equity instruments exercised during the year amounted to RMB13,125,000.00 (last year: RMB9,125,000.00).

XIII. CONTINGENT MATTERS

Combination and parent company

- (1) Due to the existing method of collection and processing of industrial waste adopted by the Company, the Company has not incurred any significant expenditure on environmental rehabilitation since its establishment. There is, however, no assurance that stringent environmental policies or standards on environmental rehabilitation will not be implemented by the relevant authorities in the PRC in the future which require the Company to undertake the environmental measures. The financial position of the Company may be adversely affected by any environmental liabilities which may be imposed under such new environmental policies or standards.
- (2) Other than as disclosed above, the Company had no other significant contingent matters as of 31 December 2017.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XIV. COMMITMENTS (Continued)

1. Combination

(1) Significant commitments

- 1) Commitments of capital expenditures of the Company at the end of year
Capital expenditure commitments contracted but not yet recognized in the financial statements

Item	Amount at the end of year	Amount at the beginning of year
External investments	48,780,000.00	46,119,999.00
Work-in-progress	268,258,048.15	373,885,193.52
Purchase of equipment and machineries	106,411,606.00	54,710,871.60
Total	423,449,654.15	474,716,064.12

At the end of the year, the Company has significant external investment commitments contracted but not yet paid in the amount of RMB48,780,000.00, details of which are set out as follows:

Name of investment	Contracted investment amount	Investment amount paid	Investment amount unpaid	Estimated investment period	Notes
Jiangsu Suquan Solid Waste Disposal Co., Ltd.	40,300,000.00	24,180,000.00	16,120,000.00	2018	
Wandesi (Tangshan Caofeidian) Environmental Technology Co., Ltd	140,000,000.00	110,840,000.00	29,160,000.00	2018	
Hengshui Ruitao Environmental Technology Co., Ltd.	85,000,000.00	81,500,000.00	3,500,000.00	2018	
Total	265,300,000.00	216,520,000.00	48,780,000.00		

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitments (Continued)

2) Significant contracts contracted and undergoing or in preparation

At the end of the year, the Company has expenditure commitments of significant contracts contracted but not yet paid totalling RMB268,258,048.15, details of which are as follows:

Item	Contracted amount	Paid amount	Unpaid amount	Estimated investment period	Notes
Contract of construction of No.3 simple warehouse and canteen (Shaoguan Recycling Resource)	3,200,000.00	1,920,000.00	1,280,000.00	2018	
Comprehensive recycling project of sludge containing heavy metal (Shaoguan Recycling Resource)	86,300,000.00	20,045,000.00	66,255,000.00	2018	
Project of incineration (Shaoguan Renewable Resources)	33,650,000.00	26,427,000.00	7,223,000.00	2018	
Quanzhou Xingye project (Headquarter of Dongjiang)	60,390,000.00	33,113,479.52	27,276,520.48	2018	
Kitchen power generation project (Headquarter of Dongjiang)	4,880,000.00	2,440,000.00	2,440,000.00	2018	
Phase I and Phase II of Industrial Park renovation and expansion project (Dongheng Environmental)	235,309,100.00	170,270,915.90	65,038,184.10	2018	
Contract of plant construction (Weifang Dongjiang)	37,200,000.00	21,070,000.00	16,130,000.00	2018	
Phase II of the incineration project (Hengshui Ruitao)	80,085,000.00	48,142,366.00	31,942,634.00	2018	
Incineration project (Zhuhai Yongxingsheng)	18,243,000.00	12,297,900.00	5,945,100.00	2018	
Incineration and physical and chemical treatment project (Tangshan Wandesi)	22,372,580.95	1,310,290.14	21,062,290.81	2018	
Phase III of the incineration project (Coastal Solid Waste)	47,166,071.00	42,850,136.91	4,315,934.09	2018	
Physical and chemical treatment and wastewater treatment project (Xiantao Luyi)	80,307,886.00	60,958,501.33	19,349,384.67	2018	
Total	709,103,637.95	440,845,589.80	268,258,048.15		

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitments (Continued)

- 3) Significant equipment procurement contracts contracted and undergoing or in preparation
As at the end of the year, the Company has expenditure commitments of significant equipment procurement contracts contracted but not yet paid totalling RMB106,411,606.00, details of which are as follows:

Item	Contracted amount	Paid amount	Unpaid amount	Estimated investment period	Notes
Kitchen power generation project (Headquarter of Dongjiang)	9,500,000.00	6,590,000.00	2,910,000.00	2018	
Procurement of power circuit (phase I) (Xiantao Luyi)	3,220,000.00	2,093,000.00	1,127,000.00	2018	
Procurement of electric generator (Hefei Xinguan)	1,588,760.00	476,628.00	1,112,132.00	2018	
Procurement of electric generator (Qingdao Dongjiang)	3,177,520.00	953,256.00	2,224,264.00	2018	
Waste packaging cleansing equipment (Coastal Solid Waste)	4,662,300.00	2,634,690.00	2,027,610.00	2018	
Treatment system of waste gas (Coastal Solid Waste)	3,050,000.00	2,232,000.00	818,000.00	2018	
Procurement and sales of wastewater evaporation and concentration system (Xiantao Luyi)	9,780,000.00	4,401,000.00	5,379,000.00	2018	
Procurement and sales of wastewater evaporation and concentration system (Zhuhai Yongxingsheng)	11,050,000.00	7,735,000.00	3,315,000.00	2018	
Procurement and installation of project equipment for secondary treatment of incinerated tail gas (Zhuhai Yongxingsheng)	3,077,000.00	923,100.00	2,153,900.00	2018	
Rotary kiln incineration processing system (Tianyin Hazardous Waste)	34,500,000.00	22,425,000.00	12,075,000.00	2018	
Rotary kiln + chimney (Coastal Solid Waste)	35,390,000.00	29,560,800.00	5,829,200.00	2018	

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitments (Continued)

3) Significant equipment procurement contracts contracted and undergoing or in preparation (Continued)

As at the end of the year, the Company has expenditure commitments of significant equipment procurement contracts contracted but not yet paid totalling RMB106,411,606.00, details of which are as follows: (Continued)

Item	Contracted amount	Paid amount	Unpaid amount	Estimated investment period	Notes
Phase III of waste gas treatment system (Coastal Solid Waste)	2,600,000.00	2,340,000.00	260,000.00	2018	
Laboratory chemical instrument and equipment supply contract (Xiantao Luyi)	1,760,000.00	–	1,760,000.00	2018	
Laboratory equipment procurement contract (Hengshui Ruitao)	1,590,000.00	795,000.00	795,000.00	2018	
Desulfurization tower project equipment and ancillary works (Shaoguan Dongjiang)	5,470,000.00	3,132,000.00	2,338,000.00	2018	
Hazardous waste packaging barrel water scalpel automatic cutting and cleaning device (Tianyin Hazardous Waste)	1,860,000.00	186,000.00	1,674,000.00	2018	
General contracting contract of hazardous waste incineration (Zhuhai Yongxingsheng)	34,500,000.00	24,150,000.00	10,350,000.00	2018	
Hazardous waste incineration treatment (Weifang Dongjiang)	92,800,000.00	46,200,000.00	46,600,000.00	2018	
Kiln residue slag selection iron and silver comprehensive utilization project – equipment purchase contract (Shaoguan Dongjiang)	1,010,000.00	536,000.00	474,000.00	2018	
Procurement and sales of equipment of phase I of high and low voltage transformer power distribution project (Xiantao Luyi)	1,580,000.00	948,000.00	632,000.00	2018	
Evaporation and concentration system (Coastal Solid Waste)	4,650,000.00	2,092,500.00	2,557,500.00	2018	
Total	266,815,580.00	160,403,974.00	106,411,606.00		

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1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitments (Continued)

4) Leases contracted and undergoing or in preparation and financial effects

As at the end of the year, the Company as lessee had minimum future lease payment commitments under non-cancellable operating leases in respect of office and plants and transportation equipment in the following periods summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	1,384,889.82	1,312,421.67
1-2 years	945,557.52	1,211,097.52
2-3 years	945,557.52	945,557.52
Over 3 years	545,557.52	6,184,938.02
Total	3,821,562.38	9,654,014.73

As at the end of the year, the Company as lessor had minimum future rent receivable under non-cancellable operating leases in respect of office and plants leased properties in the following periods summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	8,393,593.40	10,134,314.13
1-2 years	8,784,446.90	6,785,597.35
2-3 years	747,875.98	3,217,011.52
Over 3 years	–	–
Total	17,925,916.28	20,136,923.01

As at the end of the year, the Company as lessee had minimum future lease payment under non-cancellable financing leases in respect of transportation equipment in the following periods summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	1,631,610.36	1,813,081.42
1-2 years	794,584.02	1,467,912.38
2-3 years	897,014.25	464,787.40
Over 3 years	–	116,196.85
Total	3,323,208.63	3,861,978.05

(2) Other than the abovementioned commitments, the Company has no other significant commitments as at 31 December 2017.

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XV. POST-BALANCE DATE EVENTS

1. Material non-adjustment events

Nil.

2. Profit distribution

Item	Details
Proposed distribution of profit or dividends	Based on share capital of 887,100,102 shares, the Company paid a cash dividend of RMB1.61 (tax included) for every 10 shares to all shareholders, and total cash dividend would be RMB142,823,116.42. Remaining balance of distributable profit would be carried forward to subsequent periods.

3. Other than the above disclosure, the Company had no other material post-balance date events.

XVI. OTHER SIGNIFICANT EVENTS

1. There were no significant previous miscalculations during the year.

2. There were no debts restructurings during the year.

3. Lease

(1) *Fixed assets leased under finance leases (lessee of finance lease)*

As at the end of year, breakdown of fixed assets leased under finance leases are set out in note VI.17.

(2) *Minimum lease payment (lessee of finance lease)*

As at the end of year, the minimum lease payments under finance leases are set out in note VI.37.

As at 31 December 2017, the financial costs unrecognized by the Company was RMB220,189.05.

(3) *Operating lease assets (lessor of operating lease)*

Assets leased out under operating leases of the Company as at the end of year is as follows:

Assets leased out under operating lease	Amount at the end of year	Amount at the beginning of year
Investment properties	89,685,173.20	66,388,962.20
Total	89,685,173.20	66,388,962.20

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1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVI. OTHER SIGNIFICANT EVENTS (Continued)

3. Lease (Continued)

(4) Significant minimum lease payment under operating lease (lessee of operating lease)

Residual lease term	Amount at the end of year	Amount at the beginning of year
Within 1 year	1,384,889.82	1,312,421.67
1-2 years	945,557.52	1,211,097.52
2-3 years	945,557.52	945,557.52
Over 3 years	545,557.52	6,184,938.02
Total	3,821,562.38	9,654,014.73

4. The Company has no material assets exchange during the year.

5. The Company has no annuity schemes during the year.

6. Discontinued operations

The Company's subsidiary Guangdong Suntime Environmental Remediation Co., Ltd. (廣東上田環境修復有限公司) and indirect subsidiary Jiangxi Kangtai Environmental Technology Engineering Co., Ltd. (江西康泰環境技術工程有限公司) ceased operations during the year. The net profit from discontinued operation attributable to the period was RMB-20,482.24.

7. Segment information

The reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. The Company has 7 reportable segments based on operating businesses, determined based on internal organization structure, management requirements, and internal report system basis. The management of the Company reviews the operating results of these reportable segments regularly to decide on resources allocation and evaluate its results. Major products and services provided by each reportable segment of the Company includes industrial waste recycling, industrial waste treatment and disposal, municipal waste treatment and disposal, renewable energy utilization, environmental engineering and services, trading and others, as well as household appliances dismantling.

Segment reporting information is disclosed in accordance to the accounting policies and measurement standards adopted for reporting to the management by each segment, which are consistent with the accounting policies and measurement basis for preparing financial statements.

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVI. OTHER SIGNIFICANT EVENTS (Continued)

7. Segment information (Continued)

2017 Reporting Segments

Unit: RMB'0,000

Item	Industrial		Municipal waste treatment	Renewable energy utilization	Environmental engineering and services	Trading and others	Household		Unallocated amounts	Elimination	Total
	Industrial waste recycling	waste treatment and disposal					appliance dismantling				
Operating revenue	118,152.88	117,975.40	19,295.95	9,298.25	31,043.65	23,980.67	5,731.09	-	-15,512.03	309,965.86	
Including: Revenue from external transactions	118,152.88	116,743.68	19,295.95	9,298.25	27,982.05	12,761.96	5,731.09	-	-	309,965.86	
Revenue from intra-segment transactions	-	1,231.72	-	-	3,061.60	11,218.71	-	-	-15,512.03	-	
Operating costs	85,920.60	62,240.15	16,829.33	5,896.05	23,847.42	14,787.99	4,741.42	4,198.64	-15,512.03	202,949.57	
Expenses of the period	19,132.87	16,619.80	2,104.06	530.37	1,788.64	2,494.21	1,016.59	17,914.83	-3,342.80	58,258.57	
Segment total profit (total loss)	18,977.15	44,852.68	584.20	3,860.14	6,914.80	6,730.96	81.88	-19,744.50	-	62,257.31	
Total assets	274,664.26	221,314.09	43,600.53	24,888.67	54,221.33	104,257.85	40,660.83	417,657.76	-257,250.58	924,014.74	
Including: Single asset amount with significant impairment loss	-	-	-	-	-	-	-	-	-	-	
Total liabilities	30,044.54	98,086.46	46,870.03	3,494.33	28,331.83	10,500.73	15,870.82	277,358.50	-18,727.26	491,829.98	
Supplementary information	-	-	-	-	-	-	-	-	-	-	
Capital expenditure	15,704.66	45,176.96	1,212.96	1,453.83	2,323.20	20,410.72	1,218.81	-	-	87,501.14	
Impairment loss recognized during the period	249.23	329.01	-14.66	-1.65	-12.05	74.69	-6.85	602.70	-77.39	1,143.03	
Including: Amortization of goodwill impairment	-	-	-	-	-	-	-	-	-	-	
Depreciation and amortization expenses	8,165.85	10,830.18	2,768.81	2,651.43	486.76	470.67	612.79	-	-	25,986.49	
Non-cash expenses excluding impairment losses, depreciation and amortization	201.15	209.51	-	3.67	-	78.28	-	-	-	492.61	

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVI. OTHER SIGNIFICANT EVENTS (Continued)

7. Segment information (Continued)

2016 Reporting Segments

Unit: RMB'0,000

Item	Industrial	Industrial	Municipal	Renewable	Environmental	Trading	Household	Unallocated	Elimination	Total
	waste recycling	waste treatment and disposal	waste treatment	energy utilization	engineering and services		appliance dismantling			
Operating revenue	79,123.06	85,376.96	30,577.46	9,186.43	31,055.72	17,661.30	22,063.50	3,590.36	-16,927.11	261,707.68
Including: Revenue from external transactions	79,123.06	84,326.73	30,577.46	9,186.43	24,543.22	11,887.28	22,063.50	-	-	261,707.68
Revenue from intra-segment transactions	-	1,050.23	-	-	6,512.50	5,774.02	-	3,590.36	-16,927.11	-
Operating costs	53,156.29	43,484.59	25,050.72	5,988.96	23,669.13	9,020.87	20,966.31	199.40	-10,549.42	170,986.85
Expenses of the period	16,404.56	14,340.08	3,983.88	725.55	1,280.22	2,691.08	1,890.16	13,073.97	-5,016.33	49,373.17
Segment total profit (total loss)	10,958.17	31,611.24	2,329.01	3,480.90	6,383.86	7,033.58	-495.67	22,809.08	-16,739.64	67,370.53
Total assets	230,564.29	200,504.65	41,392.08	24,304.48	47,839.89	96,464.94	36,552.11	379,279.09	-237,986.69	818,914.84
Including: Single asset amount with significant impairment loss	-	-	-	-	-	-	-	-	-	-
Total liabilities	37,185.76	81,810.30	10,663.48	4,798.88	29,482.96	37,956.41	14,582.26	230,197.11	-14,331.60	432,345.56
Supplementary information										
Capital expenditure	18,141.69	80,516.44	2,550.83	1,289.05	1,377.56	12,371.99	991.88	-	-	117,239.44
Impairment loss recognized during the period	176.60	553.56	-75.98	-0.05	89.13	6.95	8.50	156.34	-	915.05
Including: Amortization of goodwill impairment	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization expenses	6,340.64	9,107.27	5,792.86	3,126.59	1,656.16	975.74	1,628.88	-	-	28,628.14
Non-cash expenses excluding impairment losses, depreciation and amortization	101.81	264.94	55.77	-	40.00	60.55	-	-	-	523.07

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVI. OTHER SIGNIFICANT EVENTS *(Continued)*

7. Segment information *(Continued)*

The total amount of revenue from external transactions of the Company in domestic and other countries and regions, as well as the total amount of non-current asset other than financial asset and deferred income tax of the Company in domestic and other countries and regions were as follows:

Revenue from external transactions	Incurred during the year	Incurred last year
Within the PRC (excluding Hong Kong)	3,081,404,286.67	2,584,621,707.71
Hong Kong	18,254,360.77	32,455,055.65
Total	3,099,658,647.44	2,617,076,763.36

Total non-current assets	Amount at the end of year	Amount at the beginning of year
Within the PRC (excluding Hong Kong)	6,146,674,937.50	5,429,546,297.32
Hong Kong	8,409,044.53	12,412,012.81
Total	6,155,083,982.03	5,441,958,310.13

8. Other significant transactions and matters affecting investors' decision

Nil.

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY

1. Accounts receivable

Item	Amount at the end of year	Amount at the beginning of year
Accounts receivable	436,094,120.32	240,958,693.84
Less: Bad debt provision	3,516,166.11	3,641,067.68
Net amount	432,577,954.21	237,317,626.16

Most of sales to the PRC are transactions under credit, with 30-90 days of credit terms.

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(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(1) Aging analysis of accounts receivable

Prior to the acceptance of new customers, the Company applies internal credit assessment policies to access the credit quality of potential customers and formulates credit limit. Apart from requiring new customers to pay in advance, the Company formulates different credit policies according to different customers. The credit period is generally three months, and can be extended to six months for major customers. For the domestic sales, the Company recognizes accounts receivable and operating revenue at the time point of outbound and acceptance of products, when calculation of the ages of the account begins. Aging analysis of accounts receivable presented based on the invoice date is as follows:

Age	Balance at the end of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	298,013,563.73	473,567.40	0.16
91-180 days	25,769,294.62	255,511.27	0.99
181-365 days	60,738,463.02	443,879.51	0.73
1-2 years	50,923,798.95	1,904,207.93	3.74
2-3 years	420,000.00	210,000.00	50.00
Over 3 years	229,000.00	229,000.00	100.00
Total	436,094,120.32	3,516,166.11	0.81

Age	Balance at the beginning of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	222,263,530.81	975,663.97	0.44
91-180 days	8,330,846.41	169,116.98	2.03
181-365 days	3,715,301.74	12,061.05	0.32
1-2 years	2,987,605.88	597,521.18	20.00
2-3 years	3,549,409.00	1,774,704.50	50.00
Over 3 years	112,000.00	112,000.00	100.00
Total	240,958,693.84	3,641,067.68	1.51

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable by categories

Category	Balance at the end of year				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Proportion of provisions (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	23,958,991.04	5.49	-	-	23,958,991.04
Accounts receivable that are provided for bad debts on collective basis based on credit risks characteristics	412,135,129.28	94.51	3,516,166.11	0.85	408,618,963.17
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	-	-	-	-	-
Total	436,094,120.32		3,516,166.11		432,577,954.21

Category	Balance at the beginning of year				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Proportion of provisions (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	-	-	-	-	-
Accounts receivable that are provided for bad debts on collective basis based on credit risks characteristics	240,958,693.84	100.00	3,641,067.68	1.51	237,317,626.16
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	-	-	-	-	-
Total	240,958,693.84		3,641,067.68		237,317,626.16

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1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable by categories (Continued)

- 1) Accounts receivable that are individually significant and are provided for bad debts on individual basis at the end of year

Name	Accounts receivable	Balance at the end of year		Reason
		Bad debt provision	Proportion of provisions (%)	
Kingwong Electronic (Longchuan) Co. Ltd. (景旺電子科技(龍川)有限公司)	23,958,991.04	-	-	Belongs to receivables for contract work and is not due yet according to the contract
Total	23,958,991.04	-		

- 2) Other receivables within the group that are provided for bad debts based on ageing analysis

Age	Balance at the end of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	31,571,160.19	473,567.40	1.50
91-180 days	8,517,042.35	255,511.27	3.00
181-365 days	8,877,590.17	443,879.51	5.00
1-2 years	9,521,039.66	1,904,207.93	20.00
2-3 years	420,000.00	210,000.00	50.00
Over 3 years	229,000.00	229,000.00	100.00
Total	59,135,832.37	3,516,166.11	

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(3) *Aging analysis of overdue but without impairment accounts receivable at balance date:*

Age	Amount at the end of year	Amount at the beginning of year
0-90 days	266,442,403.54	157,219,265.63
91-180 days	17,252,252.27	2,693,613.76
181-365 days	51,860,872.85	3,474,080.74
1-2 years	17,443,768.25	–
Net amount	352,999,296.91	163,386,960.13

Overdue but without impairment accounts receivables are related to related parties and government agencies, those accounts have good credit. According to the past experiences, the management believes that impairment is unnecessary, because the credit quality remains unchanged, and the balances will be recovered in the future.

(4) *Details of bad debts provision provided, reversed (or recovered) during the year*

Bad debt provision provided during the Year amounted to RMB64,436.33, and reversed or recovered bad debt provision of RMB0.00.

(5) *Accounts receivable written off during the Year*

Item	Amount written off
Accounts receivable written off	189,337.90

Including significant accounts receivables written off: Nil.

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY *(Continued)*

1. Accounts receivable *(Continued)*

(6) *Top five accounts receivable outstanding as at the end of the year categorized by debtors*

Name	Balance at the end of year	Age	Proportion to total account receivable at the end of year (%)	Balance of bad debt provision at the end of year
No. 1	79,360,212.49	Within 1 year	18.20	–
No. 2	47,297,297.30	Within 1 year	10.85	–
No. 3	46,067,612.63	Within 1 year	10.56	–
No. 4	42,162,162.16	Within 1 year	9.67	–
No. 5	32,580,686.22	1-2 years	7.47	–
Total	247,467,970.80		56.75	–

2. Other receivables

Item	Amount at the end of year	Amount at the beginning of year
Other receivables	2,318,673,869.01	1,601,632,168.76
Less: Provision for bad debts	7,402,602.11	1,674,938.73
Net amount	2,311,271,266.90	1,599,957,230.03

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

2. Other receivables (Continued)

(1) Age analysis of other receivables

Age	Balance at the end of year		
	Other receivables	Bad debt provision	Proportion of provisions (%)
0-90 days	2,159,855,602.80	37,838.84	0.00
91-180 days	7,304,486.50	25,731.31	0.35
181-365 days	2,131,133.75	4,691.30	0.22
1-2 years	146,763,882.96	7,332,609.66	5.00
2-3 years	2,068,257.00	1,731.00	0.08
Over 3 years	550,506.00	–	–
Total	2,318,673,869.01	7,402,602.11	0.32

Age	Balance at the beginning of the year		
	Other receivables	Bad debt provision	Proportion of provision (%)
0-90 days	1,580,905,498.13	1,661,414.62	0.11
91-180 days	176,597.78	1,713.59	0.97
181-365 days	15,850,611.75	2,054.97	0.01
1-2 years	4,009,144.00	2,850.00	0.07
2-3 years	191,867.10	6,905.55	3.60
Over 3 years	498,450.00	–	–
Total	1,601,632,168.76	1,674,938.73	0.10

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

2. Other receivables (Continued)

(2) Other receivables by categories

Category	Book balance		Balance at the end of the year		Book value
	Amount	Proportion (%)	Amount	Bad debt provision Proportion of provision (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	137,218,300.00	5.92	6,860,915.00	5.00	130,357,385.00
Other receivables that are provided for bad debts on credit risks collective basis	2,181,455,569.01	94.08	541,687.11	0.02	2,180,913,881.90
Other receivables that are individually insignificant but are provided for bad debts on individual basis	-	-	-	-	-
Total	2,318,673,869.01		7,402,602.11		2,311,271,266.90

Category	Book balance		Balance at the beginning of the year		Book value
	Amount	Proportion (%)	Amount	Bad debt provision Proportion of provision (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	-	-	-	-	-
Other receivables that are provided for bad debts on credit risks collective basis	1,601,632,168.76	100.00	1,674,938.73	0.10	1,599,957,230.03
Other receivables that are individually insignificant but are provided for bad debts on individual basis	-	-	-	-	-
Total	1,601,632,168.76		1,674,938.73		1,599,957,230.03

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

2. Other receivables (Continued)

(2) Other receivables by categories (Continued)

- 1) Other receivables that are individually significant and are provided for bad debts on individual basis at the end of the year

Name	Other receivables	Balance at the end of the year		Reason for provision
		Provision for bad debts	Proportion of provision (%)	
Sound (Tianjin) Renewable Resources Investment Holding Co., Ltd.	137,218,300.00	6,860,915.00	5.00	Provision for bad debts is made as the excess of the carrying amount over the present value of the future cash flows
Total	137,218,300.00	6,860,915.00	- -	

- 2) Other receivables within the group that are provided for bad debts based on ageing analysis

Age	Balance at the end of the year		Proportion of provision (%)
	Other receivables	Provision for bad debts	
0-90 days	2,522,588.87	37,838.84	1.50
91-180 days	857,710.47	25,731.31	3.00
181-365 days	93,825.94	4,691.30	5.00
1-2 years	2,358,473.30	471,694.66	20.00
2-3 years	3,462.00	1,731.00	50.00
Over 3 years	-	-	100.00
Total	5,836,060.58	541,687.11	

(3) Details of bad debt provision provided, reversed (or recovered) during the year

During the year, bad debt provision provided amounted to RMB5,727,663.38 and bad debt provision recovered or reversed was RMB0.00.

- (4) No other receivable written off during the year.

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

2. Other receivables (Continued)

(5) Other receivables categorized by nature

Nature	Book balance at the end of the year	Book balance at the beginning of the year
Current accounts with related parties	2,155,328,744.82	1,460,954,378.07
Guarantee deposits	8,338,845.91	25,566,363.90
Provisions	270,424.25	1,812,226.11
Payment on behalf of third parties	11,508,949.44	1,032,755.34
Considerations of equity transfer and current accounts with former subsidiaries	137,218,300.00	108,418,300.00
Others	6,008,604.59	3,848,145.34
Total	2,318,673,869.01	1,601,632,168.76

(6) Top five other receivables as at the end of the year categorized by debtors :

Name	Nature	Balance at the end of the year	Age	Proportion of total other receivables at the end of the year (%)	Bad debt provision at the end of the year
No. 1	Current accounts with related parties	410,253,355.74	Within 1 year	17.69	-
No. 2	Current accounts with related parties	297,988,611.41	Within 1 year	12.85	-
No. 3	Current accounts with related parties	224,335,378.67	Within 1 year	9.68	-
No. 4	Current accounts with related parties	143,547,140.36	Within 1 year	6.19	-
No. 5	Considerations of equity transfer and current accounts with former subsidiaries	137,218,300.00	Within 1 year	5.92	6,860,915.00
Total		1,213,342,786.18		52.33	6,860,915.00

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. Long-term equity investments

(1) Categorizes of long-term equity investments

Item	Balance at the end of the year			Balance at the beginning of the year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in subsidiaries	3,264,111,918.14	-	3,264,111,918.14	2,993,449,418.14	-	2,993,449,418.14
Investments in associates and joint ventures	203,922,892.11	529,649.00	203,393,243.11	138,604,822.32	529,649.00	138,075,173.32
Total	3,468,034,810.25	529,649.00	3,467,505,161.25	3,132,054,240.46	529,649.00	3,131,524,591.46

(2) Investments in subsidiaries

Investee	Balance at			Impairment		
	the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	provision during the year	provision balance at the end of the year
Jingzhou Dongjiang	10,000,000.00	-	-	10,000,000.00	-	-
Huizhou Dongjiang	6,458,352.90	-	-	6,458,352.90	-	-
Shaoguan Dongjiang	5,000,000.00	-	-	5,000,000.00	-	-
Resource Recycling	2,093,966.50	-	-	2,093,966.50	-	-
Dongjiang Transport	34,000,000.00	-	-	34,000,000.00	-	-
Shaoguan Recycling Resource	329,533,500.00	-	-	329,533,500.00	-	-
Chengdu Hazardous Waste	6,105,461.13	-	-	6,105,461.13	-	-
Products Trading	2,000,000.00	-	-	2,000,000.00	-	-
Baoan Energy	17,230,102.04	-	-	17,230,102.04	-	-
Renewable Energy	90,324,500.00	-	-	90,324,500.00	-	-
Qingdao Dongjiang	15,000,000.00	-	-	15,000,000.00	-	-
Dongjiang HK	154,755,770.00	-	-	154,755,770.00	-	-
Yunnan Dongjiang	10,000,000.00	-	-	10,000,000.00	-	-
Huabao Technology	10,000,000.00	-	-	10,000,000.00	-	-
Dongjiang Property Service	1,000,000.00	-	-	1,000,000.00	-	-
Zuhai Qingxin	24,329,598.13	-	-	24,329,598.13	-	-
Jiangmen Dongjiang	50,000,000.00	-	-	50,000,000.00	-	-
Dongguan Hengjian	76,083,404.82	-	-	76,083,404.82	-	-
Dongjiang Kaida	1,000,000.00	-	-	1,000,000.00	-	-
Jiangxi Dongjiang	50,000,000.00	-	-	50,000,000.00	-	-
Huiyuan Micro Finance	300,000,000.00	-	-	300,000,000.00	-	-
Hengjian Tongda	145,284,297.00	-	-	145,284,297.00	-	-

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. Long-term equity investments (Continued)

(2) Investments in subsidiaries (Continued)

Investee	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	Impairment provision during the year	Impairment provision balance at the end of the year
Rudong Daheng	98,800,000.00	-	-	98,800,000.00	-	-
Nantong Hui Tian Ran	180,000,000.00	-	-	180,000,000.00	-	-
Qianhai Dongjiang	3,000,000.00	7,000,000.00	-	10,000,000.00	-	-
Baoan Dongjiang	60,000,000.00	-	-	60,000,000.00	-	-
Qingyuan Xinlv	68,750,000.00	-	-	68,750,000.00	-	-
Dongjiang Heritage	15,500,000.00	-	-	15,500,000.00	-	-
Longgang Dongjiang	46,350,000.00	-	-	46,350,000.00	-	-
Qingdeng Wastes Treatment	3,916,800.00	-	-	3,916,800.00	-	-
Hunan Dongjiang	9,500,000.00	-	-	9,500,000.00	-	-
Jiaying Deda	30,183,600.00	-	-	30,183,600.00	-	-
Dongjiang Shangtian	5,100,000.00	-	5,100,000.00	-	-	-
Coastal Solida Waste	51,382,865.12	48,182,865.12	182,865.12	99,382,865.12	-	-
Xiamen Oasis Environmental	375,000,000.00	-	-	375,000,000.00	-	-
Wosen Environmental	53,174,000.00	-	-	53,174,000.00	-	-
Shaoxing Dongjiang	1,040,000.00	-	-	1,040,000.00	-	-
Jiangxi Kangtai	17,693,900.00	-	-	17,693,900.00	-	-
Hubei Tianyin	73,500,000.00	-	-	73,500,000.00	-	-
Zhuhai Yongxingsheng	220,100,000.00	-	-	220,100,000.00	-	-
Luyi Environmental	40,500,000.00	-	-	40,500,000.00	-	-
Hengshui Ruitao	84,601,300.50	-	-	84,601,300.50	-	-
Zhejiang Jianglian	75,558,000.00	-	-	75,558,000.00	-	-
Dongheng Konggang	45,000,000.00	-	-	45,000,000.00	-	-
Weifang Blue Sea	94,000,000.00	-	-	94,000,000.00	-	-
Zhenjiang Dongjiang	600,000.00	-	-	600,000.00	-	-
Zhaoqing Dongsheng	-	50,000,000.00	-	50,000,000.00	-	-
Xiantao Dongjiang	-	10,000,000.00	-	10,000,000.00	-	-
Huangshi Dongjiang	-	700,000.00	-	700,000.00	-	-
Tangshan Wandesi	-	140,000,000.00	-	140,000,000.00	-	-
Huateng Environmental	-	20,062,500.00	-	20,062,500.00	-	-
Total	2,993,449,418.14	275,945,365.12	5,282,865.12	3,264,111,918.14	-	-

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. Long-term equity investments (Continued)

(3) Investments in associates and joint ventures

Investee	Balance at the beginning of the year	Additional investments	Decrease in investments	Changes during the year					Balance at the end of the year	Impairment provision at the end of the year	
				Gain and loss of investment recognized using equity approach	Adjustments to other comprehensive income	Declaration or payment of cash dividend or profit	Changes in other equity	Impairment provision			Others
Joint venture											
Dongjiang Veolia	58,641,440.11	-	-	22,011,944.19	-	-	-12,500,000.00	-	-	68,153,384.30	-
Associate											
Shenzhen											
Micronutrients	11,730,249.58	-	-	2,374,112.33	-	-	-	-	-	14,104,361.91	529,649.00
Shenzhen Resource	25,540,329.39	-	-	356,300.93	-	-	-	-	-	25,896,630.32	-
Chaoyue											
Dongchuang	533,623.01	-	-	21,673.41	-	-	-	-	-	555,296.42	-
Fujian Dongjiang	42,159,180.23	-	-	-1,517,858.57	-	-	-	-	-	40,641,321.66	-
Foshan Fulong	-	48,000,000.00	-	-281,107.51	-	-	-	-	-	47,718,892.49	-
Dongguan Fengye	-	7,000,000.00	-	-146,994.99	-	-	-	-	-	6,853,005.01	-
Total	138,604,822.32	55,000,000.00	-	22,818,069.79	-	-	-12,500,000.00	-	-	203,922,892.11	529,649.00

(4) The analysis of long-term investments is as follows:

Item	Amount at the end of the year	Amount at the beginning of the year
Unlisted	3,467,505,161.25	3,131,524,591.46
Total	3,467,505,161.25	3,131,524,591.46

4. Operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	748,340,684.01	563,706,735.67	864,817,500.13	646,210,318.59
Other businesses	-	-	-	-
Total	748,340,684.01	563,706,735.67	864,817,500.13	646,210,318.59

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

5. Investment income

(1) Investment income

Item	Incurred during the year	Incurred during last year
Income from long-term equity investments under cost method	73,050,000.00	–
Income from long-term equity investments under equity approach	22,818,069.79	16,085,160.64
Investment income from disposal of long-term equity investments	-1,317,755.30	183,056,100.00
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period	1,736.68	28,800.00
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period	–	–
Dividends received from subsidiaries	–	126,170,326.62
Investment income received during the period of ownership from financial assets available-for-sale	562,500.00	–
Investment income from disposal of financial assets available-for-sale	–	–
Total	95,114,551.17	325,340,387.26

Investment income generated from listed and unlisted investments during the year amounted to RMB1,736.68 and RMB95,112,814.49 respectively.

Return of investment income of the Company is not subject to material restrictions.

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVIII. APPROVAL OF FINANCIAL STATEMENTS

This financial report was approved by the Board of Directors of the Company on 29 March 2018.

Supplementary information of financial statements

1. *Non-recurring profit and loss statement of the year*

Non-recurring profit and loss of the Company disclosed under “Interpretation on information disclosure of companies with public issued securities No.1 – non-recurring profit and loss (2008)” published by the CSRC as follows:

Item	Amount of the year	Explanation
Profit or loss from non-current assets disposal	-4,600,814.83	
Ultra vires or no formal approval documents of approval of incidental tax refunds or relief	–	
Government grants recognised in profit or loss of the period	18,510,113.16	
Use of fund charged by non-financial institutes recognised in profit or loss of the period	–	
Investment cost of acquisition of subsidiaries, associates and joint ventures less than share of income generated from fair value of net identifiable assets of the investee	–	
Non-monetary assets exchange for profit or loss	–	
Profit or loss of trusted investments or assets management	344,469.69	
Impairment provisions of assets withdrawn due to force majeure such as natural disaster	–	
Profit or loss from debt reconstruction	–	
Corporate reconstruction fee	–	
Transactions under unfair considerations resulting in excess of profit or loss over its fair value	–	
Net profit or loss of the period from beginning of period to combination date of subsidiaries arise from business combination under common control	–	
Profit or loss from contingent matters unrelated to normal businesses of the Company	–	
Fair value changes in held-for-trading financial assets, held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business related to normal operating of the Company	564,236.68	
Reversal of provision for bad debts for accounts receivables which was individually tested for impairment	–	
Profit or loss from external trusted loans	–	
Profit or loss from change in fair value of investment properties subsequently measured using the fair value model	380,473.53	

NOTES TO FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(Unless otherwise stated, the notes to financial statements are expressed in RMB)

XVIII. APPROVAL OF FINANCIAL STATEMENTS (Continued)

Supplementary information of financial statements (Continued)

1. Non-recurring profit and loss statement of the year (Continued)

Item	Amount of the year	Explanation
Effect of once-off adjustment according to tax, accounting related law and regulations to profit or loss of the period	–	
Administration fee income from entrusted administration	–	
Other non-operating income and expenses other than the abovementioned	-1,690,420.94	
Other profit or loss items that meet the definition of non-recurring profit or loss	346,083.90	
Sub-total	13,854,141.19	
Effect of income tax	-2,969,186.73	
Effect of minority interests (after tax)	-1,032,459.00	
Total	9,852,495.46	

2. Net return rate of assets and earnings per share

Profit generated during the reporting period	Weighted average net return rate of assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2017	2016	2017	2016	2017	2016
Net profit attributable to shareholders of the parent company	13.53	17.65	0.55	0.62	0.55	0.62
Net profit attributable to shareholders of the parent company, net of non-recurring profit or loss	13.25	12.54	0.54	0.44	0.54	0.44

Dongjiang Environmental Company Limited
29 March 2018

