



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)



**2019 Annual Report**

\* For identification purpose only

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

TAN Kan (*Chairman*)

YAO Shu (*Chief executive officer*)  
(*appointed on 19 March 2019*)

## NON-EXECUTIVE DIRECTORS

HUANG Yiming

LU Bei

JIN Yongfu

DENG Qian (*resigned on 25 February 2019*)

LIU Bo Ren (*resigned on 2 April 2020*)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Hin Wing

QU Jiu Hui

ZHU Zheng Fu

## SUPERVISORS

HUANG Hai Ping (*appointed on 7 May 2019*)

HUANG Wei Ming

ZHANG Hao (*appointed on 6 May 2019*)

LI Yue (*resigned on 5 May 2019*)

## 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*)

TAN Kan

WONG Hin Wing

## STRATEGIC DEVELOPMENT COMMITTEE

TAN Kan (*Chairman*)

YAO Shu

QU Jiu Hui

## AUTHORISED REPRESENTATIVES

TAN Kan

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

Jeffrey Mak Law Firm

## AUDITORS

ShineWing Certified Public Accountants

## LEGAL ADVISERS

Jeffrey Mak Law Firm (*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 54

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

6th Floor, O.T.B. Building

259-265 Des Voeux Road Central, Hong Kong

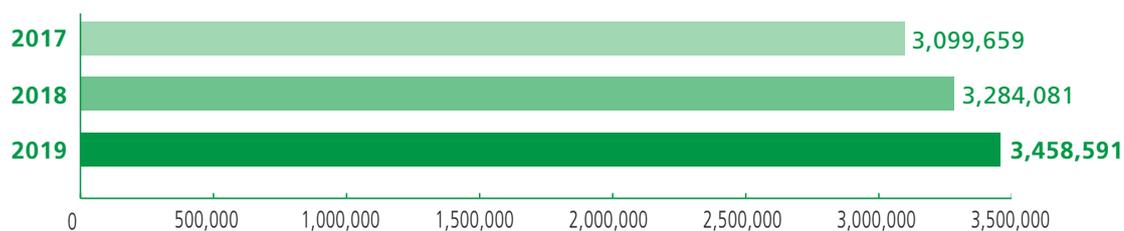




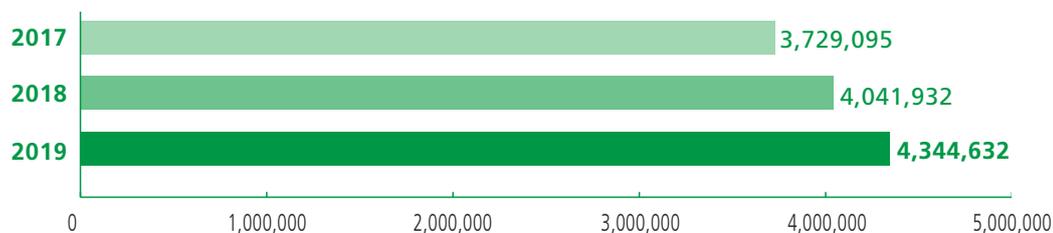
# FINANCIAL SUMMARY

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
<b>Results</b>					
Total operating revenue	<b>3,458,591</b>	3,284,081	3,099,659	2,617,077	2,402,986
Gross profit	<b>1,247,958</b>	1,158,840	1,112,149	945,320	778,727
Gross profit margin	<b>36.08%</b>	35.29%	35.88%	36.12%	32.41%
Net profit attributable to shareholders of the Company	<b>423,930</b>	407,917	473,376	533,814	332,534
<b>Financial position</b>					
Total assets	<b>10,395,432</b>	9,744,458	9,240,147	8,189,149	6,685,217
Total liabilities	<b>5,360,589</b>	5,058,297	4,918,300	4,323,456	3,465,681
Minority interests	<b>690,212</b>	644,228	592,752	576,799	466,375
Equity attributable to shareholders of the Company	<b>4,344,632</b>	4,041,932	3,729,095	3,288,894	2,753,159

**Total operating revenue**  
(RMB'000)



**Equity attributable to shareholders of the Company**  
(RMB'000)



**Net profit attributable to shareholders of the Company**  
(RMB'000)



# 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 2019 (the “**Reporting Period**”).

## OVERVIEW

In 2019, both global trade growth and industrial production slowed down, and China's economic development has entered a critical period of supply-side reform, industrial transformation and upgrade and high-quality development. This is also a decisive period for pollution prevention. Facing the trend of intensifying market competition and changes in supply and demand structure, the Company made progress while maintaining stability, actively consolidated the existing market share and explored opportunities in new segments. During the Reporting Period, the Company leveraged on the technology advantages to expand to the highly difficult waste disposal market, strengthened the business connection between regional markets and production facilities, improved the products and services to further meet the market demand, and improved the disposal technology to enhance customer stickiness, with approximately 30,000 customers, representing a year-on-year increase of 15.4%.

The year 2019 was critical for project construction of the Company, during which the Company accelerated the construction of key projects and facilitated the projects in obtaining business licenses and commencement of operation. During the Reporting Period, the total treatment capacity of the Company exceeded 1,900,000 tons per year for hazardous waste treatment, and the Company's overall capacity utilization rate exceeded 44%, prevailing over the national average level. Currently, the total designed capacity of the projects under construction and applying for hazardous waste business license exceeds 200,000 tons per year, while the total designed capacity of proposed projects was approximately 410,000 tons per year. Such abundant project reserves have laid a solid foundation for the sustainable and high-quality development of the Company.

During the Reporting Period, the Company's core business maintained stable growth and achieved an operating revenue of RMB3,458,591,100, representing an increase of 5.31% as compared to the same period of last year; the net profit attributable to the shareholders of the listed Company was approximately RMB423,929,700, representing an increase of 3.93% as compared to the same period of last year. The Company maintained a stable financial position with total assets of approximately RMB10,395,432,100 as at the end of 2019, representing an increase of 6.68% as compared to the beginning of the Reporting Period; the equity interests attributable to the owners of the listed Company was approximately RMB4,344,631,800, representing an increase of approximately 7.49% as compared to the beginning of the Reporting Period. During the Reporting Period, industrial waste treatment and disposal (harmless treatment) business maintained stable growth with more harmless treatment capacity put into operation and its proportion further increased, which is in line with the Company's strategic plan of accelerating the development of harmless treatment capacity and beneficial to the Company in capturing market demand.

The Company has always attached importance to the return on investment of its shareholders and has formulated a continuous and stable profit distribution plan and shareholder return plan. In order to reward the shareholders, the Board of Directors of the Company proposed to distribute a final cash dividend of RMB1.5 (tax included) for every 10 shares to all shareholders, subject to approval by the shareholders of the Company at the forthcoming annual general meeting.





# CHAIRMAN'S STATEMENT

## OUTLOOK

The in-depth implementation of green development, “zero-waste cities” and other relevant policies are changing the growth models of cities and industries, which leads to changes in cities and industries’ demand for environmental services. In the long term, the hazardous waste disposal industry is no longer limited to traditional environmental treatment at the end of the industry chain. Meanwhile, the successive implementation of environmental policies also imposed stricter requirements to the hazardous waste disposal industry. Professional and large-scale hazardous waste disposal projects may become mainstream in the industry. Enterprises with low cost of disposal, management advantages, low safety risk and sufficiently advanced technology will develop long-term core competitiveness.

As the pioneer of domestic environmental protection industry and one of the domestic environmental protection enterprises with the most comprehensive waste treatment qualities, the Company has established diversified industrial landscape and waste disposal capacity across the entire industry chain. Facing the changes and challenges of the competitive landscape of the industry, the Company shall put more efforts in strengthening its hazardous waste disposal capability through quality improvement, strengthen its advantages in terms of cost, technology, capital and scale, maintain its core competitive strength, and ensure the sustainable development of its core business of hazardous waste disposal to provide better support to the economy and people’s livelihood.

In the coming year, the Company will focus on its main business of hazardous waste disposal, strengthen the research and development of core technologies, enhance refined management operation ability, adhere to the development strategy of endogenous growth and external expansion, maintain the scale of industry investment, accelerate the construction of ancillary disposal capacity, fully utilize its core technology competitiveness, improve the matching of qualification and capacity utilization rate; accelerate the expansion of the business of ecological and environmental protection services, deepen the expansion in environmental protection industry, expand market segments such as municipal and domestic waste disposal, major projects of solid waste disposal, soil rehabilitation, environmental protection technology services, auto dismantling, electronic product dismantling and traction battery recycling.

## 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**

**Tan Kan**

*Chairman*

Shenzhen, Guangdong Province, the PRC

22 April 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATION DISCUSSION AND ANALYSIS

In 2019, external environment continued to experience profound changes. Both global trade growth and industrial production slowed down, and China's economic development has entered a critical period of supply-side reform, industrial transformation and upgrade and high-quality development. This is also a decisive period for pollution prevention and control where the demand for environmental protection and relevant services are changing. The gradually increasing market concentration and competition increased the complexity and uncertainty of business operation and posed new challenges to hazardous waste disposal enterprises in respect of sustainable development and transformation. Facing the complex changes in external environment and intensifying market competition, the Company adhered to the general guideline of "making progress while maintaining stability", focused on its main business of hazardous waste disposal, implemented the operation strategies of "capturing market share, improving areas of weakness, strengthening innovation, facilitating transformation and controlling risks" and carried out production and operation in a practical manner, thereby achieving great results in standardized and refined management. The Company also accelerated the construction progress of key projects to maintain its leading position in terms of total capacity of qualified hazardous waste operation and consolidate the foundation for high-quality development.

During the Reporting Period, the Company's core business maintained stable growth and achieved an operating revenue of RMB3,458,591,100, representing an increase of 5.31% as compared to the same period of last year; the net profit attributable to the shareholders of the listed Company was approximately RMB423,929,700, representing an increase of 3.93% as compared to the same period of last year, and the net profit attributable to the shareholders of the listed Company net of non-operating profit or loss was approximately RMB361,422,600, representing a year-on-year increase of 11.75%. The Company maintained a stable financial position with total assets of approximately RMB10,395,432,100 as at the end of 2019, representing an increase of 6.68% as compared to the beginning of the Reporting Period; the equity interests attributable to the owners of the listed Company was approximately RMB4,344,631,800, representing an increase of approximately 7.49% as compared to the beginning of the Reporting Period. During the Reporting Period, in view of the changes in operating environment, the Company took a prudent approach to make reasonable provision for impairment of goodwill and provision for impairment of receivables, which affected the annual results of the Company to some extent.





# MANAGEMENT DISCUSSION AND ANALYSIS

## (i) Development trend of hazardous waste disposal industry

According to the Annual Report on the Prevention and Control of Environmental Pollution by Solid Waste in China's Large and Medium-size Cities in 2019, as of the end of 2018, China had qualified capacity for hazardous waste disposal of 102,120,000 tons per year, an increase of 24.9% as compared to last year, and the production capacity kept growing at a fast pace. On the other hand, in 2018, enterprises with hazardous waste disposal qualification collected, utilized and disposed of only 26,970,000 tons of hazardous waste with utilization rate of only 26.4% for qualified capacity, in which 19,110,000 tons or 70.9% of the hazardous waste were recycled, and only 29% underwent harmless treatment. This reflected the two major problems, namely low capacity utilization rate and shortage of qualified capacity for harmless treatment, in the development of hazardous waste disposal industry in China. In view of the current situation in the industry, the Ministry of Ecology and Environment published the Guidance on Improving the Environmental Supervision Capacity, Utilization and Disposal Capacity and Environmental Risk Prevention Capacity of Hazardous Waste (《關於提升危險廢物環境監管能力、利用處置能力和環境風險防範能力的指導意見》) to promote the reduction of hazardous waste at source and construction of professional and large-scale hazardous waste disposal capacity, in order to effectively solve the problem of imbalance between supply and demand for hazardous waste disposal. In the long run, the following trends may emerge in hazardous waste disposal industry:

1. The scale of operation will continue to increase with large corporations expanding to different regions. Hazardous waste disposal facilities will be built in production facilities, large corporations and chemical industry parks, leading enterprises will capture more market shares, and professional and large-scale hazardous waste disposal projects may become mainstream in the industry.
2. Enterprises that generate waste will adopt clean production, internal disposal and other measures to reduce the amount of hazardous waste at source, which leads to slowdown in growth of hazardous waste generated.
3. As the capacity of hazardous waste disposal increases to the target level of relevant policies, the market competition will be developed among existing market players, and enterprises with more advanced technology, low cost of disposal, management advantages and low safety risk will develop long-term core competitiveness.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (ii) Make progress while maintaining stability to respond to changes in the industry

Facing the changes and challenges of the competitive landscape of the industry, the Company maintained the advantages in market development and expansion, facilitated the implementation of technical modification projects, adjusted its product structure and improved the quality of its products and services. During the Reporting Period, industrial waste treatment and disposal (harmless treatment) business maintained stable growth with its proportion further increased, and recorded operating revenue of RMB1,667 million, representing a year-on-year increase of approximately 29.55%, which accounted for 48.2% of the total operating revenue, representing a year-on-year increase of 9 percentage points. The Company's recycling business recorded operating revenue of RMB1,075 million, representing a year-on-year decrease of 12.46%, which was attributable to intensified market competition, decreased demand for products and decrease in metal price.

As of the end of the Reporting Period, the Company has completed and operates 28 hazardous waste treatment and disposal facilities in 9 provinces in China with approximately 30,000 customers, representing a year-on-year increase of 15.4%, and has total treatment capacity of over 1,900,000 tons per year for hazardous waste treatment, including incineration capacity of approximately 300,000 tons per year, landfill capacity of approximately 180,000 tons per year, recycling capacity of approximately 820,000 tons per year and physical and chemical treatment capacity of approximately 600,000 tons per year.

The Company continued to deepen the business expansion in two core markets in Guangdong and Eastern China. The Company currently has 10 hazardous waste disposal enterprises in Guangdong with total approved and qualified disposal capacity of 1,060,000 tons per year, in which incineration capacity and landfill capacity accounted for approximately 48% of the approved capacity of same categories in Guangdong with great regional advantages in harmless treatment business. The Company has a total of 6 hazardous waste disposal enterprises in Jiangsu and Zhejiang with total approved and qualified disposal capacity of approximately 250,000 tons per year, including incineration capacity of approximately 75,000 tons per year, landfill capacity of 20,000 tons per year, and recycling capacity of over 110,000 tons per year. During the Reporting Period, benefited from the commencement of operation of harmless treatment projects, market competitiveness and profitability in Eastern China was further improved.





# MANAGEMENT DISCUSSION AND ANALYSIS

## **(iii) Put more harmless treatment capacity into operation and continue to optimize capacity distribution**

The year 2019 was critical for project construction of the Company, during which the Company accelerated the construction of key projects and facilitated the projects in obtaining business licenses and commencement of operation. As of the end of the Reporting Period, 4 enterprises of the Company obtained business licenses for hazardous waste disposal, including Shaoguan Green (9,500 tons per year for incineration, 95,000 tons per year for recycling and 26,000 tons per year for physical and chemical treatment), Nantong Dongjiang (21,800 tons per year for incineration), Weifang Dongjiang (60,000 tons per year for incineration and 114,000 tons per year for physical and chemical treatment) and Zhuhai Yongxingsheng Technical Transformation Project (incremental incineration capacity of approximately 10,000 tons per year) with total incremental capacity of approximately 330,000 tons per year. The harmless treatment capacity maintained rapid growth and the capacity structure continued to improve.

As of the end of the Reporting Period, the Company's overall capacity utilization rate exceeded 44%, prevailing over the national average level. During the Reporting Period, the amount of incremental capacity was significant and the projects were still in the stage of market expansion, which affected the capacity utilization rate to some extent. The above projects will release more capacity in 2020, thereby enhancing the Company's capacity utilization rate and profitability.

The Company has abundant capacity reserves with completed projects applying for hazardous waste business license including Tangshan Wandesi, Nantong Dongjiang Physical and Chemical Treatment Project and Fujian Oasis Incineration Project and projects under construction including Xiamen Dongjiang Reconstruction and Expansion Project, Fujian Oasis Landfill Project, Foshan Fulong, Shaoxing Huaxin, Shaoguan Green Landfill Site and Dongjiang Veolia Phase II. The total designed capacity of such completed projects and projects under construction exceeds 200,000 tons per year, and 80% of which is incineration and landfill capacity, which is in line with the Company's strategic plan of accelerating the development of harmless treatment capacity and beneficial to the Company in capturing market demand and increasing market share. For proposed projects, the Company has various reserved projects including Jieyang Dongjiang, Zhuhai Dongjiang, Mianyang Dongjiang Phase I Project and Jiangsu Dongjiang Landfill with total designed capacity of approximately 410,000 tons per year. Such abundant project reserves have laid a solid foundation for the sustainable and high-quality development of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **(iv) Respond to both challenges and opportunities and take multiple measures to bolster areas of weakness**

Facing the trend of intensifying market competition and changes in supply and demand structure, the Company actively consolidated the existing market share and explored opportunities in new segments. During the Reporting Period, the Company leveraged on the waste oil recycling business of Foshan Fulong to facilitate the expansion of waste disposal business in automobile repair industry in Guangdong; optimized the operating model of laboratory waste disposal business and expanded the markets in Xinjiang and Jiangxi based on the experience in Guangdong to increase the amount of waste collected; leveraged on the technology advantages to expand to the highly difficult waste disposal market and improved the disposal technology to enhance customer stickiness; facilitated further reform in the market and strengthened the business connection between regional markets and production facilities, and improved the products and services to further meet the market demand.

During the Reporting Period, to tackle the low capacity utilization rate, a common problem in the industry, accelerate the transformation of ineffective or inefficient qualified capacity, enhance the utilization rate and improve the matching of market demand, the Company carried out technical modification and process improvement for existing projects with advanced technologies and equipment, including improvement of cupric oxide production process and sulfate wastewater treatment process, technical modification for process and equipment of Shaoguan Green Heavy Metal Recycling Project, optimization of wastewater treatment system at production facilities and improvement of exhaust gas treatment system, in order to further reduce the production cost, optimize the qualification structure, and enhance the disposal effectiveness and product quality.

## **(v) Improve the management efficiency by making good progress in standardized and refined management**

The Company carried out various tasks based on the management requirement of “deeply implementing standardization and fully improving corporate management”.

Firstly, accelerating the system reform. The Company fully organized the relationship between different levels, established a three-tier management model, optimized the positioning, responsibility and structure of headquarter, business units and subsidiaries to enhance the operation decision-making efficiency. The Company strengthened the development of its talent pool and aligned the Company’s development with the career development of staff in order to incentivize the workforce as a whole.





## MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, improving the ability in project construction and operation. The Company summarized the management experience of the entire cycle of projects and implemented standardized management for later stage of construction and operation period. It also carried out special assessment and improvement of incineration and evaporation equipment, studied the operation of equipment and solved the prominent problems to enhance operation efficiency of equipment.

Thirdly, implementing financial management. The Company strengthened the comprehensive budget management and strictly control off-budget expenses, which results in a year-on-year decrease of 2.8% in management expenses. The Company deepened the strategic cooperation with major banks, especially policy bank. It also strengthened centralized capital management of the Group, which effectively enhanced the Company's capital utilization efficiency.

Fourthly, optimizing investment management. The Company continuously followed up on high-quality investment projects, implemented lifetime management on investment projects, strengthened post-investment management and assessment, and ensured that the investment was in line with the Company's development strategy in order to achieve reasonable return on investment.

Fifthly, implementing safe and environmental production. The Company promoted standardized implementation plans for environmental safety and required all production entities to rigorously carry out different environmental safety management tasks based on various environmental safety indicators including accountability system, risk management and management system. The Company also utilized the innovative environmental safety intelligent management platform, and put efforts in management of major sources of danger and safety hazard to establish a safety and environmental protection management and prevention system.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **(vi) Put great efforts in implementing innovative development strategy and accelerate the conversion of technological achievements**

The Company fully utilized the innovation platform of key laboratory at provincial level, proposed 10 research and development projects, published 11 scientific papers, and solved three technical problems in the industry, including (i) the application of industrial projects of “Production of Fodder Grade Dicalcium Phosphate with Phosphate Mud” and “Production of Calcium Fertilizer and Calcium Fodder with Sulfuric-Phosphoric Mixed Acid”, which solves the common technical problems in the industry such as high cost of neutralization and landfill of secondary phosphorus resources and enables recycling and reuse of hazardous waste from secondary phosphorus resources; (ii) development of technologies for recycling and treatment of waste liquid from glass thinning and etching, which solves the problem of large amount of solid waste generated from simple neutralization; and (iii) development of technology for in-depth treatment of wastewater from electroless nickel plating, which solves the problem of excessive nickel and phosphorus content in wastewater discharged.

The Company optimized the technical transformation management model to meet the requirements of actual operation and control the cost and expense of technical transformation. Through research, development and technical transformation, the Company achieved industrial application of various research and development achievements including quality enhancement of copper sponge, production of calcium ammonium nitrate with tin stripping wastewater and production of agriculture grade calcium nitrate with cupric nitrate wastewater. The technology and information system management platform officially commenced operation, and 100% of the research and development projects were put on the platform in order to share the technological achievements throughout the Group.

During the Reporting Period, the Company obtained 68 new patents, including 11 invention patents, 56 utility model patents and 1 design patent, with a total of 338 patents. The patent of “A Detoxification Treatment Method of Recycling Chromium from Chromium Slag” was awarded as an outstanding patent at provincial level.





# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Total operating revenue

For the year ended 31 December 2019, the Group's total operating revenue increased by 5.31% as compared with 2018 to approximately RMB3,458,591,061 (2018: approximately RMB3,284,080,652). The increase in total operating revenue was because the Company persisted in assuming its responsibilities as a state-owned enterprise, overcame the adverse factors of intensified market competition, slowdown in growth of demand, increased costs for safety and environmental protection and shortage of talents in the industry and continued to vigorously exploit the market and "tap potential and increase efficiency". The Company also actively facilitated the construction of new projects and optimization of production capacity of existing projects, and increased the market share in the business of harmless treatment and recycling of industrial solid waste, thereby ensuring the steady development of main businesses of the Company. In particular, the operating income of the industrial waste treatment and disposal increased by approximately 29.55% as compared with the same period of last year to approximately RMB1,667,032,151 (2018: approximately RMB1,286,740,266).

### Profit

For the year ended 31 December 2019, the Group's integrated gross profit margin was 36.08% (2018: 35.29%). The integrated gross profit margin increased by 0.79 percentage points as compared to last year, which was mainly because the Company adjusted its business structure, which means the operating income from industrial waste treatment and disposal business, with a higher gross profit margin, had an increased proportion in the total operating income, while the proportion of industrial waste recycling business and engineering business, with lower profit margin, had a lower proportion in the total operating income of the Company. Besides, the Company continued to carry out the activity of energy saving and material reducing and strengthened cost management, which effectively controlled production cost.

For the year ended 31 December 2019, net profit attributable to Shareholders of the Company was approximately RMB423,929,691 (2018: approximately RMB407,917,006), increased by approximately 3.93% compared with 2018. This was mainly because the Company focused on developing the main business of hazardous waste disposal, increase its efforts in market expansion, and accelerated product research and development and technology and management innovation, which facilitated the continuous growth of operating results. In addition, the Company accelerated construction progress to meet the market demand for industrial hazardous waste disposal, and the production capacity of some completed projects was still rising, and thus contributed a lower profit.

### Sales expenses

For the year ended 31 December 2019, the Group's sales expenses were approximately RMB122,308,761 (2018: approximately RMB98,523,251), accounting for 3.54% of the total operating revenue (2018: 3.00%). The increase in sales expense was mainly due to the increased efforts in market expansion and brand promotion and management of the Company's business as well as the increase in revenue during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative expenses

For the year ended 31 December 2019, the Group's administrative expenses were approximately RMB363,904,047 (2018: approximately RMB374,454,835), accounting for 10.52% of the total operating revenue (2018: 11.40%). The decrease in administrative expenses was due to the Company's effective management and control during the Reporting Period.

## Finance costs

For the year ended 31 December 2019, the Group's finance costs were approximately RMB140,665,813 (2018: approximately RMB134,123,879), accounting for 4.07% of the total operating revenue (2018: 4.08%).

## Income tax expenses

For the year ended 31 December 2019, the Group's income tax expenses were approximately RMB57,686,984 (2018: approximately RMB84,202,020), accounting for 11.00% of total profit (2018: 15.08%). The decrease in income tax expenses was mainly due to the income tax refunds from annual final tax settlement and payment for subsidiaries entitled to preferential tax rate as high and new technology enterprises.

## FINANCIAL POSITION AND LIQUIDITY

As of 31 December 2019, net current assets of the Group amounted to approximately RMB-1,371,353,969 (2018: approximately RMB-427,269,755), including cash and cash equivalent of approximately RMB1,096,743,745 in total (2018: approximately RMB1,028,991,292).

As of 31 December 2019, total liabilities of the Group amounted to approximately RMB5,360,588,715 (2018: approximately RMB5,058,297,102). The Group's gearing ratio was 51.57% (2018: 51.91%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to approximately RMB4,397,027,120 (2018: approximately RMB3,515,327,084). As of 31 December 2019, the Group's outstanding bank loans reached approximately RMB2,593,317,680 (2018: approximately RMB2,351,950,859).

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 AND ASSOCIATES

In March 2019, the Company paid RMB12,750,000 for the investment in a subsidiary that is 85% owned by the Company, namely Jieyang Dongjiang.

In April 2019, the Company paid RMB25,500,000 for the investment in a subsidiary that is 51% owned by the Company, namely Mianyang Dongjiang.

In March and April 2019, the Company acquired 21% of the equity interest in Foshan Fulong Environmental Protection Technology Co., Ltd.\* (佛山市富龍環保科技有限公司) at cash consideration of RMB63,956,600. The shareholding of the Company in Foshan Fulong Environmental Protection Technology Co., Ltd. has been increased to 51%.

In June 2019, the Company paid RMB6,000,000 for the investment in a subsidiary that is 60% owned by the Company, namely Huizhou Dongtou Environmental Protection Co., Ltd.

In September and October 2019, the Company paid RMB50,000,000 for the investment in a subsidiary that is 100% owned by the Company, namely Zhuhai Dongjiang.

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.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign exchange risk

The Group's functional currency is RMB, and the majority of transactions are denominated in RMB. However, certain bank balances, 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 2019, certain assets of the Group were pledged to secure bank borrowings, guarantees and letters of credit facilities granted to the Group, as follows:

	2019	2018
Fixed assets	<b>202,989,444.98</b>	150,742,548.33
Cash and bank balances	<b>8,016,859.00</b>	25,077,700.00
Intangible assets	<b>141,692,384.44</b>	57,753,208.62
Construction in progress	<b>217,113,062.28</b>	34,938,993.17
Other receivables	<b>56,922,177.91</b>	41,349,451.66
Investment properties	<b>0</b>	50,277,200.00
Receivables	<b>7,262,389.66</b>	6,170,588.00

## Information on employees and remuneration policies

As at 31 December 2019, the number of full-time employees stood at 4,807 (2018: 4,609) with a total staff cost of approximately RMB589,778,196.61 (2018: RMB578,363,692.98). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund, and medical insurance.

## 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/or 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 and/or standards.

Save as disclosed above, the Group had no significant contingent liabilities for the year ended 31 December 2019.





# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital commitment

As at 31 December 2019, the capital commitment of the Group was as follows:

Item	2019	2018
Capital expenditures contracted for but not recognized in the financial statement		
Foreign investment	<b>21,160,000.00</b>	21,160,000.00
– Construction in progress	<b>144,556,726.34</b>	153,385,666.00
– Acquisition of plant and machinery	<b>42,426,718.41</b>	73,192,585.00
<b>Total</b>	<b>208,143,444.75</b>	247,738,250.60

## FUTURE PROSPECTS

Affected by the outbreak of COVID-19 and trade conflict, the global economy is clouded with great complexity and uncertainty. Meanwhile, the economic development model of the PRC is in the critical period of transforming to high-quality development. The in-depth implementation of green development, “zero-waste cities” and other relevant policies are changing the growth models of cities and industries, which leads to changes in cities and industries’ demand for environmental services.

In the long term, the hazardous waste disposal industry is no longer limited to traditional environmental treatment at the end of the industry chain, and service ability, innovative technology, management ability and production cost will become the Company’s core logic to achieve high-quality development. The Company shall put more efforts in strengthening its hazardous waste disposal capability through quality improvement, establish a strong, safe and flexible core business, strengthen its advantages in terms of cost, technology, capital and scale, maintain its core competitive strength, and ensure the sustainable development of its core business of hazardous waste disposal to provide better support to the economy and people’s livelihood.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (i) Focus on developing the main business of hazardous waste disposal and consolidating the leading position in the industry

The Company will strengthen its advantages in terms of technology, capital and market coverage, pay attention to the changes in demand for and structure of hazardous waste disposal resulting from quality improvement and industry transformation, maintain the scale of industry investment, accelerate the construction of ancillary disposal capacity, and improve the matching of qualification and capacity utilization rate.

Firstly, the Company will adhere to the development strategy of endogenous growth and external expansion. By giving fully play to its backbone strength and supporting role in environmental protection, the Company will further strengthen its strategic advantages in the Guangdong-Hong Kong-Macao Greater Bay Area and Eastern China, and facilitate the construction of Fulong Environmental Incineration, Shaoguan Recycling and Landfill Site, Zhuhai Yongxingsheng, Jiangsu Dongjiang Landfill Site, Shaoxing Huaxin Incineration and other projects. The Company will expand its market coverage through merger and acquisition of quality projects, and cooperate with other enterprises to carry out the business of collaborative disposal with cement kiln and blast furnace. In particular, the Company will actively utilize the synergy of shareholders, focus on increasing the market share in Guangdong and Jiangsu, and gradually expand to surrounding areas.

Secondly, the Company will establish a number of domestically leading and internationally first-class demonstrative facilities for comprehensive utilization and disposal of hazardous waste through construction, expansion and technical transformation. The Company will utilize its advantages in capital, technology, market, industry layout and government relationship to take the lead in exploring and establishing demonstrative projects for comprehensive utilization and disposal of solid waste in Guangdong, in order to meet the imperative demand for capacity of comprehensive disposal of hazardous waste in the Guangdong-Hong Kong-Macao Greater Bay Area.

Thirdly, the Company will facilitate its development through capital operation. In particular, the Company will raise capital at low cost through equity financing, optimize the financial structure, and accelerate the construction, merger and acquisition of projects. The Company will also utilize industry funds to invest in and cultivate quality environmental protection projects, enrich its project reserve, and take the lead in developing core competitiveness in market segments, thereby achieving synchronous development with the future trend of the industry and effectively controlling the risk of diminishing marginal benefits.

Fourthly, the Company will fully utilize its core technology competitiveness developed from 20 years of operation in hazardous waste sector to expand to various market segments including medical waste, laboratory waste and liquid chemical waste. It will also leverage on the synergy among different production facilities to improve the quality of one-stop services, and deepen the cooperation with customers, thereby increasing its market share.





# MANAGEMENT DISCUSSION AND ANALYSIS

## **(ii) Make plan to expand the environmental protection business**

Based on hazardous waste disposal business, the Company will expand the business of ecological and environmental protection services should opportunities arise. Firstly, the Company will leverage on the technology foundation and management experience accumulated from the existing projects such as Xiaping Landfill Site and Jieyang ALBA as well as the project experience in kitchen waste disposal, leachate treatment and biogas power generation to provide ancillary services of municipal and domestic waste disposal to the cities. Secondly, the Company will undertake major projects of industrial solid waste disposal. It will actively expand the large-scale solid waste disposal and comprehensive environmental protection business in steel, mining and petrochemical Industries, and provide one-stop environmental protection services to industrial enterprises. Thirdly, the Company will increase its efforts in overseas market expansion. By leveraging on the first-mover advantage from the existing listing platform in Hong Kong, the Company will increase its efforts in cooperating with environmental protection service companies in Hong Kong and Macau, actively support the “Belt and Road” initiative by strengthening the sales in overseas market, facilitate the export of advanced technologies of the Company. Fourthly, the Company will deepen the expansion in environmental protection industry with focus on soil rehabilitation, environmental protection technology services, auto dismantling, electronic product dismantling and traction battery recycling, and actively explore the asset-light business directions and operating models with high return that are in line with the future development trend of the industry.

## **(iii) Adhere to innovation-driven development**

The Company will adhere to the core idea of leading the Company’s development with technological innovation. Firstly, the Company will strengthen the research and development of core technologies. By focusing on quality enhancement of recycled products, treatment of high concentration wastewater, incineration techniques, landfill technology and exhaust emission, the Company will increase its efforts in research and development of core technologies of waste recycling and harmless treatment. It will also identify the opportunities for transformation of scientific achievements, establish the technical standards of hazardous waste industry, facilitate the formulation of standards for products and techniques, and apply cutting-edge technologies in waste recycling and harmless treatment, thereby leading the development of the industry. Secondly, the Company will make good use of Dongjiang Research Institute and other innovative entities to accelerate the construction of key laboratories and engineering technology centers at national and provincial level, and establish a high-level scientific and technological innovation platform. Thirdly, the Company will deepen the industry-university research collaboration by strengthening the cooperation with domestic and overseas research organizations, scientific research institutes and universities to jointly apply for major research projects at national level, thereby establishing an industry-university research collaboration system that matches the business development, production and technology problems and market demand of environmental protection enterprises. Fourthly, the Company will strengthen the construction of talent pool. It will make innovation in talent cultivation model, improve the technical talent management mechanism to stimulate the creativity of technical talent and create benefits for business operation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **(iv) Deeply implement refined management and strive to enhance management operation ability**

The Company will persist in taking quality as the top mission and keeping efficiency as the priority and actively improve the Company's management ability through standardized, regulated and informatized management approaches. It will also facilitate the transformation to asset light, low-cost and highly efficient models.

Firstly, the Company will actively implement benchmarking management, improve the benchmarking system, benchmark domestic and overseas enterprises with outstanding performance, actively promote the experience and practices of internal entities with outstanding performance, and solidify relevant responsibilities and requirements, in order to formulate a set of effective benchmarking management methods, thereby facilitating the further improvement of corporate management. Secondly, the Company will establish a standardized system, standardize the production process, facilitate the standardization of techniques and equipment, establish and implement the quality management system, and carry out production based on standards. Thirdly, the Company will optimize the comprehensive management system and accelerate the construction of informatized management platform. It will also organically integrate the standardization of project management, production process and product quality system in order to enhance the level of comprehensive intelligent management and corporate management efficiency of the Company. Fourthly, the Company will carry out asset revitalization, gradually solve the problems of loss-making enterprises, consolidate and dispose of non-core businesses or projects with low profitability and actively improve the overall operating results, thereby achieving healthy and sustainable corporate development.

## **(v) Create an atmosphere of initiative and entrepreneurship and develop a high-quality talent team**

The Company will capture the opportunity from the pilot program of comprehensive reform under the theme of "incentive, constraint and fault tolerance". Under the principle of "strengthening accountability, increasing beneficial incentives, adopting both incentive and constraint measures and implementing fault tolerance and correction mechanism", the Company will actively create an atmosphere of initiative and entrepreneurship, gradually improve the corporate management and control system, and construct a market-oriented operation mechanism with smooth operation, clear position, matching of authorities, responsibilities and benefits, efficient collaboration and effective checks and balances in order to improve the vitality within the enterprise and motivate the employees.

The Company will optimize the appraisal and incentive mechanism, establish a comprehensive and competitive talent assessment, appraisal and remuneration system, encourage innovation, tolerate failure and reward success. It will also implement equity incentive and stock ownership plans at the appropriate time to fully motivate the employees' initiatives for working and entrepreneurship. The Company will improve its talent cultivation plan, and cultivate interdisciplinary management talent and technical talent reserve with development potential and competency, and establish an interdisciplinary team with profound knowledge in operation and management.





# MANAGEMENT DISCUSSION AND ANALYSIS

## **(vi) Uphold the idea of green development and resolutely hold the bottom line of safety and environmental protection**

With the goal of ensuring safe and environmentally friendly production, the Company will take proactive measures and assume responsibility to carry out safety and environmental protection tasks, thereby establishing a long-term mechanism for safe and environmentally friendly production. The Company will facilitate the development of dual prevention mechanism of risk classification management and control and hidden risk identification and mitigation, and clearly specify the responsibility of each unit in respect of production safety. The Company will strengthen the construction of professional safety and environment protection departments and workforce, enhance the safety level with science and technology, and strengthen fundamental management and emergency rescue management. It will also continuously carry out comprehensive safety training and enhance the safety awareness among employees to improve the ability of accident and emergency response and rescue. The Company will carry out comprehensive safety inspection and hidden risk mitigation works to nip the risks in the bud and assure the corporate safety productions.

# MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Mr. Tan Kan (譚侃)**, aged 51, is a member of the Communist Party of China, holds a bachelor's degree. Since 1992, Mr. Tan has been worked in the Environmental Technology Development Institute of Futian District (福田區環境技術開發研究所) and Shenzhen Environmental Supervision Institute (深圳市環境監理所). Between 2002 and 2016, Mr. Tan worked as deputy research officer of environmental evaluation management department, deputy director of dongshen water source protection office and deputy division chief of water and soil environmental management office in Shenzhen Neighborhood Committee (深圳市人居委). From November 2016 to May 2017, Mr. Tan served as the head of pollution prevention and control department of Shenzhen Water Bureau (深圳市水務局). Mr. Tan has many years of experience in environmental management and pollution prevention. Mr. Tan was appointed as an executive director and chairman on 12 November 2018 and served as the secretary of the Communist Party of the Company. Mr. Tan Kan worked as the following positions in associates: Huizhou Dongjiang Veolia Environmental services Limited : legal representative, chairman of the board of directors; Mr. Tan Kan worked as the following positions in subsidiaries: Xiantao Luyi Environmental Technology Co., Ltd.: chairman of the board of directors.

**Mr. Yao Shu (姚曙)**, aged 54, is a member of the Communist Party of China, holds a bachelor's degree, an Executive Master of Business Administration degree, member of the Communist Party of China, professor-level senior engineer. Mr. Yao has held several positions in Shenzhen Zhongjin Lingnan Nonfemet Company Limited, including assistant chief executive officer and director of Fankou lead and zinc mine, assistant chief executive officer and minister of mineral resources business department, executive vice president, party committee member, board director and other positions. Mr. Yao Shu has rich experience in production, operation and management of enterprise. Mr. Yao was appointed as a chief executive officer and executive director on 14 January 2019 and 19 March 2019, respectively, and served as the deputy secretary of the Communist Party of the Company.

## NON-EXECUTIVE DIRECTORS

**Mr. Huang Yi Ming (黃藝明)**, aged 47, is a member of the Communist Party of China, 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.. Mr. Huang was the head (division level) of the legal administrative department in Guangdong Rising Assets Management Co., Ltd., and now served as the deputy manager of the office of the board of directors in Guangdong Rising Assets Management Co., Ltd.. Mr. Huang was appointed as a non-executive director on 11 October 2016.

**Mr. Lu Bei (陸備)**, aged 54, is a member of the Communist Party of China, holds a bachelor's degree. He served as a deputy supervisor of the chief executive officer office of Jiangsu Skyrun International Group Co., Ltd., a deputy director of the office and the secretary of the board of Jiangsu High Hope International Group Co., Ltd., a director of the office and the secretary of the board of Jiangsu High Hope. He currently serves as the party committee member, the vice president, the secretary of the board and a supervisor of the office of Jiangsu High Hope. Mr. Lu was appointed as a non-executive director on 12 November 2018.





## MANAGEMENT PROFILE

**Mr. Jin Yongfu (晉永甫)**, aged 52, is a member of the Communist Party of China, holds a postgraduate degree. He served as the deputy manager of finance department and a director of the office of Jiangsu Skyrun Corporation, the secretary of the board and an assistant to the general manager and the manager of investment development department of Jiangsu Skyrun Corporation, the general manager of Jiangsu Huihong Huisheng Investment Management Co., Ltd., a deputy director of the office and a director of information center of Jiangsu High Hope and a director of the office and a director of information center of Jiangsu High Hope. He currently serves as the the general manager of investment management department of Jiangsu High Hope. Mr. Jin was appointed as a non-executive director on 12 November 2018.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of the independent non-executive directors.

**Mr. Zhu Zheng Fu (朱征夫)**, aged 56, is a senior lawyer with a Doctoral Degree. He served as a Director and Directing Partner of Guangdong Dong Fang Kun Lun Law Office. He currently serves as a partner and a lawyer of Beijing Hylands (Guangzhou) Law Firm. Mr. Zhu has many years of legal practice experience. 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), 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. Zhu was appointed as an independent non-executive director on 11 October 2016.

**Mr. Qu Jiu Hui (曲久輝)**, aged 63, holds a doctoral degree and 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. Qu was appointed as an independent non-executive director on 10 June 2014.

# MANAGEMENT PROFILE

**Mr. Wong Hin Wing (黃顯榮)**, aged 58, is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Certified Public Accountants, 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 since 1997. He has been the licensed person in charge and the Managing Director 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), 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) and Jiangxi Bank Co., Ltd. (listed on Hong Kong Stock Exchange, Stock Code: 01916). Mr. Wong has 35 years of experience in accounting, finance, investment management and advisory. Mr. Wong was appointed as an independent non-executive director on 10 June 2014.

## SUPERVISORS

**Mr. Huang Hai Ping (黃海平)**, aged 45, is a member of the Communist Party of China, and graduated from the Guangdong Provincial Committee's Party Academy (majoring in Economic Management) with a bachelor's degree, and is an economist. He served as the head of finance department and deputy general manager of Guangzhou Digital Rise Technology Co., Ltd. and the chief economist of Guangdong Rising Research and Development Institute Co., Ltd. He currently serves as the deputy secretary of the Communist Party, secretary of commission for discipline inspection, chairman of the supervisory committee and supervisor of Dongjiang Environmental Company Limited.

**Mr. Huang Wei Ming (黃偉明)**, aged 53, is a member of the Communist Party of China and holds a master's degree. 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. He is also the director of investment management department of the Company. Mr. Huang Wei Ming worked as the following positions in subsidiaries: Shenzhen Dongjiang Huiyuan Micro Finance Co., Ltd.: general manager.

**Mr. Zhang Hao (張好先生)**, aged 30, is a member of the Communist Party of China and received college education. He served as an accountant of Shenzhen Dongjiang Kaida Transportation Co., Limited\* (深圳市東江愷達運輸有限公司) and a financial supervisor of Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd.\* (深圳市寶安東江環保技術有限公司) and currently serves as a supervisor and senior supervisor of the discipline inspection and supervision office of Dongjiang Environmental Company Limited.





## MANAGEMENT PROFILE

### COMPANY SECRETARY

**Ms. Wang Tian (王恬)**, aged 44, is the vice chief executive officer of the Group, the secretary of the Board and company secretary and authorised representative of the Company. She graduated from Sun Yat-sen University with a bachelor's degree in international finance and University of Birmingham in the United Kingdom with a master's degree in international money and banking. Ms. Wang joined the Group in 2002 and has been the secretary of the Board of the Company since 2003. 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 chief executive officer of the Group on 10 June 2014.

### SENIOR MANAGEMENT

**Ms. Wang Jianying (王健英)**, female, aged 54, a member of the Communist Party of China and a senior accountant, has served as a general manager of the finance department of Jiangsu Skyrun International Group Co., Ltd., a chief accountant, a member of Party Committee and a general manager of corporation management department of Jiangsu High Hope International Group Co., Ltd., a general manager of corporation management department and operations management department of Jiangsu High Hope International Group Co., Ltd. She currently serves as a member of Party Committee, a vice chief executive officer and the chief financial officer of Dongjiang Environmental Company Limited. Ms. Wang Jianying worked as the following positions in associates: Shenzhen Dongjiang Huiyuan Micro Finance Co., Ltd.: executive director.

**Ms. Wang Tian (王恬)**, aged 44, 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. Ms. Wang Tian worked as the following positions in associates: Shaoguan Green Recycling Resource Development Co., Ltd.: supervisor; Jiangmen Dongjiang Environmental Technology Ltd.: supervisor.

**Mr. Wang Shi (王石)**, aged 52, holds a bachelor's degree and is a senior engineer and a registered environmental impact assessment engineer. He graduated from Central South University of Technology (now known as Central South University). Mr. Wang Shi worked at Changsha Metallurgical Design and Research Institute of China Metallurgical Group and Shenzhen Environmental Engineering Science and Technology Center Co., Ltd.. Mr. Wang Shi has rich experience in environmental management, environmental engineering and enterprise management. He won the second prize of Shenzhen Science and Technology Progress Award, the second prize of Excellent Engineering Design in the category of metallurgy, and the third prize of Environmental Science and Technology in the category of environmental protection. He also holds invention patents and is a specially engaged expert of Shenzhen government department. He now serves as the vice chief executive officer of Dongjiang Environmental Company Limited. Mr. Wang Shi worked as the following positions in associates: Jieyang Dongjiang Guoye Environmental Protection Technology Co., Ltd.: chairman of the board of directors; Huizhou Dongtou Environmental Protection Co., Ltd. chairman of the board of directors; Dongjiang Environmental (HK) Ltd.: director; Lik Shun Services Limited: director. Mr. Wang Shi worked as the following positions in subsidiaries: Huizhou Dongjiang Veolia Environmental services Limited: director.

**Mr. Yu Xiangli (余湘立)**, aged 57, a member of the Communist Party of China, holds a bachelor's degree and is a senior engineer, graduated from the Department of Chemical Engineering in Zhejiang University. Mr. Yu Xiangli has been working since 1984 and has served as a deputy director of Hunan Petrochemical Industry Bureau, a deputy general director of import and export company of Hunan Haili Chemical Industry Co.,Ltd., a secretary of party branch of Sunwoda Electronic Co., Ltd. and a deputy general director of Sunwoda Electric Vehicle Battery Co., Ltd., and concurrently served as a part-time member of Party Working Committee of Shiyuan Sub-District, Baoan District, Shenzhen. Mr. Yu Xiangli has extensive experience in market development and operation management. He currently serves as a member of Party Committee and the vice chief executive officer of Dongjiang Environmental Company Limited.

# 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 pages 65 to 67 of this report.

## DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.150 per share of the Company (inclusive of tax) (2018: RMB0.140) to all shareholders of the Company based on the total number of shares of 879,267,102 shares of the Company upon obtaining the approval from the shareholders of the Company at the 2019 annual general meeting ("AGM"). Accordingly, the total amount of dividend to be paid is RMB131,890,065.30. No bonus shares will be awarded and no capital reserves will be converted into shares. The above said proposal is subject to, among other things, approval by the shareholders of the Company at the AGM to be convened and held. Subject to the approval of the final dividend by the shareholders, the final dividend is expected to be paid on or about 21 August 2020. 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.

A circular containing details of distribution of dividend together with the notice of the annual general meeting will be dispatch to the shareholders in due course.

## BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2019, a discussion on the Group's future prospects are provided in "Management Discussion and Analysis" in pages 6 to 21 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.

## MATTERS DURING THE REPORTING PERIOD

### Renewal of Financial Services Agreement

Unless otherwise required by the context, the terms used below shall have the same meaning as defined in the announcements of the Company dated 24 January 2019 and 19 March 2019.





## DIRECTORS' REPORT

On 23 January 2019, the Company re-entered into 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 Financial Services Agreement being signed by both parties. The Financial Services Agreement and the transaction contemplated thereunder were approved at the 2019 first extraordinary general meeting of the Company on 19 March 2019.

For details, please refer to the announcements of the Company dated 24 January 2019 and 19 March 2019 and the circular of the Company dated 1 March 2019.

### **Termination of the Proposed Non-Public Issuance of New A Shares Under Specific Mandate**

Unless otherwise required by the context, the terms used below shall have the same meaning as defined in the announcement of the Company dated 21 June 2019.

The Company has not submitted the application documents to China Securities Regulatory Commission for the Non-Public Issuance. In view of the changes in the Company's situation, the market environment of the industry and the capital market and other factors, and taking into consideration the Company's development plan, the Company decided to terminate the Non-Public Issuance upon careful consideration and negotiations with the proposed subscribers. In accordance with development strategies of the Company and conditions in the capital market, the Company may implement a refinancing proposal as and when appropriate in the future.

For details, please refer to the announcement of the Company dated 21 June 2019.

### **Registration and Issue of Medium-Term Notes**

Unless the context requires otherwise, the terms used below have the same meaning as those defined in the announcement dated 26 December 2019 and the announcement dated 11 February 2020 of the Company.

On 26 December 2019, the Board of the Company considered and approved the resolution on the registration and issue of medium-term notes. On 11 February 2020, the proposed registration and issue of medium-term notes were approved at the 2020 first extraordinary general meeting of the Company.

The implementation of the proposal of the issue of medium-term notes is subject to registration with the NAFMII and the final proposal of the current proposed issue is subject to the issue of the notice of acceptance of registration of the NAFMII.

For details of registration and issuance of perpetual medium-term notes, please refer to the announcement dated 26 December 2019, the announcement dated 11 February 2020 of the Company and the circular dated 21 January 2019 of the Company.

### **Connected Transaction in Relation to Capital Increase Agreement**

Unless otherwise required by the context, the terms used below shall have the same meaning as defined in the announcement of the Company dated 26 December 2019.

# DIRECTORS' REPORT

On 25 December 2019, the Company entered into the Capital Increase Agreement with Hong Kong ALBA and Chuangyi Environmental Protection, pursuant to which the parties agreed that each of the Company, Hong Kong ALBA and Chuangyi Environmental Protection shall increase their respective capital contribution to Jieyang ALBA in the total sum of RMB50 million. Upon the performance by each of the parties under the Capital Increase Agreement, the registered capital of Jieyang ALBA will be increased to RMB218 million.

For details, please refer to the announcement dated 26 December 2019.

## 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.16 to the financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital are set out in note VI.39 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 OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In view of the fact that certain participants were no longer qualified under the condition of "2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited\* (Revised Draft)", after being considered and approved at the general meeting and class meeting of the Company, the Company had repurchased a total of 1,138,000 of its own Restricted A Shares of RMB1.00 each (the "**First Repurchased A Shares**") on 9 April 2019 on the Shenzhen Stock Exchange at the price of approximately RMB8.71 per share (for 1,043,000 First Repurchased A Shares) and approximately RMB8.09 per share (for 95,000 First Repurchased A Shares) respectively (the "**First Repurchase**"). The aggregate purchase price paid for the First Repurchase was approximately RMB9,853,080. The First Repurchased A Shares represented approximately 0.1283% of the total capital of the Company immediately prior to the First Repurchase. Cancellation of the First Repurchased A Shares has already been completed on 9 April 2019. For details, please refer to the announcement of the Company dated 9 April 2019.





## DIRECTORS' REPORT

In view of the fact that certain participants were no longer qualified under the condition of "2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited\* (Revised Draft)", after being considered and approved at the general meeting and class meeting of the Company, the Company had repurchased a total of 6,695,000 of its own Restricted A Shares of RMB1.00 each (the "**Second Repurchased A Shares**") on 27 June 2019 on the Shenzhen Stock Exchange at the price of approximately RMB8.71 per share (for 6,060,000 Second Repurchased A Shares) and approximately RMB8.09 per share (for 635,000 Second Repurchased A Shares) respectively (the "**Second Repurchase**"). The aggregate purchase price paid for the Second Repurchase was approximately RMB57,919,750. The Second Repurchased A Shares represented approximately 0.7557% of the total capital of the Company immediately prior to the Second Repurchase. Cancellation of the Second Repurchased A Shares has already been completed on 27 June 2019. For details, please refer to the announcement of the Company dated 27 June 2019.

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 Reporting 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 75 to 76 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 RMB1,359,220,177.94. 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 14.33% of the total sales for the year and sales to the largest customer included therein amounted to approximately 3.85%. Purchases from the Group's five largest suppliers accounted for approximately 8.39% of the total purchases for the year and purchase from the Group's largest supplier accounted for approximately 1.82% 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. Tan Kan and Mr. Yao Shu as the executive Directors; Mr. Liu Bo Ren, Mr. Huang Yiming, Mr. Deng Qian (resigned on 25 February 2019 due to work arrangements), Mr. Lu Bei, Mr. Jin Yongfu 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 Directors up to the date of this report were: Mr. Tan Kan and Mr. Yao Shu as the executive Directors; Mr. Huang Yiming, Mr. Lu Bei and Mr. Jin Yongfu as the non-executive Directors; Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zheng Fu as the independent non-executive Directors.

# DIRECTORS' REPORT

The supervisors of the Company (“**Supervisors**”) during the Reporting Period were: Mr. Huang Hai Ping (appointed on 7 May 2019), Mr. Zhang Hao (appointed on 6 May 2019), Mr. Huang Wei Ming and Mr. Zhao Xuechao (resigned on 7 May 2019 due to work arrangement), and up to the date of this report the Supervisors are Mr. Huang Hai Ping, Mr. Huang Wei Ming and Mr. Zhang Hao.

## 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 22 to 25 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 Tan Kan, Mr. Yao Shu, Mr. Lu Bei, Mr. Jin Yong Fu, Mr. Huang Wei Ming, Mr. Zhu Zheng Fu, Mr. Qu Jiu Hui and Mr. Wong Hin Wing, the Directors (including independent non-executive Directors) has entered into a service contract with the Company for a term commencing from the date of the conclusion of the general meeting and ending on the expiry of the term of the sixth session of the Board. Mr. Huang Hai Ping, Mr. Huang Wei Ming and Mr. Zhang Hao, the supervisor has entered into a service contract with the Company for a term commencing from the date of the conclusion of the general meeting and ending on the expiry of the term of the sixth session of the Supervisor Committee.

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 or transactions 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 linking of the level of remuneration with the profitability and operational goals of the Company;
- C Adhere to the principle of combining remuneration with the Company's long-term interests, strengthen incentives and constraints and promote the Company's long-term stable development.

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' REPORT

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

As at 31 December 2019, the interests and short positions of the Directors, Supervisors and chief executive officer 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
Tan Kan	Beneficial owner	120,000 A shares	0.014%/0.018%

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors or chief executive officer of the Company had any interest or short position in the shares, underlying shares or debentures of the Company 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	189,104,110 A Shares (Note 1)	21.507%/27.845%
		2,896,000 H Shares (Note 2)	0.329%/1.447%
Jiangsu High Hope International Group Co., Ltd.	Beneficial owner	76,082,707 A shares (Note 3)	8.653%/11.203%
		18,204,800 H shares (Note 4)	2.070%/9.096%





## DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2019, the Directors, Supervisors and chief executive officer of the Company are not aware of any other person (other than the Directors, Supervisors and chief executive officer 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 189,104,110 A shares, among which 166,068,501 A shares is held by Guangdong Rising Assets, 1,302,027 and 21,733,582 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.

*Note 3:* For the 76,082,707 A shares, among which 50,087,669 A shares is held by Jiangsu High Hope International Group Co., Ltd., 25,995,038 A shares are held by the subsidiaries of Jiangsu High Hope International Group Co., Ltd., Jiangsu High Hope Venture Capital Co., Ltd..

*Note 4:* The 18,204,800 H shares is held by the subsidiary of Jiangsu High Hope International Group Co., Ltd., Jiangsu High Hope Venture Capital Co., Ltd.

### 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 2019, 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 2019.

### CONTINUING CONNECTED TRANSACTIONS

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

#### Update of Financial Services Agreement

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 19 March 2019 and ends on 18 March 2020.

Rising Finance Company is a direct wholly owned subsidiary of Guangdong Rising Assets (the substantial shareholder), 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.

# DIRECTORS' REPORT

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.

For details, please refer to the announcements of the Company dated 24 January and 19 March 2019.

## **Supplemental Agreement on Purchase and Sale of Industrial and Mining Products and Supplemental Agreement on Purchase and Sale of Copper Sulphate**

On 22 February 2019, Qingyuan Xinlv, a non wholly-owned subsidiary of the Company, (as the Supplier) and Danxia Smelter of Zhongjin Lingnan (as the Purchaser) entered into the Supplemental Agreement on Purchase and Sale of Industrial and Mining Products to determine the annual caps for the transactions contemplated under the Purchase and Sale Agreement on Industrial and Mining Products entered into between the Company and Danxia Smelter of Zhongjin Lingnan on 22 February 2019. Pursuant to the Supplemental Agreement on Purchase and Sale of Industrial and Mining Products, the parties agreed that Qingyuan Xinlv (a non-wholly owned subsidiary of the Company) supplied copper sulphate to Danxia Smelter (a non-wholly owned subsidiary of Zhongjin Lingnan).

As Danxia Smelter is a subsidiary of Zhongjin Lingnan, and Zhongjin Lingnan is a non-wholly owned subsidiary of Guangdong Rising Assets Management Co., Ltd., a substantial shareholder of the Company, according to the Listing Rules, Danxia Smelter is deemed to be a connected person of the Company. Accordingly, the transactions contemplated under the Supplemental Agreement on Purchase and Sale of Industrial and Mining Products constitute a continuing connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) calculated on an annual basis in respect of the Agreement on Purchase and Sale of Industrial and Mining Products are higher than 0.1% but less than 5%, the transactions contemplated under the Agreement on Purchase and Sale of Industrial and Mining Products are subject to the reporting, announcement and annual review requirements pursuant to Rule 14A.76 of the Listing Rules, but are exempted from circular (including independent financial advice) and independent shareholders' approval requirements.

For details, please refer to the announcement of the Company dated 22 February 2019.





The above-mentioned continuing connected transactions were reviewed by the independent non-executive directors of the Company. The directors (including independent non-executive directors) have confirmed that such continuing connected transactions for the year ended 31 December 2019: (i) were entered into during the ordinary and usual course of business of the Group; (ii) were entered into on fair and reasonable terms under the relevant regulatory agreements and in the interest of the Company and the Shareholders as a whole; and (iii) were entered into on normal commercial terms.

The Company has appointed its auditor, ShineWing Certified Public Accountants, to issue a report on the continuing connected transactions of the Group for the year ended 31 December 2019. Pursuant to Rule 14A.56 of the Listing Rules, ShineWing Certified Public Accountants has issued a report on the review findings and conclusions of the above-disclosed continuing connected transactions of the Group.

### CONNECTED TRANSACTION

#### **The Proposed Yongxingsheng Incineration Pretreatment Workshop Facility Construction Contract**

On 13 June 2019, Zhuhai Yongxingsheng, a holding subsidiary of the Company, awarded the Incineration Pretreatment Workshop Facility Construction Project Tender to Guangdong Zhongnan Construction and served notice of award to Guangdong Zhongnan Construction, pursuant to which Zhuhai Yongxingsheng agreed to engage Guangdong Zhongnan Construction as the general contractor to carry out the construction works for Yongxingsheng Incineration Pretreatment Workshop Facility, at the bidding price of RMB7,180,000 (approximately HK\$8,117,580.55). As Guangdong Rising Assets (a substantial shareholder of the Company) indirectly wholly owns Guangdong Zhongnan Construction, which is an indirect subsidiary of Guangdong Rising Assets, the Transaction is treated as a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is subject to reporting and announcement requirements but are exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 14 June 2019.

#### **The Proposed Fulong Environmental Project Construction Contract**

On 19 July 2019, Fulong Environmental, a holding subsidiary of the Company, awarded the Fulong Environmental Project Construction Contract to Guangdong Zhongren and served notice of award to Guangdong Zhongren, pursuant to which Fulong Environmental agreed to engage Guangdong Zhongren as the general contractor to carry out the construction works for Fulong Environmental Project, at the bidding price of RMB22,545,809.35 (approximately HK\$25,584,984.45). As Guangdong Rising Assets (a substantial shareholder of the Company) indirectly wholly owns Guangdong Zhongnan Construction, which is an indirect subsidiary of Guangdong Rising Assets, the Transaction is treated as a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction are more than 0.1% but less than 5%, the transaction is subject to reporting and announcement requirements but are exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

# DIRECTORS' REPORT

For details, please refer to the announcement of the Company dated 21 July 2019.

## Establishment of A Joint Venture

On 26 August 2019, the Company has entered into the Shareholder Investment Agreement with High Hope Group in relation to the establishment of a Joint Venture company. Pursuant to the Shareholder Investment Agreement, the total registered capital of the Joint Venture will be RMB200 million, in which High Hope Group and the Company has agreed to make a capital contribution of RMB120 million and RMB80 million respectively, accounting for 60% and 40% of the total registered capital of the Joint Venture, respectively. High Hope Group and its subsidiaries are interested in approximately 10.72% of the Company's shares in issue and is a substantial shareholder of the Company. Accordingly, High Hope Group is deemed to be a connected person of the Company. As such, the Transaction constitute a connected transaction of the Company under Chapter 14A of Listing Rules.

As the highest applicable percentage ratios in respect of the Transaction is greater than 0.1% but less than 5%, the Shareholder Investment Agreement and the Transaction contemplated thereunder is subject to the reporting and announcement requirements but is exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 26 August 2019.

## Capital Increase Agreement

On 25 December 2019, the Company entered into the Capital Increase Agreement with Hong Kong ALBA and Chuangyi Environmental Protection, pursuant to which the parties agreed that each of the Company, Hong Kong ALBA and Chuangyi Environmental Protection shall increase their respective capital contribution to Jieyang ALBA in the total sum of RMB50 million. Upon the performance by each of the parties under the Capital Increase Agreement, the registered capital of Jieyang ALBA will be increased to RMB218 million. Hong Kong ALBA is a jointly controlled entity indirectly held as to 50% by the Company's substantial shareholder Guangdong Rising Assets. Pursuant to Chapter 14A of the Listing Rules, Hong Kong ALBA is an associate of Guangdong Rising Assets and is therefore deemed to be a connected person of the Company. Accordingly, the Capital Increase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) of the Capital Increase Agreement and the transactions contemplated thereunder are more than 0.1% but less than 5%, pursuant to Chapter 14A of the Listing Rules, the Capital Increase is subject to reporting, announcement and annual review requirements, but is exempted from circular and independent shareholders' approval requirements.

For details, please refer to the announcement of the Company dated 26 December 2019.

The Company has confirmed that it has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

According to Appendix 16(8)(2) of the Listing Rules, if a related party transaction is included in accordance with the accounting standards, the Company must specify whether or not the transaction falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules.





# DIRECTORS' REPORT

## 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.

## COMPETING BUSINESS

During the Reporting Period and up to the date of this report, none of the Directors, Supervisors, chief executive or the management and controlling 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.

## 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.

## PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. For details, please refer to pages 15 and 16 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 25 July 2020.

## 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 2019 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 appoint auditor will be proposed at the forthcoming annual general meeting of the Company.

In 2019, the Board of the Company strictly complied the Company Law, Securities Law and the regulatory requirements of the China Securities Regulatory Commission, Shenzhen Stock Exchange and the Hong Kong Stock Exchange, earnestly performed the functions and powers conferred by the Articles of Association, diligently carried out all kinds of work, stuck with the Company's development strategy and the annual focus of work to actively carry out all kinds of work. All Directors have fulfilled their duties with diligence and responsibility, and actively participated in the decision-making process of the Company's major affairs with scientific, rigorous, prudent and objective work attitude, strived to secure the legitimate rights and interests of the Company and all shareholders, which has effectively guaranteed the realization of various work goals of the Company throughout the year.





# DIRECTORS' REPORT

## External donation

In 2019, the Group made external donations of RMB1,017,714.03 in total.

In 2019, the Board carried out different kinds of work, including but not limited to corporate governance, convening of board meetings and committee meetings to review major matters of the Company, providing independent judgment and verification by the independent directors, and maintaining a good relationship with the shareholders of the Company through investor relationship management.

In 2020, the Board will actively play the core role of corporate governance, well perform the daily work of the Board, make important decisions with efficiency, implement the resolution of the general meeting, so as to ensure the steady and orderly development of business operation management and fundamentally secure the interests of shareholders. The main tasks include, but are not limited to, 1) strategy and planning preparation and management, to ensure the implementation of each annual goal of work; 2) efficient operation, to improve the decision-making mechanism of the Board; 3) continuous enhancement guidance on the Company's operation and management; 4) improving the transparency of information disclosure, so as to improve the level of investor relations management; 5) attaching great importance to and performing a standard operation.

ON BEHALF OF THE BOARD

**Dongjiang Environmental Company Limited**

**Tan Kan**

*Chairman*

Shenzhen, Guangdong Province, the PRC

22 April 2020

# 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 22 April 2020, the Supervisory Committee convened a meeting, at which the 2019 financial statements of the Group and 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**

### **HUANG Hai Ping**

*Chairman of the Supervisory Committee*

Shenzhen, the PRC

22 April 2020





# 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 two executive directors, being Mr. Tan Kan and Mr. Yao Shu; three non-executive directors, being Mr. Huang Yiming, Lu Bei and Jin Yongfu; and three independent non-executive directors, being Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zheng Fu. Mr. Tan Kan 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 22 to 25 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 officer 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 19 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. Tan Kan ( <i>Chairman</i> )	19/19
Mr. Yao Shu ( <i>Chief executive officer</i> ) ( <i>Note 1</i> )	13/13
Non-executive Directors	
Mr. Huang Yi Ming	17/19
Mr. Liu Bo Ren	17/19
Mr. Lu Bei	19/19
Mr. Jin Yong Fu	19/19
Mr. Deng Qian ( <i>Note 2</i> )	15/15
Independent Non-executive Directors	
Mr. Wong Hin Wing	19/19
Mr. Qu Jiu Hui	19/19
Mr. Zhu Zheng Fu	19/19
Average attendance rate	100.00%

*Notes:*

1. Mr. Yao Shu was appointed as the executive director of the Board on 19 March 2019. Mr. Yao attended 13 out of 13 Board meetings held during his tenure in the year ended 31 December 2019.
2. Mr. Deng Qian was resigned as the executive director of the Board on 25 February 2019. Mr. Deng attended 15 out of 15 Board meetings held during his tenure in the year ended 31 December 2019.
3. There are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.





# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE

Mr. Tan Kan serves as the chairman of the Board and Mr. Yao Shu 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

At least a third of the Board 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. Jin Yong Fu and Mr. Lu Bei, who are non-executive directors, started their terms of office from 12 November 2018 and will serve up to the expiration of the term of the sixth session of the Board. Mr. Huang Yi Ming, who is a non-executive director, started his term of office from 26 June 2017 and will serve up to the expiration of the term of the sixth session of the Board. Mr. Qu Jiu Hui, Mr. Wong Hin Wing and Mr. Zhu Zheng Fu, who are independent non-executive directors, started their term of office from 26 June 2017 and will serve up to the expiration of the term of the sixth session of the Board.

## 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. Tan Kan ( <i>Chairman</i> )	√	√
Mr. Yao Shu ( <i>Chief executive officer</i> )	√	√
Non-executive Directors		
Mr. Huang Yi Ming	√	√
Mr. Lu Bei	√	√
Mr. Jin Yong Fu	√	√
Mr. Deng Qian ( <i>resigned on 25 February 2019</i> )	√	√
Mr. Liu Bo Ren ( <i>resigned on 2 April 2020</i> )	√	√

# CORPORATE GOVERNANCE REPORT

Name of Directors	Attending training/ briefing session	Reading materials
Independent Non-executive Directors		
Mr. Zhu Zheng Fu	√	√
Mr. Wong Hin Wing	√	√
Mr. Qu Jiu Hui	√	√

## 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.

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.





# CORPORATE GOVERNANCE REPORT

## GENERAL MEETINGS WITH SHAREHOLDERS

The Company held 4 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. Tan Kan ( <i>Chairman</i> )	4/4
Mr. Yao Shu ( <i>Chief Executive Officer</i> ) ( <i>Note 1</i> )	4/4
Non-executive Directors	
Mr. Liu Bo Ren	1/4
Mr. Huang Yi Ming	1/4
Mr. Lu Bei	4/4
Mr. Jin Yong Fu	4/4
Mr. Deng Qian ( <i>resigned on 25 February 2019</i> ) ( <i>Note 2</i> )	0/4
Independent Non-executive Directors	
Mr. Zhu Zheng Fu ( <i>Note 3, 4</i> )	1/4
Mr. Wong Hin Wing ( <i>Note 3, 4</i> )	2/4
Mr. Qu Jiu Hui ( <i>Note 3, 4</i> )	1/4
Average Attendance Rate	28.5%

*Notes:*

- Mr. Yao Shu was appointed as the executive director of the Board on 19 March 2019. Mr. Yao attended 4 general meetings during his tenure in the year ended 21 September 2019.
- Mr. Deng Qian resigned as a non-executive director on 25 February 2019. For the year ended 31 December 2019, Mr. Deng did not attend any general meeting during his term of office.
- 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.
- Mr. Liu Bo Ren, Mr. Huang Yi Ming, Mr. Qu Jiu Hui, Mr. Wong Hin Wing and Mr. Zhu Zheng Fu were absent for several general meetings due to busy business.

# 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. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zhengfu. 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 5 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. Tan Kan. 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 5 times 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. Qu Jiu Hui ( <i>Chairman</i> )	5/5
Mr. Tan Kan	5/5
Mr. Wong Hin Wing	5/5
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. Tan Kan and Mr. Yao Shu, and one independent non-executive director, namely Mr. Qu Jiu Hui. Mr. Tan 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. Tan Kan ( <i>Chairman</i> )	1/1
Mr. Yao Shu	1/1
Mr. Qu Jiu Hui	1/1
Average attendance rate	100%





# 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 (tax included) (amount net of tax was RMB1,273,584.91). During the Reporting Period, the Company engaged SHINEWING CERTIFIED PUBLIC ACCOUNTANTS as the auditing accounting firm of internal control and paid an audit fee of RMB450,000 (tax included) (amount net of tax was RMB424,528.29).

## COMPANY SECRETARY

Ms. Wang Tian has been appointed as the company secretary of the Company since 17 December 2012 and Ms. Wang had participated in 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 20 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:	Mr. Wan Chuan
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) 88242689
Fax No.:	86 (755) 86676002

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.

## AMENDMENT OF ARTICLES OF ASSOCIATION

Unless the context requires otherwise, the terms in the following paragraph shall have the same meaning as those defined in the circular of the Company dated 1 March 2019.

In view of the change of qualification for share incentive, the Board of the Company has decided to repurchase and cancel a total of 1,138,000 Restrictive A Shares held by the Participants. The share capital and registered capital of the Company will be adjusted accordingly. The Board of the Company has decided to make amendments to the Articles which are related to share capital and registered capital. The resolution on amendment of Articles of Association was approved at the 2019 first extraordinary general meeting of the Company on 19 March 2019.

For details, please refer to the circular dated 1 March 2019.

Unless the context requires otherwise, the terms in the following paragraph shall have the same meaning as those defined in the circular of the Company dated 27 May 2019.

Pursuant to the relevant requirements of the Incentive Plan, the Board has decided to repurchase a total of 6,695,000 A Shares granted to the participants of the first patch and the reserved portion of interests under the Incentive Plan on 26 December 2019. The share capital and registered capital of the Company will be adjusted accordingly. The Board agreed to make amendments to the Articles which are related to share capital and registered capital. The resolution on amendment of Articles of Association was approved at the 2018 annual general meeting of the Company on 11 June 2019.

For details, please refer to the circular dated 27 May 2019.

Unless the context requires otherwise, the terms in the following paragraph shall have the same meaning as those defined in the circular of the Company dated 23 August 2019.





# CORPORATE GOVERNANCE REPORT

On 25 July 2019, the Board of the Company passed the “Resolution on the Proposed Amendments to the Articles of Association”. According to the “Company Law of the People’s Republic of China (Revised in 2018)”, the “Guidelines for the Governance of Listed Companies (Revised in 2018)” promulgated by the CSRC and the “Guidelines on the Articles of Association of Listed Companies (Revised in 2019)” and taking into account of the operation of the Company, the Company proposed to make certain amendments to the Articles. The resolution on amendment of Articles of Association was approved by the shareholders of the Company at the 2019 third extraordinary general meeting of the Company on 10 September 2019.

For details, please refer to the circular of the Company dated 23 August 2019.

Unless the context requires otherwise, the terms in the following paragraph shall have the same meaning as those defined in the circular of the Company dated 21 January 2020.

On 9 December 2019, the Board of the Board passed the “Resolution on the Proposed Amendments to the Articles of Association”. According to the relevant requirements of the laws such as the “Reply on the Adjustment of the Notice Period Requirements of General Meetings and Other Matters Applicable to the Overseas Listed Companies” (Guo Han [2019] No.97) issued by the State Council, and taking into account of the operation, the Company proposed to make certain amendments to the Articles. The resolution on amendment of Articles of Association was approved by the shareholders of the Company at the 2020 first extraordinary general meeting of the Company on 11 February 2020.

For details, please refer to the circular of the Company dated 21 January 2020.

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.3(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 53 to 59 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. The executive Directors meet with the management of subsidiaries and individual businesses on a monthly basis 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 2019 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.

Besides the corporate governance aspect, which will be further discussed in this report below, more details of the Group's environmental, social and governance ("**ESG**") measures including the relevant policies and performance in the areas of environmental, employment and labour standards, operating practices, and community, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group will be covered in the Group's ESG report, which will be published no later than three months after the publication of annual report, on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company.





# REPORT OF THE AUDITORS

XYZH/2020GZA30043

## 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 2019, 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 2019, 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 2019, the consolidated and the parent company’s results of operations and cash flows for 2019.

### 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.51 to the consolidated financial statements of Dongjiang Environmental Company, the total operating revenue of Dongjiang Environmental Company for 2019 was RMB3,458,591,100 and the major source of revenue was industrial waste recycling product sales and waste treatment and disposal service. As revenue is one of the key performance indicators of Dongjiang Environmental Company, 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>- We tested the management’s internal control system and implementation procedures of revenue recognition for industrial waste recycling product sales and waste treatment and disposal and assessed the accuracy of the revenue recognition and the validity of the control system for determining whether the revenue was included in the appropriate accounting period.</li> <li>- We conducted substantial analytical procedures regarding to the cut-off of revenue from recycling product sales and waste treatment and disposal of Dongjiang Environmental Company and focused on the accuracy of the revenue recognition of Dongjiang Environmental Company and whether the revenue was included in the appropriate accounting period.</li> <li>- We examined the accounting records in relation to the revenue from recycling product sales and waste treatment and disposal, checked relevant accounting records and discussion with management to assess whether there is any indication of material differences and misstatement for the revenue recognition by the management.</li> </ul>





# 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 VI.4 to the consolidated financial statements of Dongjiang Environmental Company, as at 31 December 2019, the balance amount, provision for bad debts and net amount of accounts receivable of Dongjiang Environmental Company amounted to RMB862,658,300, RMB18,935,600 and RMB843,722,700, 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"> <li>- We assessed and tested the internal control process of impairment provision for accounts receivable of Dongjiang Environmental Company with expected credit loss model and assessed the reasonableness of key assumptions and data.</li> <li>- We reviewed the calculating 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.</li> <li>- We assessed the appropriateness of adopting the expected credit loss model for provision of accounts receivable, the rationality of model design and the reasonableness of the historical data used in the inspection model.</li> <li>- We discussed with the management on the collection of accounts receivable and the possible risk for uncollection.</li> </ul>

# 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 VI.21 to the consolidated financial statements of Dongjiang Environmental Company, as at 31 December 2019, the net value of the goodwill for Dongjiang Environmental Company amounted to RMB1,287,972,700, 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 and judgement 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"><li>– We reviewed the assessment methods of goodwill impairment, including reviewing the reasonableness of assumptions such as the expected future income and cash flow discount rate of each component, to understand profitability of each component.</li><li>– Based on our knowledge of the business and the industry, we challenged the reasonableness of key assumptions and data given by the management.</li><li>– We reviewed the input data of the Company against the supporting evidence, such as the budgets approved, and assessed the reasonableness of such budgets.</li><li>– We review the test results of the goodwill assessment agencies to understand their assessment methods, the assumptions used and the reasonableness of the data.</li></ul>





# REPORT OF THE AUDITORS

## 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 2019, 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.

## 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.

# REPORT OF THE AUDITORS

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.
- (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, 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.





## REPORT OF THE AUDITORS

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)**

Beijing, China  
22 April 2020

CICPA:  
**Wu Ruiling**

# CONSOLIDATED BALANCE SHEET

31 December 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2019	31 December 2018
<b>Current assets:</b>			
Monetary fund	VI.1	1,104,760,604.12	1,054,068,992.47
Settlement Deposits		-	-
Placements with banks and other financial institutions		-	-
Held-for-trading financial assets	VI.2	-	24,934,920.00
Financial assets at fair value through profit or loss		-	-
Derivative financial assets		-	-
Notes receivable	VI.3	-	76,700.60
Accounts receivable	VI.4	843,722,663.17	690,806,931.89
Receivables financing	VI.5	82,320,731.83	62,032,264.42
Prepayments	VI.6	45,138,920.21	43,155,392.19
Premium receivable		-	-
Reinsurance accounts receivable		-	-
Provision for reinsurance contract receivable		-	-
Other accounts receivable	VI.7	206,849,864.62	334,623,903.72
Including: Interest receivable		-	-
Dividend receivable		-	-
Purchase and resale of financial assets		-	-
Inventories	VI.8	299,713,491.05	299,706,172.78
Loans	VI.9	160,230,200.00	372,628,000.00
Contractual assets	VI.10	117,916,128.85	95,704,312.32
Assets held-for-sale		-	-
Non-current asset due within one year	VI.11	41,252,309.46	2,965,177.96
Other current assets	VI.12	123,768,237.84	107,354,560.79
<b>Total current assets</b>		<b>3,025,673,151.15</b>	<b>3,088,057,329.14</b>
<b>Non-current assets:</b>			
Granted loans and advances		-	-
Debt investments		-	-
Available-for-sale financial assets		-	-
Other debt investments		-	-
Held-to-maturity investment		-	-
Long-term accounts receivable	VI.13	8,961,990.00	48,736,094.93
Long-term equity investment	VI.14	252,750,134.50	303,461,055.34
Investment in other equity instruments		-	-
Other non-current financial assets		-	-
Investment properties	VI.15	433,545,129.00	423,598,931.13
Fixed assets	VI.16	2,813,344,463.38	2,253,551,471.72
Construction in progress	VI.17	1,242,121,933.61	1,253,654,558.40
Productive biological assets		-	-
Oil and gas assets		-	-
Right-of-use assets	VI.18	15,085,259.91	-
Intangible assets	VI.19	1,105,036,034.35	875,193,511.63
Development expenditure	VI.20	17,824,511.89	17,861,081.17
Goodwill	VI.21	1,287,972,708.47	1,213,137,618.89
Long-term unamortized expenses	VI.22	39,936,272.55	44,450,361.11
Deferred income tax assets	VI.23	38,423,861.41	26,002,037.95
Other non-current assets	VI.24	114,756,634.20	196,753,629.70
<b>Total non-current assets</b>		<b>7,369,758,933.27</b>	<b>6,656,400,351.97</b>
<b>Total assets</b>		<b>10,395,432,084.42</b>	<b>9,744,457,681.11</b>





# CONSOLIDATED BALANCE SHEET

31 December 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term borrowings	VI.25	1,744,166,400.00	1,834,096,571.16
Borrowings from central bank		—	—
Loans from other banks		—	—
Held-for-trading financial liabilities		—	—
Financial liabilities at fair value through profit or loss		—	—
Derivative financial liabilities		—	—
Notes payable	VI.26	100,360,000.00	150,000,000.00
Accounts payable	VI.27	685,891,301.15	558,358,310.28
Receipts in advance	VI.28	427,500.00	2,986,660.00
Contractual liabilities	VI.29	169,267,583.05	151,968,538.09
Proceeds from disposal of financial assets under agreements to repurchase		—	—
Receipt of deposits and deposits from other banks		—	—
Funds received as agent of stock exchange		—	—
Funds received as stock underwriter		—	—
Employee benefits payables	VI.30	80,092,436.28	82,753,967.08
Tax payable	VI.31	60,094,844.63	81,242,211.56
Other accounts payable	VI.32	607,792,930.28	212,943,150.59
Including: Interest payable	VI.32.1	2,664,917.36	2,106,252.25
Dividend payable	VI.32.2	—	3,260,310.01
Handling fees and commission payable		—	—
Reinsurance accounts payable		—	—
Liabilities held-for-sale		—	—
Non-current liabilities due within one year	VI.33	948,934,124.61	440,977,675.35
Other current liabilities		—	—
<b>Total current liabilities</b>		<b>4,397,027,120.00</b>	<b>3,515,327,084.11</b>
<b>Non-current liabilities:</b>			
Provision for insurance contracts		—	—
Long-term borrowings	VI.34	769,659,397.28	435,798,387.82
Bonds payable	VI.35	—	902,807,955.52
Including: Preferred shares		—	—
Perpetual bond		—	—
Lease liabilities	VI.36	10,652,315.39	—
Long-term accounts payables	VI.37	2,957,612.44	5,329,251.18
Long-term employee benefits payables		—	—
Estimated liabilities		—	—
Deferred income	VI.38	164,927,855.66	184,675,393.59
Deferred income tax liabilities	VI.23	15,364,414.14	14,359,029.67
Other non-current liabilities		—	—
<b>Total non-current liabilities</b>		<b>963,561,594.91</b>	<b>1,542,970,017.78</b>
<b>Total liabilities</b>		<b>5,360,588,714.91</b>	<b>5,058,297,101.89</b>

# CONSOLIDATED BALANCE SHEET

31 December 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2019	31 December 2018
<b>Owners' equity (or shareholders' equity):</b>			
Share capital	VI.39	<b>879,267,102.40</b>	887,100,102.40
Other equity instruments		–	–
Including: Preferred shares		–	–
Perpetual bond		–	–
Capital reserve	VI.40	<b>438,712,765.03</b>	498,652,595.03
Less: Treasury stock	VI.41	–	67,772,830.00
Other comprehensive income	VI.42	<b>17,001,236.23</b>	16,927,580.70
Special reserves	VI.43	<b>5,499,114.43</b>	5,561,004.28
Surplus reserves	VI.44	<b>219,355,623.05</b>	202,915,933.37
Provision for normal risks	VI.45	<b>5,611,350.00</b>	5,611,350.00
Undistributed profits	VI.46	<b>2,779,184,572.18</b>	2,492,936,395.01
<b>Total equity attributable to shareholders of the parent company</b>		<b>4,344,631,763.32</b>	4,041,932,130.79
Minority interests	VI.47	<b>690,211,606.19</b>	644,228,448.43
<b>Total shareholders' equity</b>		<b>5,034,843,369.51</b>	4,686,160,579.22
<b>Total liabilities and owners' equity</b>		<b>10,395,432,084.42</b>	9,744,457,681.11

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**





# BALANCE SHEET OF THE PARENT COMPANY

31 December 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2019	31 December 2018
<b>Current assets:</b>			
Monetary fund		578,525,911.40	731,461,806.71
Held-for-trading financial assets		–	24,934,920.00
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII.1	238,897,083.09	285,028,558.79
Receivables financing	XVII.2	16,373,751.31	7,629,204.49
Prepayments		3,428,438.14	14,457,977.24
Other accounts receivable	XVII.3	2,492,136,490.13	2,144,191,243.58
Including: Interest receivable			
Dividend receivable			
Inventories		10,502,398.38	13,530,179.75
Loans			
Contractual assets		87,686,156.86	94,145,923.72
Assets held-for-sale			
Non-current asset due within one year		41,252,309.46	2,965,177.96
Other current assets		4,335,342.89	3,525,450.30
<b>Total current assets</b>		<b>3,473,137,881.66</b>	<b>3,321,870,442.54</b>
<b>Non-current assets:</b>			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investment			
Long-term accounts receivable		700,000.00	41,317,470.93
Long-term equity investment	XVII.4	3,827,810,592.90	3,635,935,817.62
Investment in other equity instruments			
Other non-current financial assets			
Investment properties		80,717,000.00	70,711,609.00
Fixed assets		92,925,512.36	92,738,265.04
Construction in progress		9,486,978.89	28,700,798.44
Productive biological assets		–	–
Oil and gas assets			
Right-of-use assets		–	–
Intangible assets		95,495,975.84	103,151,947.78
Development expenditure		16,155,364.71	13,962,681.46
Goodwill			
Long-term unamortized expenses		3,403,706.11	3,667,073.62
Deferred income tax assets		22,947,052.89	13,471,543.74
Other non-current assets		62,221,560.10	62,129,472.18
<b>Total non-current assets</b>		<b>4,211,863,743.80</b>	<b>4,065,786,679.81</b>
<b>Total assets</b>		<b>7,685,001,625.46</b>	<b>7,387,657,122.35</b>

# BALANCE SHEET OF THE PARENT COMPANY

31 December 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term borrowings		1,592,000,000.00	1,650,000,000.00
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		100,000,000.00	150,000,000.00
Accounts payable		142,912,588.21	195,743,316.50
Receipts in advance		–	–
Contractual liabilities		774,080.52	2,655,258.09
Employee benefits payables		3,091,271.03	19,280,410.34
Tax payable		3,022,552.00	6,230,673.47
Other accounts payable		2,093,865,668.97	1,337,486,477.14
Including: Interest payable		1,770,389.13	3,241,910.01
Dividend payable		–	1,408,576.83
Liabilities held-for-sale			
Non-current liabilities due within one year		619,201,904.88	377,121,775.00
Other current liabilities		–	–
<b>Total current liabilities</b>		<b>4,554,868,065.61</b>	<b>3,738,517,910.54</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		134,600,000.00	61,800,000.00
Bonds payable		–	623,134,140.84
Including: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term accounts payables			
Long-term employee benefits payables			
Estimated liabilities			
Deferred income		11,562,201.19	23,454,670.80
Deferred income tax liabilities		6,026,751.69	5,960,865.72
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>152,188,952.88</b>	<b>714,349,677.36</b>
<b>Total liabilities</b>		<b>4,707,057,018.49</b>	<b>4,452,867,587.90</b>
<b>Owners' equity (or shareholders' equity):</b>			
Share capital		879,267,102.40	887,100,102.40
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve		533,103,277.48	593,043,107.48
Less: Treasury stock		–	67,772,830.00
Other comprehensive income		3,509,701.20	3,509,701.20
Special reserves			
Surplus reserves		202,844,347.95	186,404,658.27
Provision for normal risks		–	–
Undistributed profits		1,359,220,177.94	1,332,504,795.10
<b>Total shareholders' equity</b>		<b>2,977,944,606.97</b>	<b>2,934,789,534.45</b>
<b>Total liabilities and owners' equity</b>		<b>7,685,001,625.46</b>	<b>7,387,657,122.35</b>

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**



# CONSOLIDATED INCOME STATEMENT

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>I. Total operating revenue</b>	<i>VI.51</i>	<b>3,458,591,061.22</b>	3,284,080,652.02
Including: Operating revenue		<b>3,458,591,061.22</b>	3,284,080,652.02
Interest income		-	-
Premium income		-	-
Handling charges and commission income		-	-
<b>II. Total operating cost</b>		<b>3,010,805,058.83</b>	2,868,975,692.48
Including: Cost of operation	<i>VI.51</i>	<b>2,210,633,262.30</b>	2,125,240,410.09
Interest expenses		-	-
Handling charges and commission expenses		-	-
Surrenders		-	-
Net claims expenses		-	-
Net provisions for insurance contracts reserve		-	-
Insurance policy dividend paid		-	-
Reinsurance costs		-	-
Tax and levies	<i>VI.53</i>	<b>45,932,734.63</b>	45,084,094.12
Selling expenses	<i>VI.54</i>	<b>122,308,761.20</b>	98,523,251.47
Administrative expenses	<i>VI.55</i>	<b>363,904,047.17</b>	374,454,834.60
Research and development expenses	<i>VI.56</i>	<b>127,360,440.74</b>	91,549,223.31
Finance costs	<i>VI.57</i>	<b>140,665,812.79</b>	134,123,878.89
Including: Interest expense		<b>155,505,661.06</b>	136,104,319.99
Interest income		<b>16,392,157.46</b>	8,522,617.55
Add: Other gains	<i>VI.58</i>	<b>164,236,575.76</b>	209,390,075.45
Gain from investment			
(Loss represented in "-" signs)	<i>VI.59</i>	<b>13,375,034.40</b>	13,259,079.56
Including: Investment revenue in associates and joint ventures		<b>5,924,330.98</b>	12,905,848.59
Derecognition of gain from financial assets at amortized cost		-	-
Exchange gain (Loss represented in "-" signs)		-	-
Gain from net exposure hedges			
(Loss represented in "-" signs)		-	-
Gain on fair value changes			
(Loss represented in "-" signs)	<i>VI.60</i>	<b>8,894,318.93</b>	16,548,839.01
Credit impairment losses			
(Loss represented in "-" signs)	<i>VI.61</i>	<b>-75,869,450.72</b>	-60,716,979.16
Asset impairment losses			
(Loss represented in "-" signs)	<i>VI.62</i>	<b>-40,875,993.86</b>	-27,996,984.18
Disposal gain on asset			
(Loss represented in "-" signs)	<i>VI.63</i>	<b>548,355.22</b>	61,388.93

# CONSOLIDATED INCOME STATEMENT

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>III. Operating profit (Loss represented in "-" signs)</b>		<b>518,094,842.12</b>	565,650,379.15
Add: Non-operating income	VI.64	<b>12,977,503.46</b>	3,815,958.55
Less: Non-operating expenses	VI.65	<b>6,667,418.44</b>	11,147,159.96
<b>IV. Total profit (Total loss represented in "-" signs)</b>		<b>524,404,927.14</b>	558,319,177.74
Less: Income tax expenses	VI.66	<b>57,686,984.46</b>	84,202,020.25
<b>V. Net profit (Net loss represented in "-" signs)</b>		<b>466,717,942.68</b>	474,117,157.49
(1) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss represented in "-" signs)		<b>469,020,404.59</b>	472,064,927.81
2. Net profit from discontinued operations (Net loss represented in "-" signs)		<b>-2,302,461.91</b>	2,052,229.68
(2) Classified according to the ownership			
1. Net profit attributable to owners of the parent company (Net loss represented in "-" signs)		<b>423,929,691.12</b>	407,917,006.14
2. Profit and loss attributable to minority interests (Net loss represented in "-" signs)		<b>42,788,251.56</b>	66,200,151.35
<b>VI. Other comprehensive income, net of tax</b>	VI.42	<b>73,655.53</b>	23,776,176.15
Other comprehensive income attributable to owners of the parent company, net of tax		<b>73,655.53</b>	14,362,814.47
(1) Items cannot be reclassified to profit and loss			
1. Changes in net liabilities or net assets arising from remeasuring defined benefit plan		-	-
2. Share of other comprehensive income of investees that cannot be reclassified to profit or loss under the equity method		-	-
3. Change in fair value of other equity instrument investments		-	-
4. Change in fair value due to enterprise's own credit risk		-	-
5. Others		-	-



# CONSOLIDATED INCOME STATEMENT

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
(2) Items can be reclassified to profit and loss		<b>73,655.53</b>	14,362,814.47
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		-	-
2. Change in fair value of other debt investments		-	-
3. Change in fair value gain or loss of available-for-sale financial assets		-	-
4. Amount of financial assets reclassified into other comprehensive income		-	-
5. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		-	-
6. Credit impairment reserve for other debt investment		-	-
7. Reserve for cash flow hedging (effective portion of profit or loss on cash flow hedging)		-	-
8. Exchange difference on translation of financial statements in foreign currency		<b>73,655.53</b>	242,771.95
9. Others		-	14,120,042.52
Other comprehensive income attributable to minority interests, net of tax		-	9,413,361.68
<b>VII. Total comprehensive income</b>		<b>466,791,598.21</b>	497,893,333.64
Attributable to shareholders of the parent company		<b>424,003,346.65</b>	422,279,820.61
Attributable to minority interests		<b>42,788,251.56</b>	75,613,513.03
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)	<i>VI.68</i>	<b>0.48</b>	0.47
(2) Diluted earnings per share (RMB/share)		<b>0.48</b>	0.47

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**

# INCOME STATEMENT OF THE PARENT COMPANY

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>I. Operating revenue</b>	XVII.5	<b>590,684,813.61</b>	763,540,719.45
Less: Operating cost	XVII.5	<b>480,062,483.00</b>	611,596,662.73
Tax and levies		<b>2,754,331.19</b>	4,525,564.21
Selling expenses		<b>3,735,952.06</b>	2,977,536.88
Administrative expenses		<b>51,384,345.47</b>	83,053,308.57
Research and development expenses		<b>9,249,980.44</b>	7,226,719.39
Finance costs		<b>76,411,169.63</b>	82,781,332.37
Including: Interest expense		<b>85,148,047.64</b>	85,879,049.01
Interest income		<b>9,481,584.00</b>	5,157,915.99
Add: Other gains		<b>26,188,882.64</b>	20,148,764.14
Gain from investment (Loss represented in “-” signs)	XVII.6	<b>223,074,176.87</b>	70,991,707.61
Including: Investment revenue in associates and joint ventures		<b>7,989,527.36</b>	12,755,582.66
Derecognition of gain from financial assets at amortized cost		<b>10,005,391.00</b>	15,825,866.80
Gain on fair value changes (Loss represented in “-” signs)		<b>-72,741,434.00</b>	-45,505,668.64
Credit impairment losses (Loss represented in “-” signs)		<b>-308,837.16</b>	-
Asset impairment losses (Loss represented in “-” signs)		<b>72,065.83</b>	907,372.49
<b>II. Operating profit (Loss represented in “-” signs)</b>		<b>153,376,797.00</b>	33,747,637.70
Add: Non-operating income		<b>2,027,535.44</b>	145,772.71
Less: Non-operating expenses		<b>417,058.82</b>	124,240.34
<b>III. Total profit (Total loss represented in “-” signs)</b>		<b>154,987,273.62</b>	33,769,170.07
Less: Income tax expenses		<b>-9,409,623.17</b>	-2,832,949.25





# INCOME STATEMENT OF THE PARENT COMPANY

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>IV. Net profit (Net loss represented in "-" signs)</b>		<b>164,396,896.79</b>	36,602,119.32
(1) Net profit from continuing operations (Net loss represented in "-" signs)		<b>164,396,896.79</b>	36,602,119.32
(2) Net profit from discontinued operations (Net loss represented in "-" signs)		-	-
<b>V. Other comprehensive income, net of tax</b>		-	-
(1) Items cannot be reclassified to profit and loss		-	-
1. Changes in net liabilities or net assets arising from remeasuring defined benefit plan		-	-
2. Share of other comprehensive income of investees that cannot be reclassified to profit or loss under the equity method		-	-
3. Change in fair value of other equity instrument investments		-	-
4. Change in fair value due to enterprise's own credit risk		-	-
5. Others		-	-
(2) Items can be reclassified to profit and loss		-	-
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		-	-
2. Change in fair value of other debt investments		-	-
3. Change in fair value gain or loss of available-for-sale financial assets		-	-
4. Amount of financial assets reclassified into other comprehensive income		-	-
5. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		-	-
6. Credit impairment reserve for other debt investment		-	-
7. Reserve for cash flow hedging (effective portion of profit or loss on cash flow hedging)		-	-
8. Exchange difference on translation of financial statements in foreign currency		-	-
9. Others		-	-
<b>VI. Total comprehensive income</b>		<b>164,396,896.79</b>	36,602,119.32
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share (RMB/share)		-	-
(2) Diluted earnings per share (RMB/share)		-	-

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**

# CONSOLIDATED CASH FLOW STATEMENT

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		<b>3,735,830,516.10</b>	3,829,419,479.45
Net increase in customer deposits and interbank deposits		-	-
Net increase in borrowings from central bank		-	-
Net increase in placements from other financial institutions		-	-
Cash received from original insurance contract premium		-	-
Net cash received from reinsurance business		-	-
Net increase in deposits and investments from policyholders		-	-
Cash received from interest, handling charges and commission		<b>24,752,883.75</b>	59,907,114.84
Net increase in placements from banks and other financial institutions		-	-
Net increase in cash from repurchase business		-	-
Net cash received from securities brokerage services		-	-
Refund of taxes and levies		<b>101,350,394.87</b>	109,301,230.74
Other cash receipts relating to operating activities	VI.71(1)	<b>139,542,642.78</b>	77,927,149.48
<b>Sub-total of cash inflows from operating activities</b>		<b>4,001,476,437.50</b>	4,076,554,974.51
Cash paid for goods and services		<b>1,845,190,528.28</b>	1,940,006,693.63
Net increase in customer loans and advances		<b>-211,600,000.00</b>	119,110,000.00
Net increase in deposits with central bank and other banks		-	-
Cash paid for compensation under original insurance contract		-	-
Net increase in held-for-trading financial assets		-	-
Net increase in placements with banks and other financial institutions		-	-
Cash paid for interest, handling charges and commission		-	-
Cash paid for policyholders' dividend		-	-
Cash paid to and on behalf of employees		<b>628,579,216.59</b>	596,519,688.82
Payments of taxes and levies		<b>329,368,111.94</b>	343,311,323.35
Other cash payments relating to operating activities	VI.71(1)	<b>174,941,467.53</b>	179,948,654.04
<b>Sub-total of cash outflows from operating activities</b>		<b>2,766,479,324.34</b>	3,178,896,359.84
<b>Net cash flows from operating activities</b>		<b>1,234,997,113.16</b>	897,658,614.67





# CONSOLIDATED CASH FLOW STATEMENT

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>II. Cash flows from investing activities:</b>			
Cash received from investments		25,850,000.00	–
Cash received from returns on investments		7,500,000.00	12,269,981.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		749,128.45	1,679,707.54
Net cash received from disposal of subsidiaries and other operating units		–	–
Other cash receipts relating to investing activities	VI.71(1)	–	1,383,469.85
<b>Sub-total of cash inflows from investing activities</b>		<b>34,099,128.45</b>	<b>15,333,158.93</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		899,190,249.26	846,811,360.11
Cash paid on investments		10,388,000.00	123,302,842.60
Net increase in pledged loans		–	–
Net cash paid on acquisition of subsidiaries and other operating units		57,604,469.51	–
Other cash payments relating to investing activities		–	–
<b>Sub-total of cash outflows from investing activities</b>		<b>967,182,718.77</b>	<b>970,114,202.71</b>
<b>Net cash flows from investing activities</b>		<b>-933,083,590.32</b>	<b>-954,781,043.78</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from financing		30,750,000.00	13,050,000.00
Including: Cash received by subsidiaries from investment from minority shareholders		30,750,000.00	–
Cash received from borrowings		2,646,398,104.50	2,207,760,874.88
Cash received from issuing bonds		–	–
Cash received from other financing activities	VI.71(1)	–	3,850,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>2,677,148,104.50</b>	<b>2,224,660,874.88</b>
Cash payments for settlement of borrowings		2,470,593,968.88	1,999,705,351.69
Cash payments for distribution of dividend, profit or interests expenses		380,899,131.82	360,568,969.24
Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders		67,438,400.00	40,107,800.00
Other cash payments relating to financing activities	VI.71(1)	59,889,729.53	445,834.75
<b>Sub-total of cash outflows from financing activities</b>		<b>2,911,382,830.23</b>	<b>2,360,720,155.68</b>
<b>Net cash flows from financing activities</b>		<b>-234,234,725.73</b>	<b>-136,059,280.80</b>

# CONSOLIDATED CASH FLOW STATEMENT

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>73,655.54</b>	242,771.95
<b>V. Net increase in cash and cash equivalents</b>	<i>VI.71(2)</i>	<b>67,752,452.65</b>	-192,938,937.96
Add: Balances of cash and cash equivalents at beginning of period	<i>VI.71(2)</i>	<b>1,028,991,292.47</b>	1,221,930,230.43
<b>VI. Balances of cash and cash equivalents at end of period</b>	<i>VI.71(2)</i>	<b>1,096,743,745.12</b>	1,028,991,292.47

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**





# CASH FLOW STATEMENT OF THE PARENT COMPANY

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		<b>707,199,201.42</b>	1,086,555,775.97
Refund of taxes and levies		<b>5,183,408.81</b>	13,690,152.75
Other cash receipts relating to operating activities		<b>983,676,806.21</b>	1,135,098,375.95
<b>Sub-total of cash inflows from operating activities</b>		<b>1,696,059,416.44</b>	2,235,344,304.67
Cash paid for goods and services		<b>550,514,543.88</b>	640,503,647.07
Cash paid to and on behalf of employees		<b>95,032,378.68</b>	113,087,036.48
Payments of taxes and levies		<b>15,342,784.04</b>	26,667,323.89
Other cash payments relating to operating activities		<b>1,470,766,841.50</b>	1,301,375,788.41
<b>Sub-total of cash outflows from operating activities</b>		<b>2,131,656,548.10</b>	2,081,633,795.85
<b>Net cash flows from operating activities</b>		<b>-435,597,131.66</b>	153,710,508.82
<b>II. Cash flows from investing activities:</b>			
Cash received from investments		<b>27,850,000.00</b>	–
Cash received from returns on investments		<b>222,378,921.59</b>	86,974,981.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>278,522.52</b>	1,025,440.26
Net cash received from disposal of subsidiaries and other operating units		–	–
Other cash receipts relating to investing activities		–	1,383,469.85
<b>Sub-total of cash inflows from investing activities</b>		<b>250,507,444.11</b>	89,383,891.65
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>12,920,719.66</b>	30,236,522.48
Cash paid on investments		<b>168,594,600.00</b>	231,752,842.60
Net cash paid on acquisition of subsidiaries and other operating units		–	–
Other cash payments relating to investing activities		–	–
<b>Sub-total of cash outflows from investing activities</b>		<b>181,515,319.66</b>	261,989,365.08
<b>Net cash flows from investing activities</b>		<b>68,992,124.45</b>	-172,605,473.43

# CASH FLOW STATEMENT OF THE PARENT COMPANY

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	2019	2018
<b>III. Cash flows from financing activities:</b>			
Cash received from financing		-	-
Cash received from borrowings		<b>2,224,140,000.00</b>	1,770,000,000.00
Cash received from issuing bonds		-	-
Cash received from other financing activities		<b>2,515,929,193.40</b>	2,035,736,214.33
<b>Sub-total of cash inflows from financing activities</b>		<b>4,740,069,193.40</b>	3,805,736,214.33
Cash payments for settlement of borrowings		<b>2,152,088,000.00</b>	1,879,278,100.25
Cash payments for distribution of dividend, profit or interests expenses		<b>196,720,455.03</b>	225,359,578.13
Other cash payments relating to financing activities		<b>2,158,091,626.47</b>	1,558,339,603.07
<b>Sub-total of cash outflows from financing activities</b>		<b>4,506,900,081.50</b>	3,662,977,281.45
<b>Net cash flows from financing activities</b>		<b>233,169,111.90</b>	142,758,932.88
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-133,435,895.31</b>	123,863,968.27
Add: Balances of cash and cash equivalents at beginning of period		<b>711,461,806.71</b>	587,597,838.44
<b>VI. Balances of cash and cash equivalents at end of period</b>		<b>578,025,911.40</b>	711,461,806.71

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Items	2019													Total shareholders' equity	
	Attributable to owners of the parent company														
	Share capital	Other equity instruments			Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Provision for normal risks	Undistributed profits	Others	Sub-total		Minority interests
Preferred shares		Perpetual bond	Others												
I. Balance at the end of last year	887,100,102.40	-	-	-	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	-	4,041,932,130.79	644,228,448.43	4,686,160,579.22
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of previous years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at beginning of year	887,100,102.40	-	-	-	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	-	4,041,932,130.79	644,228,448.43	4,686,160,579.22
III. Movement of the year (Decrease represented by "-" signs)	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	73,655.53	-61,889.85	16,439,689.68	-	286,248,177.17	-	302,699,632.53	45,983,157.76	348,682,790.29
(1) Total comprehensive income	-	-	-	-	-	-	73,655.53	-61,889.85	16,439,689.68	-	286,248,177.17	-	302,699,632.53	45,983,157.76	348,682,790.29
(2) Contribution from shareholders and reduction of capital	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	-	-	-	-	-	70,614,906.20	70,614,906.20
1. Injection of ordinary shares from shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	30,750,000.00	30,750,000.00
2. Injection from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment included in the amount of shareholders' equity	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	39,864,906.20	39,864,906.20
(3) Profits appropriation	-	-	-	-	-	-	-	16,439,689.68	-	-137,681,513.95	-	-121,241,824.27	-67,420,000.00	-188,661,824.27	-188,661,824.27
1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	16,439,689.68	-	-16,439,689.68	-	-	-	-	-
2. Withdrawn from provision for normal risks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-121,241,824.27	-	-121,241,824.27	-67,420,000.00	-188,661,824.27
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. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-61,889.85	-	-	-	-	-61,889.85	-	-61,889.85
1. Withdrawn during this year	-	-	-	-	-	-	-	6,118,661.33	-	-	-	-	6,118,661.33	-	6,118,661.33
2. Usage during this year	-	-	-	-	-	-	-	6,180,551.18	-	-	-	-	6,180,551.18	-	6,180,551.18
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at end of year	879,267,102.40	-	-	-	438,712,765.03	-	17,001,236.23	5,499,114.43	219,355,623.05	5,611,350.00	2,779,184,572.18	-	4,344,631,763.32	690,211,606.19	5,034,843,369.51

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Items	2018														Total shareholders' equity
	Attributable to owners of the parent company													Minority interests	
	Share capital	Other equity instruments			Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Provision for normal risks	Undistributed profits	Others	Sub-total		
<b>I. Balance at end of last year</b>	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	-	3,729,095,483.79	592,752,042.21	4,321,847,526.00
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-18,104,014.61	-	-18,104,014.61	-	-18,104,014.61
Correction of previous years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at beginning of year</b>	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	2,232,541,449.22	-	3,710,991,468.18	592,752,042.21	4,303,743,511.39
<b>III. Movement of the year (Decrease represented by "-" signs)</b>															
(1) Total comprehensive income	-1,137,000.00	-	-	-	-7,174,777.64	-56,904,680.00	14,362,814.47	2,432,562.06	3,660,211.93	1,497,225.00	260,394,945.79	-	330,940,661.61	51,476,406.22	382,417,067.83
(2) Contribution from shareholders and reduction of capital	-1,137,000.00	-	-	-	-7,174,777.64	-56,904,680.00	-	-	-	-	-	-	48,592,902.36	12,357,893.19	60,950,795.55
1. Injection of ordinary shares from shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	5,550,000.00	5,550,000.00
2. Injection from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	1,033,811.14	1,033,811.14
3. Share-based payment included in the amount of shareholders' equity	-1,137,000.00	-	-	-	-10,025,930.00	-56,904,680.00	-	-	-	-	-	-	45,741,750.00	-	45,741,750.00
4. Others	-	-	-	-	2,851,152.36	-	-	-	-	-	-	-	2,851,152.36	5,774,082.05	8,625,234.41
(3) Profits appropriation	-	-	-	-	-	-	-	-	3,660,211.93	1,497,225.00	-147,522,060.35	-	-142,364,623.42	-36,495,000.00	-178,859,623.42
1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	-	3,660,211.93	-	-3,660,211.93	-	-	-	-
2. Withdrawn from provision for normal risks	-	-	-	-	-	-	-	-	-	1,497,225.00	-1,497,225.00	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-142,364,623.42	-	-142,364,623.42	-36,495,000.00	-178,859,623.42
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. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	2,432,562.06	-	-	-	-	2,432,562.06	-	2,432,562.06
1. Withdrawn during this year	-	-	-	-	-	-	-	7,096,637.41	-	-	-	-	7,096,637.41	-	7,096,637.41
2. Usage during this year	-	-	-	-	-	-	-	4,664,075.35	-	-	-	-	4,664,075.35	-	4,664,075.35
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at end of year</b>	887,100,102.40	-	-	-	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	-	4,041,932,130.79	644,228,448.43	4,686,160,579.22

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**





# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Items	2019										Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		Others
		Preferred shares	Perpetual bond	Others								
<b>I. Balance at end of last year</b>	887,100,102.40	-	-	-	593,043,107.48	67,772,830.00	3,509,701.20	-	186,404,658.27	1,332,504,795.10	-	2,934,789,534.45
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Correction of previous years	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at beginning of year</b>	887,100,102.40	-	-	-	593,043,107.48	67,772,830.00	3,509,701.20	-	186,404,658.27	1,332,504,795.10	-	2,934,789,534.45
<b>III. Movement of the year (Decrease represented by "-" signs)</b>	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	16,439,689.68	26,715,382.84	-	43,155,072.52
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	164,396,896.79	-	164,396,896.79
(2) Contribution from shareholders and reduction of capital	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	-	-	-	-
1. Injection of ordinary shares from shareholder	-	-	-	-	-	-	-	-	-	-	-	-
2. Injection from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment included in the amount of shareholders' equity	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profits appropriation	-	-	-	-	-	-	-	-	16,439,689.68	-137,681,513.95	-	-121,241,824.27
1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	-	16,439,689.68	-16,439,689.68	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-121,241,824.27	-	-121,241,824.27
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. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawn during this year	-	-	-	-	-	-	-	-	-	-	-	-
2. Usage during this year	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at end of year</b>	879,267,102.40	-	-	-	533,103,277.48	-	3,509,701.20	-	202,844,347.95	1,359,220,177.94	-	2,977,944,606.97

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year 2019

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Items	2018											
	Share capital	Other equity instruments			Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total shareholders' equity
		Preferred shares	Perpetual bond	Others								
<b>I. Balance at the end of last year</b>	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
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-22,304,831.98	-	-22,304,831.98
Correction of previous years	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at beginning of year</b>	888,237,102.40	-	-	-	603,069,037.48	124,677,510.00	3,509,701.20	-	182,744,446.34	1,441,927,511.13	-	2,994,810,288.55
<b>III. Movement of the year (Decrease represented by "-" signs)</b>	-1,137,000.00	-	-	-	-10,025,930.00	-56,904,680.00	-	-	3,660,211.93	-109,422,716.03	-	-60,020,754.10
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	36,602,119.32	-	36,602,119.32
(2) Contribution from shareholders and reduction of capital	-1,137,000.00	-	-	-	-10,025,930.00	-56,904,680.00	-	-	-	-	-	-45,741,750.00
1. Injection of ordinary shares from shareholder	-	-	-	-	-	-	-	-	-	-	-	-
2. Injection from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment included in the amount of shareholders' equity	-1,137,000.00	-	-	-	-10,025,930.00	-56,904,680.00	-	-	-	-	-	-45,741,750.00
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profits appropriation	-	-	-	-	-	-	-	-	3,660,211.93	-146,024,835.35	-	-142,364,623.42
1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	-	3,660,211.93	-3,660,211.93	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-142,364,623.42	-	-142,364,623.42
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. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawn during this year	-	-	-	-	-	-	-	-	-	-	-	-
2. Usage during this year	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at end of year</b>	887,100,102.40	-	-	-	593,043,107.48	67,772,830.00	3,509,701.20	-	186,404,658.27	1,332,504,795.10	-	2,934,789,534.45

Legal representative:  
**Tan Kan**

Chief Financial Officer:  
**Wang Jianying**

Head of Financial Section:  
**Mao Debin**





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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) 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. Tan Kan. 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.

The Resolution on Repurchase and Cancellation of Restricted Shares Granted under the 2016 Restricted Share Incentive Scheme was considered and approved at the 25th meeting of the sixth session of the Board and the 16th meeting of the sixth session of the board of supervisors convened by the Company on 14 December 2018, and was considered and approved at the first extraordinary general meeting in 2019, the first A shares class meeting in 2019 and the first H shares class meeting in 2019 of the Company. As the 24 participants under the 2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited (Revised Draft) were no longer qualified for the unlocked share incentives during the period, the Company decided to repurchase and cancel a total of 1,138,000 restricted shares held by them. As a result, the total share capital of the Company will be decreased to 885,962,102 shares from 887,100,102 shares, while the registered capital of the Company will be decreased from RMB887,100,102 to RMB885,962,102.

The Resolution on Repurchase and Cancellation of Restricted Shares Granted under the 2016 Restricted Share Incentive Scheme was considered and approved at the 34th meeting of the sixth session of the Board and the 17th meeting of the sixth session of the board of supervisors convened by the Company on 28 March 2019, and was considered and approved at the annual general meeting in 2018, the second A shares class meeting in 2019 and the second H shares class meeting in 2019 of the Company. Among the participants under the 2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited (Revised Draft) (hereinafter referred to as "Incentive Scheme"), 12 participants have terminated their labor contracts with the Company, and therefore such participants were no longer qualified under the conditions of the Incentive Scheme. In addition, according to the requirements of the Incentive Scheme, the Company's audited net profit and weighted average return on equity net of non-recurring profit or loss in 2018 did not satisfy the unlocking conditions of the first batch of restricted shares (the third phase) and the reserved portion of restricted shares (the second phase) granted under the Incentive Scheme. As such, the Company decided to repurchase and cancel a total of 6,695,000 restricted shares granted but not unlocked in the first batch and reserved portion under the Incentive Scheme held by the participants. As a result, the total share capital of the Company will be decreased to 879,267,102 shares from 885,962,102 shares, while the registered capital of the Company will be decreased from RMB885,962,102 to RMB879,267,102.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## I. GENERAL INFORMATION *(Continued)*

As at 31 December 2019, the share capital and shareholding structure of the Company were as follows:

Type of Shares	Number of Shares (shares)	Proportion of Shareholdings (%)
<b>I. Shares subject to selling restrictions</b>		
1. Incentive restricted shares	–	–
2. Restricted shares held by senior management	18,711,151	2.13
3. Individual restricted shares before IPO	–	–
Sub-total	<b>18,711,151</b>	<b>2.13</b>
<b>II. Shares not subject to selling restrictions</b>		
1. RMB ordinary shares	660,418,451	75.11
2. Overseas listed foreign shares	200,137,500	22.76
Sub-total	<b>860,555,951</b>	<b>97.87</b>
<b>III. Total shares</b>	<b>879,267,102</b>	<b>100.00</b>

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 business 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; biogas and other biomass power generation.

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.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company covers 70 companies including Baoan Dongjiang, Zhuhai Yongxingsheng, Jiangsu Dongjiang, Qiandeng Wastes Treatment, Jiangmen Dongjiang and Huizhou Dongjiang (full name of subsidiaries listed under Note V.1). Compared with last year, 3 subsidiaries including Jieyang Dongjiang, Huizhou Dongtou and Zhuhai Dongjiang were newly established; 2 subsidiaries including Foshan Fulong and its subsidiary were included from business combination not under common control; and 2 subsidiaries namely Products Trading and Jiangmen Fine Chemical were deregistered during the year.

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

## 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, as well as Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports (revised) and other relevant regulations issued by China Securities Regulatory Commission, and 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 2019 and the management has fully considered the source of liquidity and believes that the Company has sufficient funds to meet the needs of repaying debts and capital expenditures in the future 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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## 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 2019 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 2019, and the results of operation and the cash flows for 2019.

### 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 oversea subsidiaries is the currency of the country in which they operate.

The financial statements of the Company are expressed in RMB.

### 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.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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 *(Continued)*

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 2019 to 31 December 2019

(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 unrealised 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 2019 to 31 December 2019

(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 2019 to 31 December 2019

(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 2019 to 31 December 2019

(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

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*

Based on the business model of the management of the financial assets and the contractual cash flow characteristics of the financial assets, the Company classified the financial assets as financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss of the period.

The Company classifies financial assets that meet the following conditions as financial assets at amortized cost: (1) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount; they are subsequently measured at amortized cost. Except for those designated as hedged items, the gains or losses arising from the amortization, impairment, exchange gains and losses and derecognition of the difference between the initial amount and the amount due based on the effective interest method are recognized in profit or loss. Such financial assets mainly include monetary fund, notes receivable and accounts receivable, other receivables, debt investment and long-term receivables. The Company will present the debt investment and long-term receivables due within one year (including one year) from the balance sheet date as non-current assets due within one year; debt investment due within one year (including one year) at the time of acquisition is presented as other current assets.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)*

The Company classifies financial assets that meet the following conditions as financial assets at fair value through other comprehensive income: (1) The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount. Except for those designated as hedged items, other gains or losses arising from such financial assets, other than credit impairment losses or gains, exchange gains or losses and interest on the financial assets calculated with the effective interest method, are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income should be transferred from other comprehensive income and included in profit or loss of the period. Such financial assets will be presented as other debt investment and other debt investment due within one year (including one year) from the balance sheet date will be presented as non-current assets due within one year; other debt investment due within one year (including one year) at the time of acquisition is presented as other current assets.

Other than those financial assets at amortized cost and at fair value through other comprehensive income, the Company classifies all other financial assets into financial assets at fair value through fair and loss of the period. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Company may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit and loss of the period.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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) **Equity instrument**

The Company will measure the equity instruments on which it has no control, joint control and significant influence at the fair value and the changes are included in the profit and loss of the period and present them as “held-for-trading financial assets”. If it is expected to be held for more than one year from the balance sheet date, it is presented as other non-current financial assets.

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

A financial asset is derecognized if any one of the following conditions is satisfied: (1) the contractual rights to receive cash flows from such financial asset have ceased; (2) such 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; or (3) for the financial asset which 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.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred; and the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income (the contractual terms of the financial asset involved in the transfer give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding), is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts. The difference between the carrying amount allocated to the part derecognized; and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income (the contractual terms of the financial asset involved in the transfer give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding), is recognized in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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*

##### 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. Other than the following, the Company classified the financial liabilities as financial liabilities at amortised cost: (1) financial liabilities at fair value through profit or loss, including held-for-trading financial liabilities (including derivative financial liabilities) and financial liabilities designated at fair value through profit or loss; (2) financial liabilities arising from the transfer of financial assets or continuing involved in the transfer of financial assets which fail to meet the derecognition criteria; (3) financial guarantee contracts which do not belong to the above (1) or (2) and the loan commitments with interest rate below market rates which do not belong to the above (1).

The Company will measure financial liabilities, which are of business combination not under common control as determined as acquirer or are at consideration, at fair value through current profit or loss in accounting treatment.

##### 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.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)*

#### *(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.

#### *(4) Offset of financial assets and financial liabilities*

Financial assets and financial liabilities of the Company are presented in the balance sheet respectively and are not offset with each other. However, the net value after offset is presented in the balance sheet when the following conditions are satisfied: (1) the Company has the legal right to offset the recognised amount and such right is currently executable; and (2) The Company plans to settle by net amount or realize the financial assets and repay the financial liabilities at the same time.

# NOTES TO FINANCIAL STATEMENTS

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(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)*

#### *(5) Distinction between financial liabilities and equity instruments and relevant accounting method*

The Company distinct financial liabilities and equity instruments based on the following criteria: (1) if the Company is not able unconditionally in avoiding fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability. Although certain financial instruments do not expressly contain terms and conditions for the contractual obligation to deliver cash or other financial instruments, the contractual obligation may be indirectly formed according to other terms and conditions. (2) If a financial instrument must or is able to be settled by the Company's own equity instrument, the Company shall consider whether the Company's equity instrument as the settlement instrument is a substitute of cash or other financial assets or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument is the issuer's financial liability; if it is the latter, the instrument is the issuer's equity instrument. In certain circumstances, the contract of a financial instrument may require that the financial instrument must or is able to be settled by the Company's own equity instrument. The amount of contractual right or contractual obligation equals to the amount of its own equity instrument receivable or payable multiplied by its fair value in settlement. Whether the amount of such contractual right or contractual obligation is fixed, or varies, wholly or partially, based on variables other than the market value of the Company's own equity instrument (such as interest rates, the price of a commodity or the price of a financial instrument), such contract is classified as financial liability.

The Company considers all terms and conditions entered into by group members and holders of financial instrument when classifying the financial instrument (or its components) in the consolidated statements. If the Company, as a whole, has assumed the obligation to deliver cash, other financial assets or to settle by other way of making the instrument to become financial liability, such instrument shall be classified as financial liability.

If the financial instrument or its components are financial liabilities, the related interest, dividend, gain or loss arising from the redemption or refinancing are recorded in the profit or loss for the current period.

If the financial instrument or its components are equity instruments, change to equity is accounted for when the Company issues (including refinance), buys back, sells or cancels equity instrument, and related change to fair value of the equity instrument is not recognised.





# NOTES TO FINANCIAL STATEMENTS

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(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)*

#### (6) *Impairment of financial assets*

On the basis of expected credit losses, the Company performs impairment treatment on the financial assets at amortized cost, debt instrument investments, loan commitments and contract assets at fair value through other comprehensive income, and recognize the loss provision.

Based on reasonable information such as past events, current conditions and economic forecasts, the Group calculate the default-risk-weighted present value of the difference between the agreed and expected cash flow to project the default loss of our contracts.

The Company measures loss provisions according to the following circumstances: (i) the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses; (ii) the credit risk on a financial instrument has increased significantly, the Group measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses; (iii) financial asset is considered credit-impaired at the time of acquisition or at the beginning, the Group measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses. Except for the amounts of which the credit loss rate can be expected with the obvious evidence, the Company calculates the expected credit loss on a group basis.

- (1) The Company classifies accounts receivable and other receivables into several groups according to the credit risk characteristics and calculates the expected credit losses on a group basis. The basis of determination of groups is as follows:

Group 1	Accounts receivable from government
Group 2	Accounts receivable from related companies
Group 3	Accounts receivable from general customers or others
Group 4	Deposits, security deposit and reserve fund receivable

For the accounts receivable and other receivables classified as accounts receivable from general customers or others, the Group calculates the expected credit loss by referring to historical credit loss experience, current situation and forecasts of economic conditions and based on the comparison table between aging and lifetime expected credit loss rates of accounts receivable and other receivables prepared according to the default risk exposure and lifetime expected credit loss rates.

For the accounts receivable and other receivables classified as accounts receivable from government, accounts receivable from related companies, deposits, security deposit and reserve fund receivable, the Group calculates the expected credit loss according to the default risk exposure and expected credit loss rates over the next 12 months or throughout the lifetime.

# NOTES TO FINANCIAL STATEMENTS

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(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)*

#### *(6) Impairment of financial assets (Continued)*

- (2) The Company classifies contract assets and long-term accounts receivable into several groups according to the credit risk characteristics and calculates the expected credit losses on a group basis. The basis of determination of groups is as follows:

Contract asset group 1	Environmental engineering construction and service projects of related companies
Contract asset group 2	Government public works construction projects
Contract asset group 3	Environmental engineering construction and service projects of other customers

For the contract assets and long-term accounts receivable classified as a group, the Group calculates the expected credit loss by referring to historical credit loss experience, current situation and forecasts of economic conditions and based on the comparison table between aging and lifetime expected credit loss rates of contract assets prepared according to the default risk exposure and lifetime expected credit loss rates.

- (3) For grant of loans and advances, the Company classifies loans as certain groups of normal, concerned, secondary, suspicious and loss based on the credit risk characteristics, with reference to the Guidelines on Risk-Based Loan Classification of the People's Bank of China, and calculates the expected credit losses on a group basis.

### 11. Receivables financing

If the characteristics of contractual cash flows from notes receivable and accounts receivable match the basic borrowing arrangement, and the objective of the Company's business model for managing such financial assets are both collecting contractual cash flows and selling financial assets, such notes receivable and accounts receivable are classified as receivables financing which are measured at fair value through other comprehensive income. Interest income recognized under effective interest rate method, impairment loss and exchange difference of receivables financing are included in profit or loss, and other changes in fair value are included in other comprehensive income. Upon derecognition, the accumulated gain or loss previously included in other comprehensive income shall transfer to profit or loss.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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. Contract assets and contract liabilities

In the contract between the Company and the customer, the Company has the right to receive the contract price for the transfer of the goods and related services to the customer, and at the same time bear the performance obligation to transfer the goods or services to the customer. Before the customer actually pays the contract price or the goods or services or the consideration is due, when the Company has already transferred such goods or service to the customer, it shall present the rights to receive consideration for the transfer of goods or services as contract assets and shall recognize as accounts receivable when obtaining unconditional collection rights. Otherwise, the obligation to transfer goods or services to a customer for which the Company has received a consideration (or an amount of consideration that is due) from the customer is presented as contract liabilities. When the Company fulfills its obligation to transfer goods or provide services to customers, the contract liabilities are recognized as revenue.

### 14. General provision for risky loans

In accordance with the 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.

# NOTES TO FINANCIAL STATEMENTS

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

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

### 15. 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.

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.





# NOTES TO FINANCIAL STATEMENTS

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

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

### 15. Long-term equity investments *(Continued)*

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

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.

# NOTES TO FINANCIAL STATEMENTS

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

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

### 15. Long-term equity investments *(Continued)*

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.

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.





# NOTES TO FINANCIAL STATEMENTS

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

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

### 16. Investment properties

The investment properties of the Company include leased buildings and structures. The Company adopts the fair value model to conduct subsequent measurement of investment properties, and the change in fair value is included in the “gain on fair value changes” in the income statement.

The fair value of the investment properties of 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.

### 17. 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	3.00	3.23-4.85
Machinery and equipment	5-10	3.00	9.70-19.40
Transportation equipment	5	3.00	19.40
Office equipment	5	3.00	19.40
Others	5	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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 18. 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 amortization 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 amortized from the same month.

### 19. Right-of-use assets

The right-of-use asset is defined as the Group's right to use the leased assets as a lessee in the lease term.

#### *(1) Initial measurement*

At the commencement date of the lease term, the Company initially measures the the right-of-use assets at cost, and such cost shall comprise: (1) the amount of the initial measurement of the lease liability; (2) any lease payments made on or before the commencement date, less any lease incentives received; (3) any initial direct costs incurred, i.e. the incremental costs incurred for entering into the lease; (4) an estimate of costs to be incurred for dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease, except for costs incurred from production of inventories.

#### *(2) Subsequent measurement*

After the commencement date of the lease term, the Company carries out subsequent measurement on right-of-use assets at cost, i.e. costs less accumulated depreciation and accumulated impairment losses.

If the lease liabilities are remeasured according to relevant requirements of the lease standard, the Company will make corresponding adjustment to the carrying amount of right-of-use assets.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 19. Right-of-use assets *(Continued)*

#### (3) *Depreciation of right-of-use assets*

The Company depreciates the right-of-use assets since the commencement date of the lease term. Depreciation of right-of-use assets normally begins from the month in which the lease term commences. Amount of depreciation is included in the cost of underlying assets or profit or loss based on the use of the use-of-right assets.

The Company determines the depreciation method of right-of-use assets based on the expected way of consumption of economic benefits related to the right-of-use assets and depreciates the right-of-use assets on a straight-line basis.

The Company determines the depreciation period of right-of-use assets based on the following principles: If it can be reasonably assured that the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset during the remaining useful life of the lease asset, otherwise, the lessee shall depreciate the right-of-use asset during the shorter of lease term and the remaining useful life of the leased asset.

If the right-of-use assets are impaired, the Company will depreciate the right-of-use assets based on the carrying amount after deducting the impairment losses.

### 20. 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.

# NOTES TO FINANCIAL STATEMENTS

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

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

### 21. 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.

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.

### 22. 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.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 22. Research and development expenditure *(Continued)*

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.

### 23. 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.

# NOTES TO FINANCIAL STATEMENTS

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

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

### 24. 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.

### 25. Employee remunerations

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

Short-term remuneration mainly includes 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.

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.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 26. Lease liabilities

#### (1) *Initial measurement*

The Company initially measures the lease liabilities based on the present value of outstanding lease payment at the commencement date of the lease term.

#### 1) *Lease payments*

Lease payments represent the amount paid by the Company to the lessor for the right to use the leased assets during the lease term, which include: (1) fixed payments and in-substance fixed payments less any lease incentives receivable; (2) variable lease payments that depend on an index or a rate, which are determined based on the index or rate on the commencement date of lease term at initial measurement; (3) the exercise price of a purchase option reasonably certain to be exercised by the Company; (4) payments for exercising the option to terminate the lease if the lease term reflects that the Company will exercise such option; and (5) amounts expected to be payable based on the residual value guarantees provided by the Company.

#### 2) *Discount rate*

For calculation of present value of lease payments, the Company adopts incremental borrowing rate as the discount rate as it cannot determine the interest rate implicit in the lease. Such incremental borrowing rate represents the interest rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar security terms. Such rate is related to the following matters: (1) the situation of the Company, i.e. the solvency and credit standing of the Company; (2) the term of "borrowing", i.e. the lease term; (3) "borrowing" amount, i.e. the amount of lease liabilities; (4) "terms of security", i.e. the nature and quality of subject assets; (5) economic conditions, including the jurisdiction of the lessee, currency of denomination and time of signing the contract. The Company determines the incremental borrowing rate based on the interest rate of bank loan adjusted for the above factors.

#### (2) *Subsequent measurement*

After the commencement date of the lease term, the Group follows the principles below for the subsequent measurement of a lease liability: (1) to increase the carrying amount of the lease liability when recognizing the interest on the lease liability; (2) to reduce the carrying amount of the lease liability when a lease payment is made; (3) to remeasure the carrying amount of the lease liability when there is a change in lease payment due to a change of reassessment or the lease.

The interest expenses of a lease liability in each period during the lease term based on fixed periodic interest rate are charged to the profit or loss of the current period, except those are capitalised. Periodic interest rate is the discount rate used by the Group for initial measurement of the lease liability, or the revised discount rate used by the Group when remeasuring the lease liability at the revised discount rate due to a change of lease payments or a change of the lease.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 26. Lease liabilities *(Continued)*

#### *(3) Remeasurement*

After the commencement date of the lease term, if the following events occur, the Group remeasures the lease liability based on the lease payments after the change and the revised discount rate, with a corresponding adjustment made to the carrying amount of the right-of-use asset. If carrying amount of the right-of-use asset is reduced to zero, and there is any further reduction of the lease liability, the Group charges the remaining amount to the profit or loss for the current period. (1) There is a change in the actual fixed payment; (2) there is a change in projected payable of the guarantee residual value; (3) there is a change in the index or ratio used for determining the lease payment; (4) there is a change in the assessment result of the purchase option; (5) there is a change in the assessment result of the extension option or termination option or the actual exercise of such options.

### 27. 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.





# NOTES TO FINANCIAL STATEMENTS

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

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

### 28. 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 fulfilment of performance conditions is recognized as relevant cost or expense on a straight-line during the vesting 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 fulfilment of performance conditions, at each balance sheet date during the vesting 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.

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.

### 29. 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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 30. Principles of recognition and measurement of revenue

The business revenue of the Company is generated mainly from sales of goods, rendering of services, waste electronics dismantling subsidies and interest income from small scale loans.

Revenue is recognised when the Company satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Company determines the standalone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Company expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Company does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Company satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.
2. The customer can control the asset created or enhanced during the Company's performance.
3. The Company's performance does not create an asset with an alternative use to it and the Company has an enforceable right to payment for performance completed to date.





# NOTES TO FINANCIAL STATEMENTS

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

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

### 30. Principles of recognition and measurement of revenue *(Continued)*

For performance obligation satisfied over time, the Company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Company recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indicators:

1. The Company has a present right to payment for the goods or services.
2. The Company has transferred legal title of the goods to the customer.
3. The Company has transferred physical possession of the goods to the customer.
4. The Company has transferred the significant risks and rewards of ownership of the goods to the customer.
5. The customer has accepted the goods or services.

The Company's right to consideration in exchange for goods or services that it has transferred to a customer is presented as contract assets. The Company recognises loss allowances for expected credit loss on contract assets. The Company's right to consideration that is unconditional is presented as accounts receivable. The Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer is presented as contract liabilities.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 30. Principles of recognition and measurement of revenue *(Continued)*

Specific accounting policies which related to the Group's main activities to generate revenue are described below:

(1) *Sales contracts of goods comprise industrial wastes recycling and utilisation; trading and others; renewable energy utilisation; and dismantled resources recycling*

Sales contracts of goods between the Group and its customers generally include the performance obligation of transferred goods only. Generally, upon taking account of all the following factors, namely, receipt of the current payment rights of goods, transfer of major risks and rewards in relation to the ownership of goods, transfer of the legal ownership of goods, transfer of physical assets of goods and receipt of delivery of such goods by the customers, the Group recognises this as revenue when control of goods have been transferred to the buyer.

(2) *Disposal service provision contracts*

The disposal service contract between the Company and the customer includes industrial waste disposal and municipal waste disposal. The Company recognizes the revenue when it determines that the customer has accepted the service according to the waste treatment volume and contracted prices determined by both parties.

(3) *Environmental protection projects and service contracts*

For the services of design, procurement, construction and commissioning of industrial waste and municipal public works facilities provided by the Company, the Company will recognize revenue within a period of time based on the progress of completed or completed labour services.

The progress of the construction of the engineering facilities and the labour contract is mainly determined based the nature of the project and according to the proportion of the completed contract work to the estimated total workload of the contract or the measurement progress of the completed contract. As at the balance sheet date, the Company re-estimates the completed progress or completed services so that it can reflect changes in performance.

The cost of project implementation, installation and other labour incurred by the Company for the design, procurement, construction and commissioning of engineering facilities projects is recognized as contract performance costs. When the Company recognized the revenue, the contract performance cost is carried forward to the cost of main business according to the completed progress or completed services.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 30. Principles of recognition and measurement of revenue *(Continued)*

#### (4) *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.

#### (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 interest 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.

### 31. 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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 31. Government grants *(Continued)*

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, scraped 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.

### 32. 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.

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





# NOTES TO FINANCIAL STATEMENTS

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

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

### 33. Leases

#### *(1) Identification of leases*

A lease is a contract under which the lessor conveys the right to use an asset to the lessee for a period of time in exchange for consideration. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange of consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the lessee has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of uses, and also whether the lessee has the right to direct the use of the identified asset.

For a contract that contains multiple lease components, the Group separates the contract and accounts for each lease component as a lease separately. For a contract that contains lease and non-lease components, the Group separates and accounts for the lease and non-lease components.

#### *(2) The Company as a lessee*

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease term. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, the lease payments made at or before the commencement date of the lease term (net of any lease incentives received), any initial direct costs incurred and an estimate of costs expected to be incurred in dismantling and removing the lease asset or restoring the site on which the lease asset is located, or restoring the lease asset to the condition required by the terms and conditions of the lease.

As a lessee, the Company recognises right-of-use assets and lease liabilities for leases.

# NOTES TO FINANCIAL STATEMENTS

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

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

### 33. Leases *(Continued)*

#### (2) *The Company as a lessee (Continued)*

##### 1) Modifications of leases

Modifications of leases refer to the changes in the lease scope, lease consideration, and lease term other than the original contract terms, including the addition or termination of the rights of use of one or more leased assets, and the extension or shortening of the lease term stipulated in the contract. The effective date of the modifications of leases is a date fixed for the modification of the lease as agreed by both parties.

If modification of lease happens and meets the following conditions, the Company accounts for the modification of lease as a separate lease: (1) the modification of lease expands the scope of lease by adding right of use of one or more leased assets; (2) the increased consideration and the standalone price of the expanded part of lease are equivalent after adjustment is made based on the contract.

If the modification of lease is not accounted for as a separate lease, on the effective date of the modification of lease, the Company allocates the consideration of the modified contract in accordance with the accounting standard in respect of leases and re-determines the lease term after modification; and discount the lease payments after modification at the discount rate after modification for remeasurement of lease liability. When calculating the present value of the lease payment after modification, the Company uses the interest rate implicit in lease of the remaining lease term as the discount rate. If the interest rate implicit in lease of the remaining lease term cannot be determined, the Company uses lessee's incremental borrowing rate at the effective date of the modification of the lease as the discount rate. The Group accounts for the consequences of the above adjustment of lease liabilities under the following circumstances: (1) If the modification of lease results in a narrower scope of lease or a shorter lease term, the lessor shall reduce the carrying amount of the right-of-use asset to reflect the gain or loss on partly or wholly termination of the lease in the profit or loss of the current year. (2) For other modifications of lease that result in remeasurement of lease liability, the lease shall make corresponding adjustment to the carrying amount of the right-of-use asset.

##### 2) Short-term leases and leases of low-value asset

For short-term leases with lease term of less than 12 months and leases of a single lease asset which is of relatively low value when it is new, the Company has elected not to recognize right-of-use asset and lease liability. The Company charges the lease payments of short-term leases and the low-value asset leases to the cost of the underlying assets or the profit or loss for the current period in each period of the lease term on a straight-line basis or other systematic and reasonable basis.





# NOTES TO FINANCIAL STATEMENTS

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

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

### 33. Leases *(Continued)*

#### *(3) The Company as a lessor*

On the basis of determining if the contract is or contains a lease as mentioned in (1), the Company, as a lessor, classifies the lease as finance lease and operating lease at the inception of the lease.

If a lease transfers, in substance, substantially all of the risks and rewards of the ownership of the leased asset, the lessor classifies the lease as finance lease. Other than that, all leases are classified as operating leases.

A lease is usually classified as a finance lease by the Company when one or more of the following conditions are satisfied: (1) When the lease term expires, the ownership of the leased asset is transferred to the lessee; (2) The lessee has the option to purchase the leased asset, and it can be reasonably certain at the commencement date of the lease that the lessee will exercise the option as the purchase price entered into is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised; (3) The ownership of the asset is not transferred, but the lease term takes up most of the useful life of the leased assets (not less than 75% of the useful life of the leased asset); (4) On the commencement date of the lease, the present value of the lease receipt is basically equivalent to the fair value of the leased asset (not less than 90% of the fair value of the leased asset); (5) The leased assets are of a special nature that if no major modifications are made, it can only be used by the lessee. If one or more of the following indications exist in a lease, the Company may also classify it as a finance lease: (1) If the lessee cancels the lease, the loss caused to the lessor arising from the cancellation of lease is borne by the lessee; (2) The gain or loss arising from the fair value change in the residual value of the asset belongs to the lessee; (3) The lessee is able to continue the lease for the next period at a rent far below the market level.

# NOTES TO FINANCIAL STATEMENTS

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

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

### 33. Leases *(Continued)*

#### (3) *The Company as a lessor (Continued)*

##### 1) Accounting for operating leases

###### Initial measurement

At the commencement date of the lease term, the Company recognizes the finance lease receivables for finance leases and derecognizes finance lease assets. On initial measurement of finance lease receivables, the net lease investment is used to record the value of the finance lease receivable.

The net lease investment is the sum of the unguaranteed residual value and the present value of outstanding lease receipts at the commencement date of the lease term (discounted by the interest rate implicit in the lease). A lease receipt is the payment receivable from the lessee by the lessor for conveying the right to use a leased asset within the lease period, which comprises: (1) the fixed payments and the actual fixed payments to be made by the lessee, net of the lease incentive amount, if any; (2) the variable lease payments depending on an index or ratio, which are determined at the time of initial measurement based on the index or ratio on the commencement date of the lease term; (3) the price of exercising the option to purchase, provided that it is reasonably certain that the lessee will exercise the option; (4) the amount payable by the lessee for exercising the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; (5) the residual value of the guarantee provided by the lessee, its related party and an independent third party having financial capability to fulfil the obligation under the guarantee.

###### Subsequent measurement

The Company calculates and recognizes interest income in each period during the lease term based on fixed periodic interest rate. Periodic interest rate is the implicit discount rate used to determine the net lease investment (for sub-leases where the implicit interest rate cannot be determined, the discount rate of the original lease is used (adjusted by any initial direct expenses in relation to the sub-lease), or the discount rate revised in accordance with the relevant requirement when the modification of the finance lease is not treated as a separate lease and the criteria under which the lease is classified as finance lease had the modification takes effect on the commencement date of the lease is satisfied.





# NOTES TO FINANCIAL STATEMENTS

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

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

### 33. Leases *(Continued)*

#### (3) *The Company as a lessor (Continued)*

##### 1) *Accounting for operating leases (Continued)*

Accounting for lease modification

If modification of lease happens and meets the following conditions, the Company accounts for the modification of lease as a separate lease: (1) the modification expands the scope of lease by adding right of use of one or more leased assets; (2) the increased consideration and the standalone price of the expanded part of lease are equivalent after adjustment is made based on the contract.

If the modification of finance lease is not accounted for as a separate lease, and it satisfies the criteria of classification of the lease as an operating lease had the modification takes effect on the lease commencement date, the Company accounts for the lease modification as a new lease since the effective date of the lease modification, with the net lease investment prior to the effective date of the lease modification as the carrying amount of the leased asset.

##### 2) *Accounting for operating leases*

Treatment of rents

In each period during the lease term, the Company recognises lease receipts from operating lease as rental income on a straight line basis.

Incentive measures provided

For rent-free period, the Company allocates the total rent over the lease term without deducting rent-free period on a straight line basis, and recognises rental income during the rent-free period. If the Company bears certain expenses on behalf of the lessee, such expenses are deducted from the rental income and the balance of rental income after deduction is allocated over the lease term.

# NOTES TO FINANCIAL STATEMENTS

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

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

### 33. Leases *(Continued)*

#### (3) *The Company as a lessor (Continued)*

#### 2) *Accounting for operating leases (Continued)*

##### Initial direct expenses

The initial direct expenses incurred by the Company in relation to the operating leases are capitalised as cost of the leased asset, and equally charged to the profit or loss for the current period over the lease term in accordance with the same basis of recognition as rental income.

##### Depreciation

For the fixed assets in operating lease assets, they are depreciated using the policy similar to the depreciation of assets. For other operating lease assets, they are amortised on a systematic and reasonable manner.

##### Variable lease payments

The variable lease payments received by the Company that have not included in lease receipts relating the operating leases are credited to the profit or loss of the current period when they occur.

##### Modifications of operating leases

A modification of operating lease is accounted for by the Group as a new lease since its effective date. Any prepaid lease payments or lease receivables relating to the lease before modification is treated as a receipt for new lease.





# NOTES TO FINANCIAL STATEMENTS

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

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

### 34. 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, pursuant to the request of the local environment departments, the production safety fees of certain subsidiaries of the Company shall be provided for on the basis of sales incomes of the previous year, and shall be extracted on an 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.

### 35. 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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 35. Held for sale *(Continued)*

- (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 recognizing 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.
- (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.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 35. Held for sale *(Continued)*

- (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.

### 36. 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 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates

#### *(1) Changes of significant accounting policies*

Changes of accounting policies and the reasons	Approval procedure	Note
On 7 December 2018, the Ministry of Finance of the PRC issued the Notice on Amendment to Accounting Standard for Business Enterprises No. 21 – Lease (Cai Kuai [2018] No. 35) (hereinafter referred to as “New Lease Standard”), which requires that enterprises listed in both domestic and overseas stock markets or enterprises listed overseas and applying IFRS or the Accounting Standards for Business Enterprises to prepare financial reports shall apply the New Lease Standard from 1 January 2019.	The relevant changes of accounting policies have been approved by the 41st meeting of the 6th session of the Board of Directors.	Note 1
The Ministry of Finance of the PRC issued the Notice on Revision of the Format for Issuing 2019 General Enterprise Financial Statements (Cai Kuai [2019] No. 6) on 30 April 2019, and issued the Notice on Revision of the Format for Issuing Combined Financial Statements (2019 Version) (Cai Kuai [2019] No. 16) on 19 September 2019, which require that companies adopting the Accounting Standards for Business Enterprises shall prepare financial statements according to new statement formats from 1 January 2019.	The relevant changes of accounting policies have been approved by the 41st meeting of the 6th session of the Board of Directors and the 51st meeting of the 6th session of the Board of Directors.	Note 2





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates *(Continued)*

#### (1) *Changes of significant accounting policies (Continued)*

Notes on the names and amounts of the items of statements that were significantly affected:

Note 1: Implementation of the New Lease Standard

The Company made corresponding adjustment based on the requirements of the New Lease Standard: Based on the accumulated effects from initial implementation of this standard, the Company adjusted the retained earnings and amounts of other relevant items in the financial statements at the beginning of year of initial implementation of this standard, and did not adjust the information of comparative period. In particular:

- A. For the finance lease on the date of initial implementation, the Group measured the right-of-use assets and lease liabilities respectively according to the original book value of the financing lease assets and finance lease payable.
- B. For the operating lease on the date of initial implementation, the Group measured the lease liability according to the present value of the remaining lease payment discounted by the incremental borrowing rate of lessee on the date of initial implementation.

The Group chose one of the following methods to measure the right-of-use assets for each lease:

- (a) Assuming that the book value under the New Lease Standard is adopted from the beginning of the lease period (using the incremental borrowing rate on the date of initial implementation as the discount rate);
- (b) The amounts equal to lease liabilities which are subject to necessary adjustments based on prepaid rent.

On the date of initial implementation, the Group conducted impairment tests on the right-of-use assets and carried out corresponding accounting treatment, in accordance with the provisions of Accounting Standards for Business Enterprises No. 8 – Asset Impairment.

The affected items are as follows:

#### 1) Consolidated Balance Sheet

Items	Carrying amount as at 31 December 2018 before the change of accounting standards	Effect of the New Lease Standard	Carrying amount as at 1 January 2019 after the change of accounting standards
Fixed assets	2,253,551,471.72	-1,354,726.26	2,252,196,745.46
Right-of-use assets	–	20,781,297.81	20,781,297.81
Non-current liabilities due within one year	440,977,675.35	3,928,290.23	444,905,965.58
Lease liabilities	–	16,392,397.33	16,392,397.33
Long-term accounts payables	5,329,251.18	-894,116.01	4,435,135.17

On 1 January 2019, the Company used the same discount rate for lease contracts with similar characteristics when measuring lease liabilities. The weighted average of the incremental borrowing rates used was 4.69%.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates (Continued)

#### (1) Changes of significant accounting policies (Continued)

Notes on the names and amounts of the items of statements that were significantly affected:  
(Continued)

Note 2: The Company prepared the financial statements for the year ended 31 December 2019 according to the abovementioned new financial statements format and made adjustments to the comparative financial statements accordingly, and the affected items are as follows:

#### 1) Consolidated Balance Sheet

Original format of financial statements		New format of financial statements	
Items	Amount	Items	Amount
Notes receivable and accounts receivable	752,915,896.91	Notes receivable	76,700.60
		Accounts receivable	690,806,931.89
		Receivables financing	62,032,264.42
Notes payable and accounts payable	708,358,310.28	Notes payable	150,000,000.00
Other current liabilities	8,681,676.76	Accounts payable	558,358,310.28
Deferred income	175,993,716.83	Deferred income	184,675,393.59

#### 2) Balance Sheet of the Parent Company

Original format of financial statements		New format of financial statements	
Items	Amount	Items	Amount
Notes receivable and accounts receivable	292,657,763.28	Notes receivable	-
		Accounts receivable	285,028,558.79
		Receivables financing	7,629,204.49
Notes payable and accounts payable	345,743,316.50	Notes payable	150,000,000.00
Other current liabilities	1,077,246.24	Accounts payable	195,743,316.50
Deferred income	22,377,424.56	Deferred income	23,454,670.80





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates *(Continued)*

#### (1) *Changes of significant accounting policies (Continued)*

Notes on the names and amounts of the items of statements that were significantly affected:  
*(Continued)*

Note 2: *(Continued)*

#### 3) Consolidated Income Statement

Original format of financial statements		New format of financial statements	
Items	Amount	Items	Amount
Credit impairment losses	60,716,979.16	Credit impairment losses (Loss represented in "-" signs)	-60,716,979.16
Asset impairment losses	27,996,984.18	Asset impairment losses (Loss represented in "-" signs)	-27,996,984.18

#### 4) Income Statement of the Parent Company

Original format of financial statements		New format of financial statements	
Items	Amount	Items	Amount
Credit impairment losses	45,505,668.64	Credit impairment losses (Loss represented in "-" signs)	-45,505,668.64
Asset impairment losses	-	Asset impairment losses (Loss represented in "-" signs)	-

#### (2) *Changes of Significant Accounting Estimates*

During the Reporting Period, there were no changes of accounting estimates.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates *(Continued)*

(3) *Adjustment to opening amounts of relevant items in the financial statements from implementation of New Lease Standard in 2019*

Items	31 December 2018	1 January 2019	Adjustment
<b>Current assets:</b>			
Monetary fund	1,054,068,992.47	1,054,068,992.47	-
Settlement Deposits	-	-	-
Placements with banks and other financial institutions	-	-	-
Held-for-trading financial assets	24,934,920.00	24,934,920.00	-
Financial assets at fair value through profit or loss	-	-	-
Derivative financial assets	-	-	-
Notes receivable	76,700.60	76,700.60	-
Accounts receivable	690,806,931.89	690,806,931.89	-
Receivables financing	62,032,264.42	62,032,264.42	-
Prepayments	43,155,392.19	43,155,392.19	-
Premium receivable	-	-	-
Reinsurance accounts receivable	-	-	-
Provision for reinsurance contract receivable	-	-	-
Other accounts receivable	334,623,903.72	334,623,903.72	-
Including: Interest receivable	-	-	-
Dividend receivable	-	-	-
Purchase and resale of financial assets	-	-	-
Inventories	299,706,172.78	299,706,172.78	-
Loans	372,628,000.00	372,628,000.00	-
Contractual assets	95,704,312.32	95,704,312.32	-
Assets held-for-sale	-	-	-
Non-current asset due within one year	2,965,177.96	2,965,177.96	-
Other current assets	107,354,560.79	107,354,560.79	-
<b>Total current assets</b>	<b>3,088,057,329.14</b>	<b>3,088,057,329.14</b>	<b>-</b>





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates *(Continued)*

(3) *Adjustment to opening amounts of relevant items in the financial statements from implementation of New Lease Standard in 2019 (Continued)*

Items	31 December 2018	1 January 2019	Adjustment
<b>Non-current assets:</b>			
Granted loans and advances	-	-	-
Debt investments	-	-	-
Available-for-sale financial assets	-	-	-
Other debt investments	-	-	-
Held-to-maturity investment	-	-	-
Long-term accounts receivable	48,736,094.93	48,736,094.93	-
Long-term equity investment	303,461,055.34	303,461,055.34	-
Investment in other equity instruments	-	-	-
Other non-current financial assets	-	-	-
Investment properties	423,598,931.13	423,598,931.13	-
Fixed assets	2,253,551,471.72	2,252,196,745.46	-1,354,726.26
Construction in progress	1,253,654,558.40	1,253,654,558.40	-
Productive biological assets	-	-	-
Oil and gas assets	-	-	-
Right-of-use assets	-	20,781,297.81	20,781,297.81
Intangible assets	875,193,511.63	875,193,511.63	-
Development expenditure	17,861,081.17	17,861,081.17	-
Goodwill	1,213,137,618.89	1,213,137,618.89	-
Long-term unamortized expenses	44,450,361.11	44,450,361.11	-
Deferred income tax assets	26,002,037.95	26,002,037.95	-
Other non-current assets	196,753,629.70	196,753,629.70	-
<b>Total non-current assets</b>	<b>6,656,400,351.97</b>	<b>6,675,826,923.52</b>	<b>19,426,571.55</b>
<b>Total assets</b>	<b>9,744,457,681.11</b>	<b>9,763,884,252.66</b>	<b>19,426,571.55</b>

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates *(Continued)*

(3) *Adjustment to opening amounts of relevant items in the financial statements from implementation of New Lease Standard in 2019 (Continued)*

Items	31 December 2018	1 January 2019	Adjustment
<b>Current liabilities:</b>			
Short-term borrowings	1,834,096,571.16	1,834,096,571.16	
Borrowings from central bank			
Loans from other banks			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	150,000,000.00	150,000,000.00	
Accounts payable	558,358,310.28	558,358,310.28	
Receipts in advance	2,986,660.00	2,986,660.00	
Contractual liabilities	151,968,538.09	151,968,538.09	
Proceeds from disposal of financial assets under agreements to repurchase			
Receipt of deposits and deposits from other banks			
Funds received as agent of stock exchange			
Funds received as stock underwriter			
Employee benefits payables	82,753,967.08	82,753,967.08	
Tax payable	81,242,211.56	81,242,211.56	
Other accounts payable	212,943,150.59	212,943,150.59	
Including: Interest payable	2,106,252.25	2,106,252.25	
Dividend payable	3,260,310.01	3,260,310.01	
Handling fees and commission payable			
Reinsurance accounts payable			
Liabilities held-for-sale			
Non-current liabilities due within one year	440,977,675.35	444,905,965.58	3,928,290.23
Other current liabilities			
<b>Total current liabilities</b>	<b>3,515,327,084.11</b>	<b>3,519,255,374.34</b>	<b>3,928,290.23</b>





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates *(Continued)*

(3) *Adjustment to opening amounts of relevant items in the financial statements from implementation of New Lease Standard in 2019 (Continued)*

Items	31 December 2018	1 January 2019	Adjustment
<b>Non-current liabilities:</b>			
Provision for insurance contracts	-	-	-
Long-term borrowings	435,798,387.82	435,798,387.82	-
Bonds payable	902,807,955.52	902,807,955.52	-
Including: Preferred shares	-	-	-
Perpetual bond	-	-	-
Lease liabilities	-	16,392,397.33	16,392,397.33
Long-term accounts payables	5,329,251.18	4,435,135.17	-894,116.01
Long-term employee benefits payables	-	-	-
Estimated liabilities	-	-	-
Deferred income	184,675,393.59	184,675,393.59	-
Deferred income tax liabilities	14,359,029.67	14,359,029.67	-
Other non-current liabilities	-	-	-
<b>Total non-current liabilities</b>	<b>1,542,970,017.78</b>	<b>1,558,468,299.10</b>	<b>15,498,281.32</b>
<b>Total liabilities</b>	<b>5,058,297,101.89</b>	<b>5,077,723,673.44</b>	<b>19,426,571.55</b>

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

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

### 37. Changes of significant accounting policies and accounting estimates *(Continued)*

(3) *Adjustment to opening amounts of relevant items in the financial statements from implementation of New Lease Standard in 2019 (Continued)*

Items	31 December 2018	1 January 2019	Adjustment
<b>Owners' equity:</b>			
Share capital	887,100,102.40	887,100,102.40	-
Other equity instruments	-	-	-
Including: Preferred shares	-	-	-
Perpetual bond	-	-	-
Capital reserve	498,652,595.03	498,652,595.03	-
Less: Treasury stock	67,772,830.00	67,772,830.00	-
Other comprehensive income	16,927,580.70	16,927,580.70	-
Special reserves	5,561,004.28	5,561,004.28	-
Surplus reserves	202,915,933.37	202,915,933.37	-
Provision for normal risks	5,611,350.00	5,611,350.00	-
Undistributed profits	2,492,936,395.01	2,492,936,395.01	-
Total equity attributable to owners of the parent company	4,041,932,130.79	4,041,932,130.79	-
Minority interests	644,228,448.43	644,228,448.43	-
Total owners' equity	4,686,160,579.22	4,686,160,579.22	-
Total liabilities and owners' equity	9,744,457,681.11	9,763,884,252.66	19,426,571.55

(4) *Correction of significant previous errors and the effects*

For the year of 2019, the Company has no matter of correction of previous errors that need to be disclosed.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## 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	16%, 13%, 10%, 9%, 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.

No.	Name of taxable entities	Actual income tax rate for the year	Notes
1	The Company	15%	2(1)a
2	Shenzhen Dongjiang Feeds Additives Co., Ltd. (Dongjiang Feeds)	25%	
3	Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. (Longgang Dongjiang)	15%	2(1)b
4	Yunnan Dongjiang Environmental Technologies Co., Ltd. (Yunnan Dongjiang)	25%	
5	Huizhou Dongjiang Environment Technology Co., Ltd. (Huizhou Dongjiang)	15%	2(1)c
6	Kunshan Qiandeng Three Wastes Treatment Co., Ltd. (Qiandeng Wastes Treatment)	15%	2(1)d
7	Shenzhen Huabao Technology Ltd. (Huabao Technology)	15%	2(1)e
8	Jiangxi Huabao Technology Ltd. (Jiangxi Huabao)	20%	2(1)f

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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
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)	15%	2(1)g
15	Shenzhen Dongjiang Properties Service Co., Ltd. (Dongjiang Properties)	20%	2(1)h
16	Shenzhen Baoan Dongjiang Environmental Renewable Energy Ltd. (Baoan Energy)	20%	2(1)i
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)	20%	2(1)j
20	Zhuhai Qingxin Industrial Environment Ltd. (Zhuhai Qingxin)	20%	2(1)k
21	Qingyuan Xinlv Environmental Technology Ltd. (Qingyuan Xinlv)	25%	2(1)l
22	Jiaxing Deda Resource Recycling Ltd. (Jiaxing Deda)	15%	2(1)m
23	Jiangmen Dongjiang Environmental Technology Ltd. (Jiangmen Dongjiang)	12.50%	2(1)n
24	Dongguan Hengjian Environment Technology Co., Ltd. (Dongguan Hengjian)	–	2(1)o





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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
25	Shenzhen Dongjiang Kaida Transport Co., Ltd. (Dongjiang Kaida)	20%	2(1)p
26	Yancheng Coastal Solid Waste Disposal Co., Ltd. (Coastal Solid Waste)	15%	2(1)q
27	Nanchang Xinguan Energy Development Co., Ltd. (Nanchang Xinguan)	25%	
28	Hefei Xinguan Energy Development Co., Ltd. (Hefei Xinguan)	25%	
29	Xiamen Oasis Environmental Industrial Co., Ltd. (Xiamen Oasis)	25%	2(1)r
30	Karamay Wosen Environmental Technology Co., Ltd. (Wosen Environmental)	12.50%	2(1)s
31	Jiangxi Dongjiang Environmental Technology Co., Ltd. (Jiangxi Dongjiang)	12.50%	2(1)t
32	Shaoxing Dongjiang Environmental Engineering Co., Ltd. (Shaoxing Dongjiang)	25%	
33	Jiangxi Kangtai Environmental Co., Ltd. (Jiangxi Kangtai)	25%	
34	Shenzhen Dongjiang Huiyuan Micro Finance Co., Ltd. (Huiyuan Micro Finance)	25%	
35	Shenzhen Hengjian Tongda Investment Management Co., Ltd. (Hengjian Tongda)	25%	
36	Dongguan Humen Water Co., Ltd. (Humen Green)	15%	2(1)u
37	Hubei Tianyin Circulation Economic Development Co., Ltd. (Hubei Tianyin)	25%	
38	Hubei Tianyin Technology Co., Ltd. (Tianyin Technology)	25%	
39	Hubei Tianyin Hazardous Waste Centralized Disposal Co., Ltd. (Tianyin Hazardous Waste)	–	2(1)v
40	Hubei Tianyin Waste Vehicle Recycling and Dismantling Co., Ltd. (Tianyin Vehicle Dismantling)	25%	

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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
41	Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd. (Zhuhai Yongxingsheng)	15%	2(1)w
42	Xiantao Luyi Environmental Technology Co., Ltd. (Luyi Environmental)	25%	
43	Jiangsu Dongjiang Environmental Services Co., Ltd. (Jiangsu Dongjiang)	12.50%	2(1)x
44	Hengshui Ruitao Environmental Technology Co., Ltd. (Hengshui Ruitao)	12.50%	2(1)y
45	Jiangsu Dongheng Environmental Holdings Co., Ltd. (Dongheng Environmental)	25%	
46	Shenzhen Qianhai Dongjiang Environment Technology Service Co., Ltd. (Qianhai Dongjiang)	25%	
47	Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd. (Baoan Dongjiang)	15%	2(1)z
48	Zhejiang Jianglian Environmental Investment Co., Ltd. (Zhejiang Jianglian)	25%	
49	Shaoxing Huaxin Environmental Technology Co., Ltd. (Huaxin Environmental)	25%	2(1)aa
50	Zhenjiang Dongjiang Environmental Technology Development Co., Ltd. (Zhenjiang Dongjiang)	20%	2(1)ab
51	Weifang Dongjiang Environmental Blue Sea Environmental Protection Co., Ltd. (Weifang Blue Sea)	–	2(1)ac
52	Xiamen Dongjiang Environmental Technology Co., Ltd. (Xiamen Dongjiang)	15%	2(1)ad
53	Fujian Oasis Solid Waste Treatment Co., Ltd. (Fujian Oasis Solid Waste)	12.50%	2(1)ae
54	Longyan Oasis Environmental Technology Co., Ltd. (Longyan Oasis Environmental)	20%	2(1)af
55	Nanping Oasis Environmental Technology Co., Ltd. (Nanping Oasis Environmental)	20%	2(1)ag
56	Sanming Oasis Environmental Technology Co., Ltd. (Sanming Oasis Environmental)	20%	2(1)ah





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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
57	Nantong Dongjiang Environmental Technology Co., Ltd. (Nantong Dongjiang)	–	2(1)ai
58	Jingzhou Dongjiang Environmental Technology Co., Ltd. (Jingzhou Dongjiang)	25%	
59	Huangshi Dongjiang Environmental Technology Co., Ltd. (Huangshi Dongjiang)	–	2(1)aj
60	Zhaoqing Dongsheng Environmental Technology Co., Ltd. (Zhaoqing Dongsheng)	25%	
61	Shenzhen Huateng Environment Information Technology Co., Ltd. (Huateng Environmental)	20%	2(1)ak
62	Xiantao Dongjiang Environmental Technology Co., Ltd. (Xiantao Dongjiang)	–	2(1)al
63	Wandesi (Tangshan Caofeidian) Environmental Technology Co., Ltd (Tangshan Wandesi)	25%	
64	Handan Dongjiang Environmental Technology Co., Ltd. (Handan Dongjiang)	25%	
65	Mianyang Dongjiang Environmental Technology Co., Ltd. (Mianyang Dongjiang)	25%	
66	Jieyang Dongjiang Guoye Environmental Protection Technology Co., Ltd. (Jieyang Dongjiang)	25%	
67	Huizhou Dongtou Environmental Protection Co., Ltd. (Huizhou Dongtou)	25%	
68	Zhuhai Dongjiang Environment Technology Co., Ltd. (Zhuhai Dongjiang)	25%	
69	Foshan Fulong Environmental Protection Technology Co., Ltd. (Foshan Fulong)	15%	2(1)am
70	Foshan Fulong Logistic Ltd. (Fulong Logistic)	25%	

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## V. TAX (Continued)

### 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 75% on research and development fees before tax.
- b) Longgang Dongjiang is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2019 to 2021, and EIT reduction of 75% on research and development fees before tax.
- c) Huizhou Dongjiang is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2019 to 2021, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 75% on research and development fees before tax.
- d) Qiandeng Wastes Treatment is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2019 to 2022, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 75% on research and development fees before tax.
- e) 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 75% on research and development fees before tax.
- f) Jiangxi Huabao is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.
- g) Shaoguan Green 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 75% on research and development fees before tax.
- h) Dongjiang Properties is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.
- i) Baoan energy is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- j) Huizhou Transport is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## V. TAX (Continued)

### 2. Tax incentives (Continued)

#### (1) EIT tax incentives (Continued)

- k) Zhuhai Qingxin is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.
- l) Qingxuan Xinlv's revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax.
- m) Jiaxing Deda is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2019 to 2021. In addition, its revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax, and its research and development fees enjoy EIT reduction of 25% before tax.
- n) 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. It is also entitled to tax incentive as a new and high technology enterprise, and its research and development fees enjoy EIT reduction of 25% before tax.
- o) Dongguan Hengjian 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 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- p) Dongjiang Kaida is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.
- q) Coastal Solid Waste is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2019 to 2021, and its research and development fees enjoy EIT reduction of 25% before tax.
- r) Xiamen Oasis's revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax, and its research and development fees enjoy EIT reduction of 25% before tax.
- s) Wosen Environmental is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2015 to 2017 and 50% EIT reduction from 2018 to 2020. It is also entitled to tax incentive as a new and high technology enterprise, and its research and development fees enjoy EIT reduction of 25% before tax.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## V. TAX (Continued)

### 2. Tax incentives (Continued)

#### (1) EIT tax incentives (Continued)

- t) 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. It is also entitled to tax incentive as a new and high technology enterprise and enjoys 15% EIT tax rate according to relevant policies from 2017 to 2019.
- u) Humen Lyuan is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2018 to 2020, and its research and development fees enjoy EIT reduction of 25% before tax.
- v) Tianyin Hazardous Waste is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2017 to 2019 and 50% EIT reduction from 2020 to 2022.
- w) Zhuhai Yongxingsheng is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2017 to 2019. It also enjoys full EIT exemption for revenue from engaging in incineration of hazardous wastes in line with environmental protection and energy-saving and water-saving projects, and its research and development fees enjoy EIT reduction of 25% before tax.
- x) Jiangsu 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.
- y) Hengshui Ruitao 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.
- z) Baoan Dongjiang is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2018 to 2020. In addition, its revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax, and its research and development fees enjoy EIT reduction of 25% before tax.
- aa) 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 and 50% EIT reduction for new incineration projects from 2020 to 2022, and its research and development fees enjoy EIT reduction of 25% before tax.
- bb) Zhenjiang Dongjiang is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## V. TAX (Continued)

### 2. Tax incentives (Continued)

#### (1) EIT tax incentives (Continued)

- cc) Weifang Blue Sea is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- dd) Xiamen Dongjiang is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2018 to 2020, and its research and development fees enjoy EIT reduction of 25% before tax.
- ee) 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.
- ff) Longyan Oasis Environmental is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.
- gg) Nanping Oasis Environmental is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.
- hh) Sanming Oasis Environmental is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.
- ii) Nantong 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 for new incineration projects from 2019 to 2021 and 50% EIT reduction for new incineration projects from 2022 to 2024.
- jj) Huangshi Dongjiang is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- kk) Huateng Environmental is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 25% reduction of its assessable revenue and an EIT rate of 20%.
- ll) Xiantao Dongjiang is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- mm) Foshan Fulong is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2018 to 2020, and its research and development fees enjoy EIT reduction of 25% before tax.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## V. TAX (Continued)

### 2. Tax incentives (Continued)

#### (2) Value-added Tax Incentives

According to the Notice on Directory of VAT Concessions on Comprehensive Utilization of Goods and Services issued by the Ministry of Finance and the State Administration of Taxation (Caishui [2015] No. 78) (《財政部、國家稅務總局關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》(Cai Shui [2015] No. 78文件)), the Company enjoyed refund of 100% of VAT upon collection for revenue from power generation with biogas generated from waste fermentation during the period from January to December 2019.

According to the Notice on Directory of VAT Concessions on Comprehensive Utilization of Goods and Services issued by the Ministry of Finance and the State Administration of Taxation (Caishui [2015] No. 78) (《財政部、國家稅務總局關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》(Cai Shui [2015] No. 78文件)), the Company enjoyed refund of 30% of VAT upon collection for production and sale of recycled products during the period from January to December 2019.

According to the Notice on Directory of VAT Concessions on Comprehensive Utilization of Goods and Services issued by the Ministry of Finance and the State Administration of Taxation (Caishui [2015] No. 78) (《財政部、國家稅務總局關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》(Cai Shui [2015] No. 78文件)), the Company enjoyed refund of 70% of VAT upon collection for waste treatment and disposal business during the period from January to December 2019.

According to the Notice on Directory of VAT Concessions on Comprehensive Utilization of Goods and Services issued by the Ministry of Finance and the State Administration of Taxation (Caishui [2015] No. 78) (《財政部、國家稅務總局關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》(Cai Shui [2015] No. 78文件)), the Company enjoyed refund of 70% of VAT upon collection for wastewater treatment business during the period from January to December 2019.

According to the Notice on Directory of VAT Concessions on Comprehensive Utilization of Goods and Services issued by the Ministry of Finance and the State Administration of Taxation (Caishui [2015] No. 78) (《財政部、國家稅務總局關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》(Cai Shui [2015] No. 78文件)), the Company enjoyed refund of 100% of VAT upon collection for kitchen waste treatment and disposal business during the period from January to December 2019.

According to the Notice on Deepening VAT Reform issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs (Caishui [2019] No. 39) (《財政部稅務總局海關總局關於深化增值稅改革有關事項的公告》(Cai Shui [2019]39號文件)), the Company enjoyed 10% additional reduction on input tax of VAT for information technology consulting business during the period from April 2019 to December 2019.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

For the following information disclosed in the financial statements, unless otherwise stated, “beginning of the year” means 1 January 2019; “end of the year” means 31 December 2019; “the Year” means the period from 1 January 2019 to 31 December 2019; “last year” means 1 January 2018 to 31 December 2018. Presentation currency is Renminbi.

### 1. Monetary Fund

Item	Balance at the end of year	Balance at the beginning of year
Cash on hand	214,654.89	371,482.97
Bank deposits	1,096,529,090.23	1,028,619,809.50
Other monetary fund	8,016,859.00	25,077,700.00
<b>Total</b>	<b>1,104,760,604.12</b>	1,054,068,992.47
Including: total amount of other deposits overseas	5,926,967.90	4,603,346.29

As the end of the year, the restricted monetary fund of the Company were RMB8,016,859.00 (last year: RMB25,077,700.00) which mainly includes guarantee deposits and security deposit of bank acceptance bills in other monetary fund.

### 2. Financial assets held for trading

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

Item	Balance at the end of year	Balance at the beginning of year
Financial assets at fair value through profit and loss of the period	–	24,934,920.00
Including: equity instrument investments	–	24,934,920.00
<b>Total</b>	–	24,934,920.00

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes receivable

(1) Types of notes receivable

Item	Balance at the end of year	Balance at the beginning of year
Commercial acceptance notes	–	76,700.60
Less: Provision for bad debts	–	
<b>Total</b>	<b>–</b>	<b>76,700.60</b>

(2) Notes receivable used as pledge at the end of the year: None

(3) Notes receivable endorsed or discounted and not expired at the balance sheet date at the end of the year: None

(4) As at 31 December, 2019, the notes transferred to notes receivable due to the performance failure of the issuer: None

### 4. Accounts receivable

Item	Balance at the end of year	Balance at the beginning of year
Accounts receivable	<b>862,658,276.50</b>	710,055,395.90
Less: Provision for bad debts	<b>18,935,613.33</b>	19,248,464.01
Net amount	<b>843,722,663.17</b>	690,806,931.89





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 4. Accounts receivable *(Continued)*

#### (1) *Aging of accounts receivable*

The Group incurred receivables from sales of goods and rendering of services that are not yet recovered. The Group recognized the receivables according to the evidence and proceed the calculation of aging.

Age	Balance at the end of year	Balance at the beginning of year
0-90 days	<b>354,129,038.68</b>	273,344,596.67
91-180 days	<b>49,689,498.88</b>	90,813,387.98
181-365 days	<b>94,064,996.82</b>	82,939,442.96
1-2 years	<b>145,246,806.32</b>	78,871,789.42
2-3 years	<b>55,333,921.50</b>	71,823,717.18
Over 3 years	<b>164,194,014.30</b>	112,262,461.69
<b>Total</b>	<b>862,658,276.50</b>	710,055,395.90

#### (2) *Accounts receivable that are provided for bad debts on collective basis based on estimated credit risks characteristics*

Group classification	Balance at the end of year		
	Accounts receivable	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	<b>9,100,789.74</b>	<b>71.11</b>	<b>6,471,346.92</b>
Accounts receivable from government	<b>535,474,259.01</b>	–	–
Accounts receivable from related companies	<b>57,552,234.65</b>	–	–
Accounts receivable from general customers or others:	<b>260,530,993.10</b>	<b>4.78</b>	<b>12,464,266.41</b>
Within 1 year	<b>230,963,016.02</b>	<b>0.50</b>	<b>1,154,815.07</b>
1-2 years	<b>16,996,605.10</b>	<b>6.10</b>	<b>1,036,792.91</b>
2-3 years	<b>4,082,972.56</b>	<b>43.70</b>	<b>1,784,259.01</b>
Over 3 years	<b>8,488,399.42</b>	<b>100.00</b>	<b>8,488,399.42</b>
<b>Total</b>	<b>862,658,276.50</b>	–	<b>18,935,613.33</b>

The changes in status of sales return of the Company affected the trend of receivables from low aging to high aging, resulting in changes in loss rate of receivables.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

(2) Accounts receivable that are provided for bad debts on collective basis based on estimated credit risks characteristics (Continued)

Group classification	Balance at the beginning of year		
	Accounts receivable	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	8,704,407.47	69.79	6,074,964.65
Accounts receivable from government	345,060,279.07	–	–
Accounts receivable from related companies	82,536,416.28	–	–
Accounts receivable from general customers or others:	273,754,293.08	4.81	13,173,499.36
Within 1 year	253,454,039.82	0.80	2,027,632.32
1-2 years	10,222,395.36	14.60	1,492,469.72
2-3 years	996,386.33	57.40	571,925.75
Over 3 years	9,081,471.57	100.00	9,081,471.57
<b>Total</b>	<b>710,055,395.90</b>	<b>–</b>	<b>19,248,464.01</b>





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

(3) Amounts tested individually for expected credit losses

Name	Book value	Balance at the end of year		Reason of provisions
		Bad debt provision	Proportion of provisions (%)	
Huizhou Yueyuan Huayang Precision Parts Co., Ltd.	1,080,098.54	1,080,098.54	100.00	On the verge of bankruptcy, in progress of appeal
Xiamen Baishijie Plastic Material Co., Ltd.	1,518,483.26	-	-	Recovered or compensated the minority shareholders
Xiamen Zailuyuan Waste Materials Recycling Co., Ltd.	1,110,959.56	-	-	Recovered or compensated the minority shareholders
Fujian Bangde Synthetic Leather Group Co., Ltd.	381,927.00	381,927.00	100.00	Contract breach, unable to recover
Shenzhen Suntak Multilayer PCB Company Limited	359,353.08	359,353.08	100.00	Contract breach, difficult to recover
Fujian Hongfu Leather Co., Ltd.	352,763.80	352,763.80	100.00	Contract breach, unable to recover
Fujian Weibang Polymer Materials Co., Ltd.	345,591.50	345,591.50	100.00	Contract breach, unable to recover
Fujian Zhengruitai Leather Industry Co., Ltd.	298,547.00	298,547.00	100.00	Contract breach, unable to recover
Fujian Huana Synthetic Leather Co., Ltd.	267,325.00	267,325.00	100.00	Contract breach, unable to recover
Fujian Zhenglili Microfiber Leather Co., Ltd.	263,178.00	263,178.00	100.00	Contract breach, unable to recover
Shenzhen Shunyue Industry Co., Ltd.	115,000.00	115,000.00	100.00	Contract breach, difficult to recover
Fujian Fuding Yongqiang Synthetic Leather Co., Ltd.	226,402.80	226,402.80	100.00	Contract breach, unable to recover
Fujian Tianhong Synthetic Leather Co., Ltd.	224,269.60	224,269.60	100.00	Contract breach, unable to recover

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

(3) Amounts tested individually for expected credit losses (Continued)

Name	Book value	Balance at the end of year		Reason of provisions
		Bad debt provision	Proportion of provisions (%)	
Fujian Hesheng Leather Industry Co., Ltd.	222,220.00	222,220.00	100.00	Contract breach, unable to recover
Fuding Yongdeli Synthetic Leather Co., Ltd.	221,520.00	221,520.00	100.00	Contract breach, unable to recover
Fujian Zhaodeng Synthetic Leather Co., Ltd.	209,575.00	209,575.00	100.00	Contract breach, unable to recover
Fujian Zhanhong Artificial Leather Co., Ltd.	166,300.00	166,300.00	100.00	Contract breach, unable to recover
Fujian Yongfeng Synthetic Leather Co., Ltd.	156,979.20	156,979.20	100.00	Contract breach, unable to recover
Fujian Xiangdali Synthetic Leather Industry Co., Ltd.	131,365.00	131,365.00	100.00	Contract breach, unable to recover
Fujian Huatai Leather Co., Ltd.	125,610.00	125,610.00	100.00	Contract breach, unable to recover
Fujian Xingtai Synthetic Leather Co., Ltd.	121,625.00	121,625.00	100.00	Contract breach, unable to recover
Fujian Yongtai An Synthetic Leather Co., Ltd.	118,887.00	118,887.00	100.00	Contract breach, unable to recover
Fujian Harmony Leather Co., Ltd.	114,284.80	114,284.80	100.00	Contract breach, unable to recover
Others	968,524.60	968,524.60	100.00	Contract breach, unable to recover
<b>Total</b>	<b>9,100,789.74</b>	<b>6,471,346.92</b>		



# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

(4) 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
Within 1 year	<b>266,920,518.36</b>	193,643,387.79
1-2 years	<b>127,775,848.14</b>	68,649,394.06
2-3 years	<b>51,250,948.94</b>	70,827,330.85
Over 3 years	<b>147,079,178.22</b>	94,476,582.65
Net amount	<b>593,026,493.66</b>	427,596,695.35

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.

(5) Details of bad debts provision for accounts receivable during the year

Category	Balance at the beginning of year	Changes in the current year			Balance at the end of year
		Provided	Reversed	Written off	
Bad debts provision for accounts receivable	19,248,464.01	-102,898.30	197,970.81	11,981.57	<b>18,935,613.33</b>

Bad debt provision	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Full lifetime expected credit losses (without credit-impairment)	Full lifetime expected credit losses (with credit-impairment)	
Balances as at 1 January 2019	-	19,248,464.01	-	19,248,464.01
Balances as at 1 January 2019 during the current period	-	-	-	-
Provision during the current period	-	-102,898.30	-	-102,898.30
Reversal during the current period	-	197,970.81	-	197,970.81
Written off during the current period	-	11,981.57	-	11,981.57
Other changes	-	-	-	-
Balances as at 31 December 2019	-	18,935,613.33	-	18,935,613.33

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 4. Accounts receivable *(Continued)*

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

Item	Amount written off
Accounts receivable written off	11,981.57

(7) *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	316,878,880.65	Within 1 year, 1-2 years, 2-3 years, over 3 years	36.73	–
No. 2	81,230,105.00	Within 1 year	9.42	–
No. 3	51,997,893.52	1-2 years, over 3 years	6.03	–
No. 4	30,673,551.49	Within 1 year	3.56	–
No. 5	23,552,592.30	Within 1 year, 1-2 years	2.73	–
<b>Total</b>	<b>504,333,022.96</b>		<b>58.47</b>	<b>–</b>





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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 5. Receivables financing

(1) *Receivables financing by categories*

Item	Balance at the end of year	Balance at the beginning of year
Bank acceptance notes	<b>82,320,731.83</b>	62,032,264.42
Less: Provision for bad debts	–	–
<b>Total</b>	<b>82,320,731.83</b>	62,032,264.42

Balance of receivables financing at the end of year represented bank acceptance notes, with shorter remaining term and a balance approximated to the fair value.

(2) Notes receivable which have been used for pledge at the end of the year: Nil

(3) 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	<b>80,212,742.27</b>	–
<b>Total</b>	<b>80,212,742.27</b>	–

(4) As at 31 December, 2019, the notes transferred to notes receivable due to the performance failure of the issuer: None

(5) The above notes receivable of the Company at the end of the year are all aged within 180 days.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 6. Prepayments

#### (1) Age of prepayments

Item	Balance at the end of year		Balance at the beginning of year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	35,057,756.92	77.67	30,145,840.49	69.85
1-2 years	3,487,588.05	7.73	2,582,352.84	5.98
2-3 years	1,228,042.42	2.72	4,422,311.83	10.25
Over 3 years	5,365,532.82	11.88	6,004,887.03	13.92
<b>Total</b>	<b>45,138,920.21</b>	<b>-</b>	<b>43,155,392.19</b>	<b>-</b>

Significant prepayment aged over 1 year mainly includes the CDM fees paid by Qingdao Dongjiang to Qingdao Solid Waste Treatment Co., Limited.

#### (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	4,881,655.56	Over 3 years	10.81
No. 2	3,324,751.11	Within 1 year	7.37
No. 3	1,757,108.00	Within 1 year	3.89
No. 4	1,672,088.31	Within 1 year	3.70
No. 5	1,387,544.45	Within 1 year	3.07
<b>Total</b>	<b>13,023,147.43</b>		<b>28.84</b>



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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other receivables

Item	Balance at the end of year	Balance at the beginning of year
Other receivables	<b>363,775,633.80</b>	415,034,413.33
Dividend receivable	–	–
Interest receivable	–	–
Less: Provision for bad debts	<b>156,925,769.18</b>	80,410,509.61
<b>Total</b>	<b>206,849,864.62</b>	334,623,903.72

#### (1) Other receivables categorized by nature

Nature	Book balance at the end of year	Book balance at the beginning of year
Considerations of equity transfer and current accounts with former subsidiaries*1	<b>138,467,689.47</b>	137,218,300.00
Guarantee deposits, provisions and others	<b>104,309,914.75</b>	116,025,636.00
Payment on behalf of third parties	<b>51,836,767.34</b>	61,004,074.15
Government grants	<b>12,239,084.33</b>	59,436,951.52
Humen Green PPP Project capital	<b>56,922,177.91</b>	41,349,451.66
<b>Total</b>	<b>363,775,633.80</b>	415,034,413.33

\*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	100,477,689.47
<b>Total</b>		<b>138,467,689.47</b>

#### Aging of other receivables

Age	Book balance
Within 1 year (including 1 year)	107,678,509.87
1-2 years	37,197,524.83
2-3 years	23,758,960.46
Over 3 years	195,140,638.64
<b>Total</b>	<b>363,775,633.80</b>

# NOTES TO FINANCIAL STATEMENTS

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other receivables (Continued)

- (2) Other receivables that are provided for bad debts on collective basis based on estimated credit risks characteristics

Group classification	Balance at the end of year		
	Other receivables	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	11,173,081.19	100.00	11,173,081.19
Accounts receivable from government	50,277,167.47	–	–
Accounts receivable from related companies	10,933,732.77	–	–
Deposits, security deposit, reserve fund receivable and others	137,439,890.75	–	–
Accounts receivable from general customers or others:	153,951,761.62	94.67	145,752,687.99
Within 1 year	2,997,807.03	24.20	725,469.30
1-2 years	2,219,132.29	48.20	1,069,621.76
2-3 years	9,276,165.76	48.50	4,498,940.39
Over 3 years	139,458,656.54	100.00	139,458,656.54
<b>Total</b>	<b>363,775,633.80</b>	<b>–</b>	<b>156,925,769.18</b>

The changes in status of return of the Company affected the trend of receivables from low aging to high aging, resulting in changes in loss rate of other receivables.





# NOTES TO FINANCIAL STATEMENTS

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 7. Other receivables *(Continued)*

(2) *Other receivables that are provided for bad debts on collective basis based on estimated credit risks characteristics (Continued)*

Group classification	Balance at the beginning of year		
	Other receivables	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	8,014,766.11	100.00	8,014,766.11
Accounts receivable from government	85,898,767.19	–	–
Accounts receivable from related companies	8,339,278.88	–	–
Deposits, security deposit, reserve fund receivable and others	144,320,211.97	–	–
Accounts receivable from general customers or others:	168,461,389.18	42.97	72,395,743.50
Within 1 year	17,518,559.03	21.50	3,766,490.19
1-2 years	38,357,769.27	31.10	11,929,266.24
2-3 years	110,226,970.03	49.30	54,341,896.22
Over 3 years	2,358,090.85	100.00	2,358,090.85
<b>Total</b>	<b>415,034,413.33</b>	<b>–</b>	<b>80,410,509.61</b>

# NOTES TO FINANCIAL STATEMENTS

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other receivables (Continued)

(3) Amounts tested individually for expected credit losses

Name	Book balance	Balance at the end of year		Reason of provisions
		Bad debt provision	Proportion of provisions (%)	
eTEC E&C (Shanghai) Co., Ltd.	1,700,000.00	1,700,000.00	100.00	Amount expected to be irrecoverable
Dongjiang Renewable Resources LTD	1,343,700.00	1,343,700.00	100.00	Amount expected to be irrecoverable
Shijiazhuang Renhe Machinery Equipment Co., Ltd.	617,500.00	617,500.00	100.00	Amount expected to be irrecoverable
Zibo Shengyuan Yaolu Engineering Co., Ltd.	468,000.00	468,000.00	100.00	Amount expected to be irrecoverable
CB (Holding) Company	442,222.75	442,222.75	100.00	Amount expected to be irrecoverable
Wujiang Baorui Environmental Protection Machinery Equipment Co., Ltd.	400,000.00	400,000.00	100.00	Amount expected to be irrecoverable
Quanzhou Yexin Metal Trading Co., Ltd.	321,955.77	321,955.77	100.00	Amount expected to be irrecoverable
Jiangmen Zhongyang Circuit Technology Co., Ltd.	213,492.48	213,492.48	100.00	Amount expected to be irrecoverable
Xiamen Dakong Intelligent Technology Co., Ltd.	200,000.00	200,000.00	100.00	Amount expected to be irrecoverable
Zhejiang Heze Dulin Architectural Planning and Design Co., Ltd. Wuhan Branch	200,000.00	200,000.00	100.00	Amount expected to be irrecoverable
Yixing Zhibo Environmental Equipment Co., Ltd.	175,000.00	175,000.00	100.00	Amount expected to be irrecoverable
Satarem China Limited	127,015.46	127,015.46	100.00	Amount expected to be irrecoverable
Wen County Hongyu Active Carbon Plant	113,520.00	113,520.00	100.00	Amount expected to be irrecoverable
Amounts from natural persons	4,194,110.86	4,194,110.86	100.00	Amount expected to be irrecoverable
Others	656,563.87	656,563.87	100.00	Amount expected to be irrecoverable
<b>Total</b>	<b>11,173,081.19</b>	<b>11,173,081.19</b>	<b>100.00</b>	





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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other receivables (Continued)

#### (3) Amounts tested individually for expected credit losses (Continued)

Details of bad debts provision for other receivables

Category	Balance at the beginning of year	Changes in the current year				Effect of foreign exchange rate	Balance at the end of year
		Provided	Reversed	Written off	Addition from combination		
Bad debts provision for other receivables	80,410,509.61	76,388,978.50	-	13,000.00	93,810.00	45,471.07	156,925,769.18

Bad debt provision	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Full lifetime expected credit losses (without credit-impairment)	Full lifetime expected credit losses (with credit-impairment)	
Balances as at 1 January 2019	-	80,410,509.61	-	80,410,509.61
Balances as at 1 January 2019 during the current period	-	-	-	-
Provision during the current period	-	76,388,978.50	-	76,388,978.50
Reversal during the current period	-	-	-	-
Written off during the current period	-	13,000.00	-	13,000.00
Other changes	-	139,281.07	-	139,281.07
Balances as at 31 December 2019	-	156,925,769.18	-	156,925,769.18

#### (4) Other receivables written off during the year

Item	Amount written off
Other receivables written off	13,000.00

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## VI. EXPLANATORY NOTES FOR MAJOR 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 (%)	Balance of bad debt provision at the end of year
No. 1	Considerations of equity transfer and current accounts with former subsidiaries	138,467,689.47	Over 3 years	38.06	138,467,689.47
No. 2	Assets-backed Project in relation to the GF Hengjin – Guangdong Rising Assets – Dongjiang Environmental Humen Green PPP Project	56,922,177.91	Within 1 year, 1-2 years	15.65	–
No. 3	Guaranteed deposits	26,187,993.20	0-90 days	7.20	–
No. 4	Payment on behalf of third parties	10,491,600.00	Over 3 years	2.88	–
No. 5	Government grants	7,714,242.60	0-90 days	2.12	–
<b>Total</b>		<b>239,783,703.18</b>		<b>65.91</b>	<b>138,467,689.47</b>





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other receivables (Continued)

(6) Account receivables related to government grants

Name	Projects receiving grants	Balance at the end of year	Age	Receiving Expected		
				Time	Amount	Basis
Shaoyang Urban Management Bureau	Special financial refund of Property tax and Land use tax	<b>7,714,242.60</b>	Within 1 year	2020	7,714,242.60	Shaoyang City People's Government – "Meeting Memorandum on Issues related to the Payment of Taxes and Fees for Municipal Solid Waste Disposal Projects"
Dongguan city Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	<b>989,766.63</b>	Within 1 year	2020	989,766.63	Cai Shui [2015] No. 78
Luohu District of Shenzhen City Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	<b>629,352.97</b>	Within 1 year	2020	629,352.97	Cai Shui [2015] No. 78
Jurong City Finance Bureau	Business Plan Competition exemption grants, Incubator results grants	<b>560,000.00</b>	Within 1 year	Received in January 2020	560,000.00	Documents of Business Plan Competition exemption grants, documents of Incubator results grants
Baijiantan District of Karamay City Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	<b>528,860.94</b>	Within 1 year	Received in January 2020	528,860.94	Cai Shui [2015] No. 78

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other receivables (Continued)

(6) Account receivables related to government grants (Continued)

Name	Projects receiving grants	Balance at the end of year	Age	Receiving Expected		
				Time	Amount	Basis
Qianhai of Shenzhen City Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	<b>490,933.82</b>	Within 1 year	Received part of the amount in January to March 2020	490,933.82	Cai Shui [2015] No. 78
Qiandeng Taxation Bureau of Kunshan Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	<b>437,002.31</b>	Within 1 year	Received in February 2020	437,002.31	Cai Shui [2015] No. 78
Dongguan Department of Finance Treasury Payment Center	VAT Refund upon collection	<b>291,542.73</b>	Within 1 year	Received in February 2020	291,542.73	Cai Shui [2015] No. 78
Yangxin County Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	<b>239,505.14</b>	Within 1 year, 1-2 years	2020	239,505.14	Cai Shui [2015] No. 78
Second Taxation Bureau of Heshan City Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	<b>176,260.86</b>	Within 1 year	Received in January 2020	176,260.86	Cai Shui [2015] No. 78
Rudong County Taxation Bureau	VAT Refund upon collection	<b>108,890.66</b>	Within 1 year	Received in March 2020	108,890.66	Cai Shui [2015] No. 78
Nanshan Taxation Bureau	VAT Refund upon collection	<b>72,725.67</b>	Within 1 year	Received in January to February 2020	72,725.67	Cai Shui [2015] No. 78
<b>Total</b>		<b>12,239,084.33</b>			12,239,084.33	





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

## VI. EXPLANATORY NOTES FOR MAJOR 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	Balance at the end of year			Balance at the beginning of year		
	Book balance	Inventory impairment provision	Book value	Book balance	Inventory impairment provision	Book value
Goods in transit	2,871,451.06	-	2,871,451.06	6,234,686.22	-	6,234,686.22
Raw material	220,195,353.79	1,717,940.70	218,477,413.09	209,304,253.80	242,719.11	209,061,534.69
Work-in-progress	-	-	-	2,855,848.28	-	2,855,848.28
Finished goods	63,187,569.06	220,428.07	62,967,140.99	69,509,205.09	220,428.07	69,288,777.02
Low-valued consumables	11,777,498.87	-	11,777,498.87	12,085,021.70	-	12,085,021.70
Semi-finished goods	-	-	-	-	-	-
Contract performance cost	-	-	-	-	-	-
Engineering construction	3,928,824.20	308,837.16	3,619,987.04	180,304.87	-	180,304.87
<b>Total</b>	<b>301,960,696.98</b>	<b>2,247,205.93</b>	<b>299,713,491.05</b>	<b>300,169,319.96</b>	<b>463,147.18</b>	<b>299,706,172.78</b>

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Inventories (Continued)

#### (2) Inventory impairment provision

Item	Balance at the beginning of year	Increase during the year		Decrease during the year		Balance at the end of year
		Provision	Others	Reversal or transferral	Other transfer	
Raw material	242,719.11	1,571,120.09	-	95,898.50	-	1,717,940.70
Finished goods	220,428.07	-	-	-	-	220,428.07
Engineering construction	-	308,837.16	-	-	-	308,837.16
<b>Total</b>	463,147.18	1,879,957.25	-	95,898.50	-	2,247,205.93

#### (3) Impairment provision of inventory

Item	Basis of recognition of net realisable value	Reason for reversal or transferral 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
Engineering construction	The total estimated contract cost exceeding the total estimated contract income	Favourable changes in construction contracts with expected contract loss provisions in prior years





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Loans

#### (1) Group classification

Item	Amount at the end of year		
	Amount	Expected credit loss rate (%)	Provision for loans loss
Normal type	49,500,000.00	0.00	–
Concern type	112,990,000.00	2.00	2,259,800.00
<b>Total</b>	<b>162,490,000.00</b>	<b>–</b>	<b>2,259,800.00</b>

Item	Amount at the beginning of year		
	Amount	Expected credit loss rate (%)	Provision for loans loss
Normal type	300,990,000.00	0.00	–
Concern type	73,100,000.00	2.00	1,462,000.00
<b>Total</b>	<b>374,090,000.00</b>	<b>–</b>	<b>1,462,000.00</b>

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, and the general term for loans ranges from 10 days to 365 days.

- (2) The Company classifies loans as certain groups of normal, concerned, secondary, suspicious and loss based on the credit risk characteristics, with reference to the Guidelines on Risk-Based Loan Classification of the People's Bank of China, and calculates the expected credit losses according to the expected credit loss rates over the next 12 months or throughout the lifetime based on the realization of mortgage and the default risk exposure.
- (3) There is no loan principal actually written off during this year.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Contractual assets

(1) Details of contractual assets

Item	Balance at the end of year			Balance at the beginning of year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Government public works construction projects	99,245,816.90	-	99,245,816.90	70,574,233.50	-	70,574,233.50
Water treatment projects	19,346,401.87	676,089.92	18,670,311.95	26,822,627.41	1,692,548.59	25,130,078.82
<b>Total</b>	<b>118,592,218.77</b>	<b>676,089.92</b>	<b>117,916,128.85</b>	<b>97,396,860.91</b>	<b>1,692,548.59</b>	<b>95,704,312.32</b>

(2) Except for the accounts receivable transferred due to the completion of performance obligations or settlement procedures, the carrying value of contract assets did not change significantly during the year.

(3) Details of impairment provision of contractual assets during the year

Item	Provision during the year	Reversal during the year	Transferral/write-off during the year	Reason
Water treatment projects	-1,016,458.67	-	-	Calculated according to the expected credit loss model
<b>Total</b>	<b>-1,016,458.67</b>	<b>-</b>	<b>-</b>	

### 11. 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	41,252,309.46	2,965,177.96	Construction fee
<b>Total</b>	<b>41,252,309.46</b>	<b>2,965,177.96</b>	





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 12. Other current assets

Item	Balance at the end of year	Balance at the beginning of year
Input tax deductible	<b>117,409,724.91</b>	100,803,232.04
Prepaid VAT – non-local projects	<b>3,258,118.49</b>	2,484,433.78
Prepayment of corporate income tax	<b>2,834,169.94</b>	3,457,880.89
Others	<b>266,224.50</b>	609,014.08
<b>Total</b>	<b>123,768,237.84</b>	107,354,560.79

### 13. Long-term accounts receivable

(1) *Details of long-term accounts receivable*

Item	Balance at the end of year	Balance at the beginning of year
Receivables for rendering of services to be recovered by installments	<b>50,214,299.46</b>	64,701,272.89
Less: Amount due within 1 year and showed as non-current assets due within one year (Note VI.11)	<b>41,252,309.46</b>	2,965,177.96
Less: provision for bad debts on individual basis	–	13,000,000.00
Receivables for rendering of services to be recovered by installments due after 1 year	<b>8,961,990.00</b>	48,736,094.93

(2) Details of provision for bad debts on individual basis: None.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13. Long-term accounts receivable (Continued)

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

Item	Original value at the end of year	Impairment provision	Balance at the end of year	Proportion of original value (%)
Government public works construction projects	8,961,990.00	-	<b>8,961,990.00</b>	100.00
<b>Total</b>	8,961,990.00	-	<b>8,961,990.00</b>	100.00

(4) 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.

### 14. Long-term equity investments

Investee	Balance at the beginning of year	Impairment provision 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			
I. Joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-
Dongjiang Veolia	86,511,529.08	-	-	-	6,856,990.91	-	-	7,500,000.00	-	-	-	85,868,519.99	-
II. Associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Shenzhen Resource	19,808,770.48	-	-	-	-8,417,802.08	-	-	-	-	-	-	11,390,968.40	-
Chaoyue Dongchuan	709,352.08	-	-	709,352.08	-	-	-	-	-	-	-	-	-
Xingye Dongjiang	40,520,244.18	-	-	-	15,012,713.12	-	-	-	-	-192,303.81	-	55,340,653.49	-
Foshan Fulong	60,968,679.04	-	-	58,621,595.93	-2,347,083.11	-	-	-	-	-	-	-	-
Dongguan Fengye	6,132,610.38	-	-	-	-2,635,465.22	-	-	-	-	-	-	3,497,145.16	-
Jieyang Oucheng	50,816,680.74	-	10,388,000.00	-	-287,522.45	-	-	-	-	-	-	60,917,158.29	-
Jiangsu Suquan	37,993,189.36	-	-	-	-2,257,500.19	-	-	-	-	-	-	35,735,689.17	-
<b>Total</b>	303,461,055.34	-	10,388,000.00	59,330,948.01	5,924,330.98	-	-	7,500,000.00	-	-192,303.81	-	252,750,134.50	-





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 15. Investment properties

(1) *Investment properties measured at fair value*

Item	Buildings and constructions	Land use rights	Total
I. Balance at the beginning of year	375,565,231.13	48,033,700.00	423,598,931.13
II. Movement of the year	-	-	-
Add: Acquisition	1,051,878.94	-	1,051,878.94
Transfer from inventory/fixed assets/work in progress	-	-	-
Addition from business combination	-	-	-
Less: Disposal	-	-	-
Other transfer	-	-	-
Add: Change in fair value	7,147,718.93	1,746,600.00	8,894,318.93
III. Balance at the end of year	383,764,829.00	49,780,300.00	433,545,129.00

At the end of the year, the fair value of these investment properties is determined based on the valuation made by Bowen Real Estate Appraisal Building Cost Group Co.,Ltd., Guangdong Zhong Guang Shin Assets Appraisal Company Limited, Beijing Yachao Asset Appraisal Co.,Ltd. and Xiamen Guozhice Assets and Real Estate Land Appraisal Co.,Ltd., Hubei Zhengliangxing Assets Appraisal Co.,Ltd., the above 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) 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 MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed assets

#### (1) Breakdown of fixed assets

Item	Buildings	Machineries and equipment	Office facilities	Transportation facilities	Others	Total
I. Original book value						
1. Balance at the beginning of year	1,317,718,534.30	1,287,613,407.67	95,139,354.26	117,945,433.56	414,902,196.51	3,233,318,926.30
2. Increase during the year	348,177,696.19	362,514,855.82	15,029,561.56	11,204,703.30	159,727,389.10	896,654,205.97
(1) Acquisition	16,741,458.23	46,852,892.64	7,799,858.56	9,788,694.02	31,664,780.65	112,847,684.10
(2) Transfer from work-in-progress	291,113,382.82	297,023,482.14	10,471,091.19	939,388.87	112,848,823.60	712,396,168.62
(3) Addition from business combination	42,220,355.14	15,558,064.37	131,843.49	238,593.36	9,736,765.32	67,885,621.68
(4) Others (group adjustment etc.)	-1,897,500.00	3,080,416.67	-3,373,231.68	238,027.05	5,477,019.53	3,524,731.57
3. Decrease during the year	2,098,238.78	44,826,364.14	2,340,691.42	6,901,764.26	3,050,575.78	59,217,634.38
(1) Disposal or retirement	1,769,952.78	36,192,488.79	2,270,962.82	6,901,764.26	2,231,207.61	49,366,376.26
(2) Decrease from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	328,286.00	8,633,875.35	69,728.60	-	819,368.17	9,851,258.12
4. Balance at the end of year	1,663,797,991.71	1,605,301,899.35	107,828,224.40	122,248,372.60	571,579,009.83	4,070,755,497.89
II. Accumulated depreciation						
1. Balance at the beginning of year	225,847,309.50	482,033,851.16	47,151,282.19	79,922,368.51	131,925,428.36	966,880,239.72
2. Increase during the year	78,348,160.55	146,498,375.08	12,750,619.03	13,985,994.15	68,501,171.82	320,084,320.63
(1) Provision	71,992,927.11	143,300,113.53	12,650,973.79	13,667,751.64	65,490,984.20	307,102,750.27
(2) Addition from business combination	7,431,331.95	3,175,315.55	91,061.35	126,620.89	1,923,369.91	12,747,699.65
(3) Others (group adjustment etc.)	-1,076,098.51	22,946.00	8,583.89	191,621.62	1,086,817.71	233,870.71
3. Decrease during the year	449,300.17	29,938,945.00	1,953,331.54	6,276,828.93	2,292,583.91	40,910,989.55
(1) Disposal or retirement	211,575.46	26,069,548.52	1,920,362.07	6,276,828.93	1,640,980.42	36,119,295.40
(2) Decrease from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	237,724.71	3,869,396.48	32,969.47	-	651,603.49	4,791,694.15
4. Balance at the end of year	303,746,169.88	598,593,281.24	57,948,569.68	87,631,533.73	198,134,016.27	1,246,053,570.80





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed assets (Continued)

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

Item	Buildings	Machineries and equipment	Office facilities	Transportation facilities	Others	Total
III. Impairment provision						
1. Balance at the beginning of year	9,412,603.84	4,501,736.01	-	273,302.18	54,299.09	14,241,941.12
2. Increase during the year	-	15,387.74	-	-	-15,387.74	-
(1) Provision	-	-	-	-	-	-
(2) Addition from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	-	15,387.74	-	-	-15,387.74	-
3. Decrease during the year	-	2,884,477.41	-	-	-	2,884,477.41
(1) Disposal or retirement	-	2,884,477.41	-	-	-	2,884,477.41
(2) Decrease from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	-	-	-	-	-	-
4. Balance at the end of year	9,412,603.84	1,632,646.34	-	273,302.18	38,911.35	11,357,463.71
IV. Book value						
1. Book value at the end of year	1,350,639,217.99	1,005,075,971.77	49,879,654.72	34,343,536.69	373,406,082.21	2,813,344,463.38
2. Book value at the beginning of year	1,082,458,620.96	801,077,820.50	47,988,072.07	37,749,762.87	282,922,469.06	2,252,196,745.46

Depreciation and amortization of fixed assets recognized as profit or loss during the year was RMB307,102,750.27 (last year: RMB227,904,789.21).

Addition to fixed assets during the year includes transfer from work in progress of RMB712,396,168.62.

Gain from disposal of fixed assets during the year was RMB660,834.23.

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

# NOTES TO FINANCIAL STATEMENTS

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed assets (Continued)

- (3) As at the end of the year, for details of the leased out fixed assets through operating lease by the Company, please see note VI.14. Lease.
- (4) *Fixed assets without property rights certificates*

The fixed assets included buildings with book value RMB369,372,504.69 (Amount at the beginning of year: RMB216,771,408.68), 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 at the end of year (net)	Reason for not obtaining proper ownership certificates
Office building and workshop of Coastal Solid Waste, a subsidiary	32,198,061.66	Application in progress
Buildings and structures of Nantong Dongjiang, a subsidiary	83,838,030.19	Works not yet settled
Office building, factory, dormitory and kitchen of Qingyuan Xinlv, a subsidiary	3,361,887.85	Application in progress
Office building, warehouse, workshop and others of Dongguan Hengjian, a subsidiary	47,015,591.70	Application in progress
Workshop, factory, office building, complex building and others of Xiamen Dongjiang, a subsidiary	22,187,783.18	Application in progress
Incineration plant and warehouse of Fujian Oasis, a subsidiary	8,046,241.02	Application in progress
Office building, workshop, dormitory and canteen of Jiangxi Dongjiang, a subsidiary	17,641,027.05	Application in progress
Workshop of physical and chemical treatment, warehouse and others of Hengshui Ruitao, a subsidiary	23,584,167.07	Land pledged
Factory and dormitory of Baoan Dongjiang, a subsidiary	20,974,171.63	Application in progress
Factory of Huaxin Environmental, a subsidiary	8,295,357.79	Application in progress
Office building, workshop, fire pump room and others of Weifang Blue Sea, a subsidiary	102,230,185.55	Application in progress
<b>Total</b>	<b>369,372,504.69</b>	





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in progress

Item	Balance at the end of year	Balance at the beginning of year
Construction in progress	<b>1,242,121,933.61</b>	1,253,654,558.40
<b>Total</b>	<b>1,242,121,933.61</b>	1,253,654,558.40

(1) Impairment provision of construction in progress during the year: None

(2) Breakdown of construction in progress

Item	Balance at the end of year			Balance at the beginning of year		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Hazardous waste and general solid waste treatment and disposal center in Caofeidian district (Tangshan Wandesi)	<b>181,054,640.90</b>	-	<b>181,054,640.90</b>	88,981,003.48	-	88,981,003.48
Plasma pilot project (Longgang Dongjiang)	<b>33,496,694.06</b>	-	<b>33,496,694.06</b>	30,192,661.33	-	30,192,661.33
Fujian Oasis rotary kiln project (Fujian Oasis)	<b>154,997,283.01</b>	-	<b>154,997,283.01</b>	88,794,650.59	-	88,794,650.59
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	<b>69,500,990.48</b>	-	<b>69,500,990.48</b>	64,593,652.25	-	64,593,652.25
Phase III of 20,000 tons rotary kiln project (Huaxin Environmental)	<b>30,659,321.70</b>	-	<b>30,659,321.70</b>	1,909,991.15	-	1,909,991.15
Plant and road construction project phase III (Coastal Solid Waste)	<b>26,352,056.70</b>	-	<b>26,352,056.70</b>	27,694,080.82	-	27,694,080.82
Weifang Dongjiang project (Weifang Blue Sea)	<b>7,265,480.85</b>	-	<b>7,265,480.85</b>	252,372,207.64	2,781,152.67	249,591,054.97
Workshop of physical and chemical treatment project (Nantong Dongjiang)	<b>20,037,361.48</b>	-	<b>20,037,361.48</b>	-	-	-
Foshan Fulong comprehensive utilization and disposal of industrial solid waste project (Foshan Fulong)	<b>192,743,962.68</b>	-	<b>192,743,962.68</b>	-	-	-
Property construction phase II (Xiamen Oasis)	<b>144,934,470.47</b>	-	<b>144,934,470.47</b>	124,565,775.41	-	124,565,775.41
Recycling project (Shaoguan Green)	<b>159,582,371.09</b>	-	<b>159,582,371.09</b>	117,618,796.36	-	117,618,796.36
Shaoguan Green hazardous waste landfill project (Shaoguan Green BOT)	<b>64,692,751.05</b>	-	<b>64,692,751.05</b>	59,912,249.12	-	59,912,249.12

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in progress (Continued)

#### (2) Breakdown of construction in progress (Continued)

Item	Balance at the end of year			Balance at the beginning of year		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Xiamen Dongjiang construction project (Xiamen Dongjiang)	44,782,912.53	-	44,782,912.53	31,066,083.18	-	31,066,083.18
Dongguan Hengjian renovation project (Dongguan Hengjian)	2,367,930.31	-	2,367,930.31	15,201,993.60	-	15,201,993.60
Nantong Dongjiang project construction (Nantong Dongjiang)	-	-	-	74,640,500.39	-	74,640,500.39
Xiantao environmental protection project (Luyi Environmental)	-	-	-	70,913,856.60	-	70,913,856.60
Wastewater treatment project (Shaoguan Green)	-	-	-	55,337,095.16	-	55,337,095.16
Other small projects in total	109,653,706.30	-	109,653,706.30	152,641,113.99	-	152,641,113.99
<b>Total</b>	<b>1,242,121,933.61</b>	<b>-</b>	<b>1,242,121,933.61</b>	<b>1,256,435,711.07</b>	<b>2,781,152.67</b>	<b>1,253,654,558.40</b>





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in progress (Continued)

#### (3) Movement of major construction in progress

Item	Balance at the beginning of year	Increase during the year	Decrease during the year		Balance at the end of year
			Transfer to fixed assets	Other decrease	
Hazardous waste and general solid waste treatment and disposal center in Caofeidian district (Tangshan Wandesi)	88,981,003.48	92,073,637.42	-	-	181,054,640.90
Plasma pilot project (Longgang Dongjiang)	30,192,661.33	3,715,161.25	-	411,128.52	33,496,694.06
Fujian Oasis rotary kiln project (Fujian Oasis)	88,794,650.59	120,819,682.42	-	54,617,050.00	154,997,283.01
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	64,593,652.25	4,907,338.23	-	-	69,500,990.48
Phase III of 20,000 tons rotary kiln project (Huaxin Environmental)	1,909,991.15	28,749,330.55	-	-	30,659,321.70
Plant and road construction project phase III (Coastal Solid Waste)	27,694,080.82	8,592,245.31	8,535,322.22	1,398,947.21	26,352,056.70
Weifang Dongjiang project (Weifang Blue Sea)	252,372,207.64	34,147,226.04	277,471,794.76	1,782,158.07	7,265,480.85
Workshop of physical and chemical treatment project (Nantong Dongjiang)	-	20,037,361.48	-	-	20,037,361.48
Foshan Fulong comprehensive utilization and disposal of industrial solid waste project (Foshan Fulong)	-	193,360,644.04	616,681.36	-	192,743,962.68
Property construction phase II (Xiamen Oasis)	124,565,775.41	21,627,889.87	1,259,194.81	-	144,934,470.47
Recycling project (Shaoguan Green)	117,618,796.36	45,200,947.47	2,296,641.84	940,730.90	159,582,371.09
Shaoguan Green hazardous waste landfill project (Shaoguan Green BOT)	59,912,249.12	4,780,501.93	-	-	64,692,751.05
Xiamen Dongjiang construction project (Xiamen Dongjiang)	31,066,083.18	21,052,793.42	7,335,964.07	-	44,782,912.53
Dongguan Hengjian renovation project (Dongguan Hengjian)	15,201,993.60	8,242,738.03	21,076,801.32	-	2,367,930.31
Nantong Dongjiang project construction (Nantong Dongjiang)	74,640,500.39	80,174,582.81	141,070,620.60	13,744,462.60	-
Xiantao environmental protection project (Luyi Environmental)	70,913,856.60	8,168,572.85	77,806,550.86	1,275,878.59	-
Wastewater treatment project (Shaoguan Green)	55,337,095.16	1,022,077.56	56,359,172.72	-	-
<b>Total</b>	<b>1,103,794,597.08</b>	<b>696,672,730.68</b>	<b>593,828,744.56</b>	<b>74,170,355.89</b>	<b>1,132,468,227.31</b>

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in progress (Continued)

#### (3) Movement of major construction in progress (Continued)

Name	Budget	Proportion of accumulated 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 and general solid waste treatment and disposal center in Caofeidian district (Tangshan Wandesi)	252,350,000.00	71.96%	71.96%	3,334,367.00	3,334,367.00	5.60%	Loans from financial institutions, internal borrowing
Plasma pilot project (Longgang Dongjiang)	67,148,600.00	59.76%	59.76%	-	-	-	Own funds
Fujian Oasis rotary kiln project (Fujian Oasis)	310,000,000.00	68.23%	68.23%	2,253,832.08	1,239,020.88	5.23%	Internal borrowing, loans from financial institutions
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	70,000,000.00	99.40%	99.40%	-	-	-	Own funds
Phase III of 20,000 tons rotary kiln project (Huaxin Environmental)	86,224,940.00	35.56%	35.56%	-	-	-	Own funds
Plant and road construction project phase III (Coastal Solid Waste)	265,099,500.00	60.14%	60.14%	9,556,382.38	366,319.33	4.85%	Internal borrowing
Weifang Dongjiang project (Weifang Blue Sea)	365,180,000.00	80.83%	80.83%	21,643,869.50	7,450,611.73	5.69%	Internal borrowing, loans from financial institutions
Workshop of physical and chemical treatment project (Nantong Dongjiang)	20,037,000.00	100.00%	100.00%	-	-	-	Own funds
Foshan Fulong comprehensive utilization and disposal of industrial solid waste project (Foshan Fulong)	500,000,000.00	58.47%	58.47%	7,635,375.90	7,464,267.90	5.19%	Internal borrowing, loans from financial institutions





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in progress (Continued)

#### (3) Movement of major construction in progress (Continued)

Name	Budget	Proportion of accumulated expenditure injected to budget	Progress	Accumulated capitalised interest	Including: Interest capitalised for the year	Interest capitalisation rate for the year	Source of capital
Property construction phase II (Xiamen Oasis)	200,000,000.00	92.62%	92.62%	36,457,341.94	4,745,811.87	5.23%	Internal borrowing, loans from financial institutions
Recycling project (Shaoguan Green)	350,000,000.00	53.21%	53.21%	-	-	-	Own funds
Shaoguan Green hazardous waste landfill project (Shaoguan Green BOT)	150,000,000.00	43.13%	43.13%	-	-	-	Own funds
Xiamen Dongjiang construction project (Xiamen Dongjiang)	80,000,000.00	67.91%	67.91%	-	-	-	Own funds
Dongguan Hengjian renovation project (Dongguan Hengjian)	130,000,000.00	89.86%	89.86%	-	-	-	Own funds
Nantong Dongjiang project construction (Nantong Dongjiang)	194,519,022.50	79.59%	79.59%	2,517,440.91	423,743.43	4.70%	Internal borrowing, loans from financial institutions
Xiantao environmental protection project (Luyi Environmental)	427,500,000.00	31.91%	31.91%	12,310,420.27	80,377.58	5.09%	Internal borrowing, loans from financial institutions
Wastewater treatment project (Shaoguan Green)	65,000,000.00	86.71%	86.71%	-	-	-	Own funds
<b>Total</b>	<b>3,533,059,062.50</b>	<b>-</b>	<b>-</b>	<b>95,709,029.98</b>	<b>25,104,519.72</b>	<b>-</b>	<b>-</b>

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 18. Right-of-use assets

Item	Buildings and structures	Transportation equipment	Total
I. Original book value	–	–	–
1. Balance at the beginning of year	19,426,571.55	2,577,660.36	22,004,231.91
2. Increase during the period	–	–	–
3. Decrease during the period (1) Disposal	–	593,620.12	593,620.12
4. Balance at the end of period	19,426,571.55	1,984,040.24	21,410,611.79
II. Accumulated depreciation	–	–	–
1. Balance at the beginning of year	–	1,222,934.10	1,222,934.10
2. Increase during the period (1) Provision	5,048,869.55	452,625.56	5,501,495.11
3. Decrease during the period (1) Disposal	–	399,077.33	399,077.33
4. Balance at the end of period	5,048,869.55	1,276,482.33	6,325,351.88
III. Impairment provision	–	–	–
IV. Book value	–	–	–
1. Book value at the end of period	14,377,702.00	707,557.91	15,085,259.91
2. Book value at the beginning of year	19,426,571.55	1,354,726.26	20,781,297.81

Depreciation and amortization of right-of-use assets recognized as profit or loss during the year was RMB5,501,495.11 (last year: RMB0.00).





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## VI. EXPLANATORY NOTES FOR MAJOR 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	388,718,398.31	2,011,891.76	26,929,638.37	923,150,297.11	1,340,810,225.55
2. Increase during the year	268,342,313.09	-	6,227,728.80	34,854,008.32	309,424,050.21
(1) Acquisition	201,097,212.75	-	6,227,728.80	29,290,040.10	236,614,981.65
(2) In-house research and development	-	-	-	-	-
(3) Addition from business combination	67,245,100.34	-	-	-	67,245,100.34
(4) Increase in category changes and others	-	-	-	5,563,968.22	5,563,968.22
3. Decrease during the year	-	-	-	2,968,762.40	2,968,762.40
(1) Disposal	-	-	-	448,562.67	448,562.67
(2) Decrease from business combination	-	-	-	-	-
(3) Decrease in category changes and others	-	-	-	2,520,199.73	2,520,199.73
4. Balance at the end of year	657,060,711.40	2,011,891.76	33,157,367.17	955,035,543.03	1,647,265,513.36
II. Accumulated amortisation					
1. Balance at the beginning of year	44,678,849.10	1,289,407.41	7,443,620.42	384,747,726.80	438,159,603.73
2. Increase during the year	14,516,835.85	141,605.75	3,697,949.32	58,605,567.85	76,961,958.77
(1) Provision	11,013,824.32	141,605.75	3,697,949.32	58,697,144.09	73,550,523.48
(2) Addition from business combination	3,503,011.53	-	-	-	3,503,011.53
(3) Increase in category changes and others	-	-	-	-91,576.24	-91,576.24
3. Decrease during the year	-	-	-	349,193.68	349,193.68
(1) Disposal	-	-	-	300,101.70	300,101.70
(2) Decrease from business combination	-	-	-	-	-
(3) Decrease in category changes and others	-	-	-	49,091.98	49,091.98
4. Balance at the end of year	59,195,684.95	1,431,013.16	11,141,569.74	443,004,100.97	514,772,368.82

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Intangible assets (Continued)

#### (1) Breakdown of intangible assets (Continued)

Item	Land use rights	Patent	Non-patent technology	BOT operating rights	Total
III. Impairment provision					
1. Balance at the beginning of year	-	-	-	27,457,110.19	27,457,110.19
2. Increase during the year	-	-	-	-	-
(1) Provision	-	-	-	-	-
(2) Decrease from business combination	-	-	-	-	-
(3) Decrease in category changes and others	-	-	-	-	-
3. Decrease during the year	-	-	-	-	-
(1) Disposal	-	-	-	-	-
(2) Decrease from business combination	-	-	-	-	-
(3) Decrease in category changes and others	-	-	-	-	-
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	597,865,026.45	580,878.60	22,015,797.43	484,574,331.87	1,105,036,034.35
2. Book value at the beginning of year	344,039,549.21	722,484.35	19,486,017.95	510,945,460.12	875,193,511.63

Amortization of intangible assets recognized as profit and loss during the year was RMB73,550,523.48 (Amount of last year: RMB87,626,317.16).





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 19. Intangible assets *(Continued)*

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

The intangible assets included land use rights with book value of RMB68,224,471.66 (amount at the beginning of the year: RMB2,493,357.16) 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
Land use rights of Zhuhai Dongjiang, a subsidiary	65,792,615.34	In progress, expected to be obtained in 2020
Land use rights of Qingyuan Xinlv, a subsidiary	2,431,856.32	In progress, expected to be obtained in 2020
<b>Total</b>	<b>68,224,471.66</b>	

#### (3) Impairment provision of intangible assets

	Balance at the beginning of year	Increase during the year Provision	Decrease during the year Disposal	Balance at the end of year
<b>BOT operating rights</b>				
Longgang Dongjiang	20,418,362.70	-	-	<b>20,418,362.70</b>
Hunan Dongjiang	7,038,747.49	-	-	<b>7,038,747.49</b>
<b>Total</b>	<b>27,457,110.19</b>	<b>-</b>	<b>-</b>	<b>27,457,110.19</b>

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. In 2017, due to the disposal of intangible assets, the corresponding impairment provision was RMB75,106.15.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Development expenditure

Item	Balance at the beginning of year	Increase during the year		Decrease during the year			Balance at the end of year
		Internal development expenditure	Other increase	Recognized as intangible assets	Transfer to profit or loss for the period	Other decrease	
Technical research on contamination control during recycling process of waste electrical and electronic appliances and environmental safety control on recycled products	2,206,630.26	988,675.92	-	-	-	-	3,195,306.18
Technology research and development on cascade recycling and reuse acid etching solution	4,039,971.63	-	-	-	-	988,046.35	3,051,925.28
National Water Special Project 3 – Comprehensive integration and demonstration of typical regional water quality improvement technologies in the Wujingang river basin	289,668.26	424,920.42	-	-	-	714,588.68	-
Research on diffusion dialysis technology in nitric acid recycling	6,822,413.34	-	-	-	-	688,385.26	6,134,028.08
Sewage treatment integrated equipment	1,476,437.66	-	35,754.76	-	1,512,192.42	-	-
Other projects	3,025,960.02	2,875,533.71	608,557.50	-	4,725.00	1,062,073.88	5,443,252.35
<b>Total</b>	<b>17,861,081.17</b>	<b>4,289,130.05</b>	<b>644,312.26</b>	<b>-</b>	<b>1,516,917.42</b>	<b>3,453,094.17</b>	<b>17,824,511.89</b>





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## VI. EXPLANATORY NOTES FOR MAJOR 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 Green	30,831,658.44	–	–	30,831,658.44
Chengdu Hazardous Waste	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	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
Luyi 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	69,183,492.34	–	–	69,183,492.34
Jiangsu Dongjiang	223,359,256.95	–	–	223,359,256.95
Dongheng Environmental	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
Foshan Fulong* <sup>1</sup>	–	113,831,126.19	–	113,831,126.19
<b>Total</b>	<b>1,289,121,856.12</b>	<b>113,831,126.19</b>	<b>–</b>	<b>1,402,952,982.31</b>

\*1: The goodwill of Foshan Fulong was generated from the acquisition under uncommon control during the year.

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## VI. EXPLANATORY NOTES FOR MAJOR 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 Green	30,831,658.44	-	-	30,831,658.44
Chengdu Hazardous Waste	2,045,010.07	-	-	2,045,010.07
Lik Shun Services	3,052,019.14	-	-	3,052,019.14
Xiamen Oasis	6,600,000.00	-	-	6,600,000.00
Hubei Tianyin	28,324,241.42	25,931,060.66	-	54,255,302.08
Jiangxi Kangtai	5,131,308.16	-	-	5,131,308.16
Xiantao Luyi	-	7,696,700.00	-	7,696,700.00
Dongheng Environmental	-	5,368,275.95	-	5,368,275.95
<b>Total</b>	<b>75,984,237.23</b>	<b>38,996,036.61</b>	<b>-</b>	<b>114,980,273.84</b>

#### (3) Information about the asset group or asset portfolio in which the goodwill is located

The carrying value of goodwill of the Company is formed by mergers and acquisitions under the same control. The asset group or asset portfolio involved in goodwill is consistent with the asset group or asset portfolio determined at the time of purchase and the goodwill impairment test in previous year.





# NOTES TO FINANCIAL STATEMENTS

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 21. Goodwill *(Continued)*

- (4) The Company conducts impairment tests on each of the above combined goodwill in accordance with the provisions of Accounting Standards for Business Enterprises No. 8 – Asset Impairment at the end of each year. At the end of Reporting Period, the Company classified each of the subsidiaries stated in the above table as a whole as an asset group, sharing the respective proportion of the entire goodwill. The recognition of the above asset group is in line with the recognition of asset group or asset portfolio during the respective acquisition date of project merger and acquisition and at the time of impairment tests in prior years. The Company engaged Beijing YaChao Asset Appraisal Co., Ltd. to evaluate the recoverable amount of the asset group or asset portfolio which contain goodwill; to conduct future cash flow forecast of each of the respective asset groups according to the operating conditions, operation plan, macroeconomic environment, industrial conditions and market prospects; to recognize the recoverable amount of each of the asset groups at the end of the year according to the estimated present value of future cash flow of each of the above asset groups; to determine whether to provide goodwill impairment and respective amount of provisions for each of the above combined goodwill according to the test results. The Company made provision for impairment of goodwill of RMB38.9960 million according to the recoverable amount and the estimated present value of future cash flow.

Hefei Xinguan, Nanchang Xinguan and Hengjian Tongda are BOT projects in cooperation with the government, with a relatively low cash flow risk. The management of the Company determined the recoverable amount of the asset portfolio which contains goodwill, based on the discount rate of 8% of market evaluation rate of return of similar projects, the sustainable growth rate of 0% to 1% selected due to the project capacity growth capacity and the cash flow projections for the next five years (the “budget period”) prepared according to the most recent financial budget assumptions.

The recoverable amount of the asset portfolios containing goodwill of the subsidiaries other than the above-mentioned companies is determined based on the present value of the estimated future cash flows. The management of the Company determined the recoverable amount of the asset portfolios containing goodwill, in accordance with the cash flow projections for the next five years (the “budget period”) prepared according to the most recent financial budget assumptions, assuming that the cash flow for the next 10 years (the “estimation period”) remains unchanged, based on the discount rate of 13% to 15% to calculate the recoverable amount and the sustainable growth rate of 0% to 2% selected due to the project capacity growth capacity. During the year, based on the difference between the carrying value of the asset portfolios containing goodwill and the recoverable amount of the asset portfolios containing goodwill, the provision for goodwill impairment of Hubei Tianyin, Xiantao Luyi and Dongheng Environmental were RMB25,931,060.66, RMB7,696,700.00 and RMB5,368,275.95 respectively.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21. Goodwill (Continued)

(4) (Continued)

Significant key parameters estimated by the management:

Name of asset group	Estimated period	Profit margin during the estimated period	Discount rate	Estimated present value of future net cash flow
Dongguan Hengjian	2020-2024	6.75%	13.35%	199,378,400.00
Jiaxing Deda	2020-2024	7.84%	13.35%	84,880,500.00
Weifang Dongjiang	2020-2024	27.44%	13.35%	429,251,800.00
Coastal Solid Waste	2020-2024	6.34%	13.35%	204,978,200.00
Foshan Fulong	2020-2024	17.69%	13.35%	542,736,100.00
Hengshui Ruitao	2020-2024	13.47%	13.35%	168,539,600.00
Caofeidian	2020-2025	25.73%	14.25%	335,973,800.00
Nanchang Xinguan	2020-2025	29.49%	8.00%	35,781,900.00
Xiamen Oasis	2020-2024	12.71%	14.41%	662,677,100.00
Hubei Tianyin	2020-2024	-2.06%	13.80%	286,395,800.00
Hefei Xinguan	2020-2033	22.60%	8.00%	51,115,700.00
Hengjian Tongda	2020-2033	63.18%	8.00%	213,528,200.00
Huateng Environmental	2020-2024	25.86%	13.67%	19,743,100.00
Zhejiang Jianglian	2020-2024	32.19%	13.35%	297,385,300.00
Jiangsu Dongjiang	2020-2024	27.78%	13.35%	372,701,700.00
Qingyuan Xinlv	2020-2024	8.24%	13.35%	102,143,300.00
Zhuhai Yongxingsheng	2020-2024	35.50%	13.35%	466,565,200.00
Wosen Environmental	2020-2024	22.91%	13.35%	140,419,400.00





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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
Improvement fees	22,715,878.92	5,363,441.38	5,442,036.21	-	<b>22,637,284.09</b>
Facility maintenance and improvement fees	7,107,855.16	4,822,633.21	8,652,101.17	-	<b>3,278,387.20</b>
Greening work	9,023,101.75	-	2,177,197.56	-	<b>6,845,904.19</b>
Others	5,603,525.28	7,280,477.36	5,478,593.70	230,711.87	<b>7,174,697.07</b>
<b>Total</b>	<b>44,450,361.11</b>	<b>17,466,551.95</b>	<b>21,749,928.64</b>	<b>230,711.87</b>	<b>39,936,272.55</b>

### 23. Deferred income tax assets and deferred income tax liabilities

#### 23.1 Deferred income tax assets

##### 1) Types of deferred income tax assets

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	<b>183,714,199.68</b>	<b>28,604,852.09</b>	145,647,199.91	17,625,503.14
Difference of fixed assets depreciation	<b>4,562,941.72</b>	<b>789,811.68</b>	1,991,707.51	473,144.82
Changes in fair value of financial assets at fair value through profit and loss of the period	-	-	-	-
Deferred income	<b>13,256,786.89</b>	<b>1,927,215.01</b>	24,317,633.37	3,790,199.22
Unrealised profit and loss on intragroup sales	<b>2,529,717.33</b>	<b>379,457.60</b>	3,090,418.14	463,562.72
Loss compensation	<b>7,351,018.97</b>	<b>1,837,754.74</b>	-	-
Accrued expenses	<b>26,697,811.60</b>	<b>4,508,728.63</b>	21,657,242.67	3,248,586.39
Long-term unamortized expenses	<b>1,504,166.63</b>	<b>376,041.66</b>	1,604,166.63	401,041.66
<b>Total</b>	<b>239,616,642.82</b>	<b>38,423,861.41</b>	198,308,368.23	26,002,037.95

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 23. Deferred income tax assets and deferred income tax liabilities (Continued)

#### 23.2 Deferred income tax liabilities

Item	Balance at the end of year		Balance at the beginning of year	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Change in fair value of investment properties	73,209,504.44	14,284,541.66	57,036,593.77	11,435,559.96
Change in fair value of held-for-trading financial assets	–	–	11,503,220.00	1,725,483.00
The difference of fixed assets depreciation	4,319,489.92	1,079,872.48	4,791,946.84	1,197,986.71
<b>Total</b>	<b>77,528,994.36</b>	<b>15,364,414.14</b>	73,331,760.61	14,359,029.67

#### 23.3 Unrecognized deferred income tax assets

##### 1) Breakdown of unrecognized deferred income tax assets

Item	Amount at the end of year	Amount at the beginning of year
Deductible temporary difference	34,064,258.85	33,273,097.52
Deductible losses	308,939,887.09	250,057,698.67
<b>Total</b>	<b>343,004,145.94</b>	283,330,796.19

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.





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

#### 23.3 Unrecognized deferred income tax assets *(Continued)*

- 2) 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
2019	–	24,105,016.96	
2020	<b>28,679,439.95</b>	29,465,906.96	
2021	<b>38,386,012.22</b>	53,466,541.19	
2022	<b>27,286,747.24</b>	59,208,296.91	
2023	<b>83,324,163.88</b>	83,811,936.65	
2024	<b>131,263,523.80</b>	–	
<b>Total</b>	<b>308,939,887.09</b>	250,057,698.67	

### 24. Other non-current assets

Item	Amount at the end of year	Amount at the beginning of year
Payment for construction or equipment	<b>90,256,634.20</b>	179,253,629.70
Equity-based payment for acquisitions	<b>24,500,000.00</b>	17,500,000.00
<b>Total</b>	<b>114,756,634.20</b>	196,753,629.70

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## VI. EXPLANATORY NOTES FOR MAJOR 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	45,000,000.00	39,745,000.00
Guaranteed borrowings	97,166,400.00	144,351,571.16
Credit borrowings	1,602,000,000.00	1,650,000,000.00
<b>Total</b>	<b>1,744,166,400.00</b>	<b>1,834,096,571.16</b>

Pledged borrowings: as at the end of the year, short-term borrowings of RMB45,000,000.00 was secured by pledge of 11 buildings of Xiamen Oasis Environmental of book value of RMB96,135,400.00.

Guaranteed borrowings: guaranteed borrowings of RMB30,000,000.00 at the end of the year was guarantee provided by Xiamen Dongjiang in favour of Fujian Oasis Solid Waste, while the remaining balance was guarantee provided by the Company in favour of Xiamen Oasis and Lik Shun Services.

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

### 26. Notes payable

Types of notes payable	Balance at the end of year	Balance at the beginning of year
Bank acceptance notes	360,000.00	150,000,000.00
Commercial acceptance notes	100,000,000.00	–
<b>Total</b>	<b>100,360,000.00</b>	<b>150,000,000.00</b>

(1) *Aging of notes payable*

Age	Balance at the end of year	Balance at the beginning of year
0-90 days	360,000.00	50,000,000.00
91-180 days	100,000,000.00	100,000,000.00
<b>Total</b>	<b>100,360,000.00</b>	<b>150,000,000.00</b>

(2) As at the end of the year, there was no notes payable overdue but unpaid.





# NOTES TO FINANCIAL STATEMENTS

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 27. Accounts payable

#### (1) Accounts payable

Item	Balance at the end of year	Balance at the beginning of year
Raw material	172,781,247.67	162,892,387.97
Construction fees	192,007,745.04	186,494,372.70
Treatment fee	203,938,540.84	118,524,203.69
Equipment	61,860,315.96	47,695,800.98
Others	55,303,451.64	42,751,544.94
<b>Total</b>	<b>685,891,301.15</b>	558,358,310.28

#### (2) Significant accounts payable aged over 1 year

Name	Balance at the end of year	Reason for not yet settled or carried forward
Jiangsu Guangxing Group Co., Ltd.	22,676,300.00	Construction fees, final account audit of the completed project not yet completed
Guangxi Construction Engineering Group No. 1 Installation Co., Ltd	11,068,870.58	Construction fees, not yet due
Huizhou Tonghu Qiaochang Construction Project Co., Ltd. (惠州潼湖橋場建築工程公司)	3,041,718.96	Construction fees, not yet due
Weigang Environment Technology Limited	1,972,946.17	Construction fees, not yet due
Urban Management Bureau of Bao An District, Shenzhen	1,288,034.41	CDM fees, not yet due
Weifang Branch of Shandong Boxin Construction Group Co., Ltd.	1,227,608.25	Warranty
Shanghai Senon Co., Ltd.	1,202,586.21	Equipment, not yet due
<b>Total</b>	<b>42,478,064.58</b>	

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 27. Accounts payable (Continued)

#### (3) Aging of accounts payable

The Group incurred payables from goods and services that are not yet paid. The Group recognized the payables according to the evidence and proceed the calculation of aging.

As at 31 December 2019, aging analysis of accounts payable presented based on the invoice date is as follows:

Age	Balance at the end of year	Balance at the beginning of year
0-90 days	<b>443,764,765.25</b>	313,200,928.43
91-180 days	<b>78,561,155.44</b>	90,682,256.12
181-365 days	<b>80,189,595.75</b>	25,632,419.50
1-2 years	<b>58,226,762.56</b>	116,777,796.55
2-3 years	<b>19,293,100.76</b>	5,779,253.72
Over 3 years	<b>5,855,921.39</b>	6,285,655.96
<b>Total</b>	<b>685,891,301.15</b>	558,358,310.28

### 28. Receipts in advance

#### (1) Receipts in advance

Item	Balance at the end of year	Balance at the beginning of year
Treatment fees	<b>315,000.00</b>	–
Interest	<b>112,500.00</b>	2,986,660.00
<b>Total</b>	<b>427,500.00</b>	2,986,660.00

#### (2) Significant receipts in advance aged over 1 year: nil.





# NOTES TO FINANCIAL STATEMENTS

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 29. Contractual liabilities

Item	Balance at the end of year	Balance at the beginning of year
Service fees	<b>144,614,416.60</b>	143,251,027.11
Payments for goods	<b>24,653,166.45</b>	7,353,831.87
Construction fees	–	1,363,679.11
<b>Total</b>	<b>169,267,583.05</b>	151,968,538.09

As at 31 December 2019, the amount expected to be recognized as income within 180 days was: RMB128,123,187.80, the amount expected to be recognized as income after 180 days was: RMB41,144,395.25.

### 30. 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	81,900,366.23	589,778,196.61	591,728,430.22	<b>79,950,132.62</b>
Post-employment benefit – defined contribution schemes	119,221.85	35,901,709.84	35,935,207.79	<b>85,723.90</b>
Termination benefits	734,379.00	388,679.08	1,066,478.32	<b>56,579.76</b>
Other benefits due within one year	–	–	–	–
<b>Total</b>	82,753,967.08	626,068,585.53	628,730,116.33	<b>80,092,436.28</b>

# NOTES TO FINANCIAL STATEMENTS

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. 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	78,627,503.43	515,355,724.25	517,542,456.93	<b>76,440,770.75</b>
Staff welfare	763,544.25	38,401,876.66	38,282,288.70	<b>883,132.21</b>
Social Insurance	60,426.12	14,874,495.01	14,893,609.97	<b>41,311.16</b>
Including: Medical insurance	54,390.37	12,462,370.09	12,485,307.40	<b>31,453.06</b>
Injury Insurance	1,724.31	998,740.62	997,272.56	<b>3,192.37</b>
Maternity	4,311.44	1,413,384.30	1,411,030.01	<b>6,665.73</b>
Housing provident fund	4,963.44	14,675,830.95	14,667,700.29	<b>13,094.10</b>
Union operation cost and employee education fund	2,315,866.38	6,014,669.35	5,758,716.83	<b>2,571,818.90</b>
Others	128,062.61	455,600.39	583,657.50	<b>5.50</b>
<b>Total</b>	<b>81,900,366.23</b>	<b>589,778,196.61</b>	<b>591,728,430.22</b>	<b>79,950,132.62</b>

#### (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	117,378.43	34,781,499.14	34,815,821.88	<b>83,055.69</b>
Unemployment insurance	1,843.42	928,280.02	927,455.23	<b>2,668.21</b>
Mandatory provident fund	–	191,930.68	191,930.68	<b>–</b>
<b>Total</b>	<b>119,221.85</b>	<b>35,901,709.84</b>	<b>35,935,207.79</b>	<b>85,723.90</b>





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 31. Tax payable

Item	Balance at the end of year	Balance at the beginning of year
VAT	<b>18,069,162.19</b>	30,743,794.37
EAT	<b>33,068,167.85</b>	38,786,885.99
Individual income tax	<b>2,103,874.17</b>	2,254,773.91
Urban maintenance and construction tax	<b>1,464,987.95</b>	1,889,014.75
Education surcharge	<b>1,149,320.04</b>	1,519,660.84
Land use tax	<b>1,554,382.25</b>	2,218,751.50
Property tax	<b>2,340,286.79</b>	3,677,741.84
Stamp duty	<b>112,646.43</b>	78,701.41
Others	<b>232,016.96</b>	72,886.95
<b>Total</b>	<b>60,094,844.63</b>	81,242,211.56

### 32. Other payables

Item	Balance at the end of year	Balance at the beginning of year
Interest payable	<b>2,664,917.36</b>	2,106,252.25
Dividend payable	–	3,260,310.01
Other payables	<b>605,128,012.92</b>	207,576,588.33
<b>Total</b>	<b>607,792,930.28</b>	212,943,150.59

#### 32.1 Interest payable

##### (1) Categories of interest payable

Item	Balance at the end of year	Balance at the beginning of year
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	<b>1,198,989.94</b>	564,740.81
Interest payable of short-term borrowings	<b>1,465,927.42</b>	1,541,511.44
<b>Total</b>	<b>2,664,917.36</b>	2,106,252.25

##### (2) There was no important interest that has been overdue and not paid.

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### 32.2 Dividend payable

Item	Balance at the end of year	Balance at the beginning of year
Dividend of ordinary shares	–	3,260,310.01
<b>Total</b>	<b>–</b>	<b>3,260,310.01</b>

#### 32.3 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	–	67,806,966.75
Equity-based payment for acquisitions	<b>47,695,853.64</b>	30,362,606.04
Guaranteed deposits, provisions	<b>28,133,267.07</b>	21,790,409.15
Borrowings from related parties	<b>442,890,992.34</b>	–
Others	<b>86,407,899.87</b>	87,616,606.39
<b>Total</b>	<b>605,128,012.92</b>	<b>207,576,588.33</b>

Particular: Borrowings from related parties mainly represent Guangdong Rising Assets Special Environmental Protection Funds received during the Reporting Period.





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### 32.3 Other payables (Continued)

##### (2) Significant other payables aged over 1 year

Name	Balance at the end of year	Reason for not yet settled or carried forward
Nanjing Wondux Environmental Protection Technology Co., Ltd.	19,322,500.00	The equity agreement has not been fulfilled
Zhejiang Hualian Group Co., Ltd.	12,028,000.00	Amount due to minority interests prior to acquisition of subsidiary
Foshan Wanxinglong Environmental Resources Co., Ltd	6,094,673.38	Current accounts and borrowings with minority shareholders
Hebei Lichen Environmental Protection Technology Co., Ltd.	1,837,500.00	The equity agreement has not been fulfilled
Qingbaijiang District, Chengdu City People's Government	1,600,000.00	The last payment of land has not been paid
<b>Total</b>	<b>40,882,673.38</b>	

### 33. Non-current liabilities due within 1 year

Item	Balance at the end of year	Balance at the beginning of year
Long-term borrowings due within 1 year	79,491,882.84	81,400,000.00
Lease liabilities due within 1 year	5,857,870.53	4,584,190.58
Long-term bonds payable due within 1 year	863,584,371.24	358,921,775.00
<b>Total</b>	<b>948,934,124.61</b>	444,905,965.58

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 34. Long-term borrowings

(1) *Categories of long-term borrowings*

Categories of borrowings	Balance at the end of year	Balance at the beginning of year
Credit borrowings	97,000,000.00	–
Pledged borrowings	695,160,253.64	392,066,886.00
Guaranteed borrowings	56,991,026.48	125,131,501.82
<b>Total</b>	<b>849,151,280.12</b>	517,198,387.82

(2) *Analysis of long-term borrowings:*

Categories of borrowings	Balance at the end of year	Balance at the beginning of year
Credit borrowings	97,000,000.00	–
Pledged borrowings	695,160,253.64	392,066,886.00
Guaranteed borrowings	56,991,026.48	125,131,501.82
<b>Total</b>	<b>849,151,280.12</b>	517,198,387.82
The carrying value of the above borrowings are payable as follows:		
Within 1 year	79,491,882.84	81,400,000.00
After 1 year from the balance sheet date but within 2 years	195,512,798.82	21,500,000.00
After 2 years from the balance sheet date but within 5 years	475,546,598.46	346,298,387.82
After 5 years from the balance sheet date	98,600,000.00	68,000,000.00
Less: Amounts due within one year shown under current liabilities	79,491,882.84	81,400,000.00
Amounts shown under current liabilities	769,659,397.28	435,798,387.82





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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 34. Long-term borrowings *(Continued)*

#### *(2) Analysis of long-term borrowings: (Continued)*

Interest rate for long-term bank borrowings was 3.00%-5.70%, with weighted average rate of 5.27% (2018: interest rate for long-term borrowings was 4.75%-5.70%, with weighted average rate of 5.49%).

Pledged borrowings were primarily secured by pledge of the followings: land with a temporary consideration of RMB14,129,888.00 held by Hengshui Ruitao, property and land with an appraised value of RMB123,060,000.00 held by Hubei Tianyin, land with an appraised value of RMB25,070,000.00 held by Weifang Blue Sea, land use rights with an appraised value of RMB48,706,700.00 held by Tangshan Wandesi, land with an appraised value of RMB52,400,000.00 held by Huaxin Environmental, land with an appraised value of RMB6,350,000.00 held by Coastal Solid Waste, land with a temporary consideration of RMB17,541,600.00 held by Nantong Dongjiang, movable properties and real estates and machineries with an appraised value of RMB125,910,350.00 held by Foshan Fulong, land and construction in progress with a temporary consideration of RMB104,237,600.00 held by Fujian Oasis, real estates with a temporary consideration of RMB95,019,374.00 held by Zhuhai Yongxingsheng.

Guaranteed borrowings were guaranteed by the Company to the bank.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. 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	–	358,921,775.00
2017 Green Bond of Dongjiang Environmental Company Limited	<b>595,001,904.88</b>	623,134,140.84
Asset-backed Project in relation to the GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project	<b>268,582,466.36</b>	279,673,814.68
<b>Total</b>	<b>863,584,371.24</b>	1,261,729,730.52
The carrying value of the above bonds are repayable as follows:		
Within 1 year	<b>863,584,371.24</b>	358,921,775.00
After 1 year from the balance sheet date but within 2 years	–	641,043,067.75
After 2 years from the balance sheet date but within 5 years	–	49,497,653.24
After 5 years from the balance sheet date	–	212,267,234.53
Less: Amount of bonds due within one year shown under current liabilities	<b>863,584,371.24</b>	358,921,775.00
Amount of bonds shown under current liabilities	–	902,807,955.52

The Company considered and passed the “Resolution on Early Termination of Asset-backed Project in relation to the GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project” at the 47th meeting of the sixth session of the Board on 5 February 2020. In order to optimize the debt structure of the Company and reduce the In order to optimise the Company’s debt structure and reduce financing costs, after careful consideration, the Company decided to terminate the “Asset-backed Project in relation to the GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project”.

Pursuant to the requirements in the relevant provisions in the “Prospectus of Dongjiang Environmental Company Limited 2017 Green Corporate Bonds (First Tranche) Publicly Issued to Qualified Investors” (“Current Bond”), the Company has paid the principal and relevant interest of Current Bond on 10 March 2020. Current Bond was de-listed on the same date.





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. 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		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	Other changes	Balance at the end of year
	carrying amount	Issue date					based on carrying amount	Premium/discounts amortization				
Green Bond	600,000,000.00	2017-3-10	3 year	600,000,000.00	623,134,140.84	-	30,984,300.00	1,171,464.04	60,288,000.00	-	595,001,904.88	-
Humen Green01	41,000,000.00	2017-3-15	3 year	41,000,000.00	17,908,926.91	-	603,162.15	2,996,724.84	14,646,450.30	-	6,862,363.60	-
Humen Green02	49,000,000.00	2017-3-15	6 year	49,000,000.00	49,497,653.24	-	2,064,567.36	-	2,073,040.20	-	49,489,180.40	-
Humen Green03	58,000,000.00	2017-3-15	9 year	58,000,000.00	58,595,178.24	-	2,443,773.61	-	2,453,802.69	-	58,585,149.16	-
Humen Green04	69,000,000.00	2017-3-15	12 year	69,000,000.00	69,747,692.69	-	2,907,247.92	-	2,919,179.06	-	69,735,761.55	-
Humen Green05	83,000,000.00	2017-3-15	15 year	83,000,000.00	83,924,363.60	-	3,497,124.31	-	3,511,476.26	-	83,910,011.65	-
<b>Total</b>	<b>900,000,000.00</b>	-	-	<b>900,000,000.00</b>	<b>902,807,955.52</b>	-	<b>42,500,175.35</b>	<b>4,168,188.88</b>	<b>85,891,948.51</b>	-	<b>863,584,371.24</b>	-

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, such segment was reclassified to non-current liabilities due within one year;

Humen Green, a subsidiary, set up "Asset-backed Project in relation to the 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%. All the Humen Green bonds were terminated early in 2020. The entire balance at the end of the current period was classified as non-current asset due within one year.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Lease liabilities

#### (1) Breakdown of lease liabilities

Item	Balance at the end of period	Balance at the beginning of year
Lease liabilities	16,510,185.92	20,976,587.91
Less: Lease liabilities due within one year (note VI. 33)	5,857,870.53	4,584,190.58
<b>Total</b>	<b>10,652,315.39</b>	<b>16,392,397.33</b>

#### (2) Analysis of maturity of lease liabilities

Item	Balance at the end of year	Balance at the beginning of year
1-2 years	6,143,805.87	5,939,962.58
2-5 years	4,508,509.52	10,452,434.75
<b>Total</b>	<b>10,652,315.39</b>	<b>16,392,397.33</b>

### 37. Long-term payables

Item	Balance at the end of year	Balance at the beginning of year
Long-term payables	–	–
Special accounts payable	2,957,612.44	4,435,135.17
<b>Total</b>	<b>2,957,612.44</b>	<b>4,435,135.17</b>

#### 37.1 Special accounts payable

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year	Reason
Compensation for demolition	4,435,135.17	–	1,477,522.73	2,957,612.44	Demolition payments received by a subsidiary, Baoan Dongjiang
<b>Total</b>	<b>4,435,135.17</b>	<b>–</b>	<b>1,477,522.73</b>	<b>2,957,612.44</b>	



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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. 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	184,675,393.59	16,674,000.00	36,421,537.93	<b>164,927,855.66</b>	
<b>Total</b>	<b>184,675,393.59</b>	<b>16,674,000.00</b>	<b>36,421,537.93</b>	<b>164,927,855.66</b>	

#### (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	Amount included in other income during the year	Amount of written-down cost 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	1,000,000.00	-	440,000.00	-	-	<b>2,160,000.00</b>	Related to assets
Rural water supply and drainage model optimization system based on ecological and health risk control	190,000.00	-	-	113,923.61	-	-	<b>76,076.39</b>	Related to assets
The safest water-supply technology and application demonstration in the mode of fetching handy water to purify	72,500.00	40,000.00	-	112,500.00	-	-	-	Related to assets
Integration solution and control technology system for rural water supply and drainage	70,000.00	1,000.00	-	71,000.00	-	-	-	Related to assets
Food Waste Project of Shenzhen Environmental Hygiene Management Office	3,044,965.84	-	-	3,044,965.84	-	-	-	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	870,000.00	-	-	780,200.00	-	-	<b>89,800.00</b>	Related to assets
Hazardous waste liquid and waste water treatment technology engineering laboratory project in Shenzhen	4,934,188.04	-	-	493,418.80	-	-	<b>4,440,769.24</b>	Related to assets
Research and development on cascade recycling and reuse technology of waste acid etching solution - Special project	1,500,000.00	50,000.00	-	744,444.44	-	-	<b>805,555.56</b>	Related to assets

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. 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	Amount included in other income during the year	Amount of written-down cost during the year	Other changes	Balance at the end of year	Related to assets/income
Research on application of nanotechnology in control on heavy metal pollution in the industrial cluster	1,140,000.00	-	-	-	-	-	<b>1,140,000.00</b>	Related to assets
Special funds for central environmental protection projects	5,786,350.20	-	-	5,786,350.20	-	-	-	Related to assets
Other resource exploration electricity information (Xiaping kitchen waste)	4,166,666.72	-	-	4,166,666.72	-	-	-	Related to assets
General project: anaerobic digestion of sludge and safe operation technology and equipment in southern cities	80,000.00	-	-	80,000.00	-	-	-	Related to assets
Key laboratory of Hazardous Waste Liquid Recycling and Deep Treatment Technology Research and Development Enterprise in Guangdong	-	2,850,000.00	-	-	-	-	<b>2,850,000.00</b>	Related to assets
Special funds for Shenzhen Environmental Protection Project	1,600,000.23	-	-	400,000.00	-	-	<b>1,200,000.23</b>	Related to assets
Special funds from Shenzhen government for energy-saving and emission-reduction projects	319,999.86	-	-	80,000.00	-	-	<b>239,999.86</b>	Related to assets
Special funds for Shenzhen Environmental Protection Project	5,000,000.00	-	-	-	-	-	<b>5,000,000.00</b>	Related to assets
Special funds for circular economy and energy saving and emission reduction/RO membrane	121,833.14	-	-	86,000.04	-	-	<b>35,833.10</b>	Related to assets
Special construction funds from NDRC	3,075,000.00	-	-	3,075,000.00	-	-	-	Related to assets
Special subsidies for Northern Guangdong sewage treatment	5,000,000.00	-	-	-	-	-	<b>5,000,000.00</b>	Related to assets
Northern Guangdong agent construction project	4,636,000.00	-	-	-	-	-	<b>4,636,000.00</b>	Related to assets
Subsidies for industrial park development	19,547,445.22	-	-	546,780.60	-	-	<b>19,000,664.62</b>	Related to assets
Special funds for Shenzhen Environmental Protection Project	625,000.00	-	-	625,000.00	-	-	-	Related to assets





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. 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	Amount included in other income during the year	Amount of written-down cost during the year	Other changes	Balance at the end of year	Related to assets/income
Special funds for Qingyuan Technical Modification Project	-	320,000.00	-	-	-	-	320,000.00	Related to assets
Special funds for 2014 provincial circular economy development	975,005.42	-	-	97,484.41	-	-	877,521.01	Related to assets
Compensation for demolition	2,388,200.88	-	-	383,464.99	-	-	2,004,735.89	Related to assets
City Mineral Project Subsidy of Xiamen Oasis	24,000,000.00	-	-	-	-	-	24,000,000.00	Related to assets
Waste electrical appliances recycle treatment plant renovation and expansion project	1,091,751.37	-	-	620,743.96	-	-	471,007.41	Related to assets
Construction funds for recycling system of Resource Recycling	1,796,678.40	-	-	1,276,988.16	-	-	519,690.24	Related to assets
Clinical waste treatment plant project	953,591.98	-	-	953,591.98	-	-	-	Related to assets
Subsidies for Xiang'an District Xinru Town	514,666.67	-	-	514,666.67	-	-	-	Related to assets
Awards for deep emission reduction of key pollution sources	2,193,000.00	-	-	396,000.00	-	-	1,797,000.00	Related to assets
Special funds with rewards rather than subsidies in respect of hazardous waste treatment on provincial level	3,000,000.00	-	-	-	-	-	3,000,000.00	Related to assets
Decontamination and disposal of industrial solid waste of Nanping City Oasis	6,000,000.00	-	-	-	-	-	6,000,000.00	Related to assets
Settlement funds with rewards rather than subsidies in respect of hazardous waste treatment on provincial level	600,000.00	-	-	-	-	-	600,000.00	Related to assets
Provincial investment subsidies for hazardous waste prevention and treatment construction projects	-	6,000,000.00	-	-	-	-	6,000,000.00	Related to assets
Special funds for project package with rewards rather than subsidies in respect of hazardous waste treatment of Longyan Oasis	328,947.43	-	-	328,947.43	-	-	-	Related to assets
Longyan Oasis environmental protection project subsidy	50,000.00	-	-	50,000.00	-	-	-	Related to assets
Special funds for hazardous waste prevention and treatment	300,000.00	-	-	300,000.00	-	-	-	Related to assets

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. 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	Amount included in other income during the year	Amount of written-down cost during the year	Other changes	Balance at the end of year	Related to assets/income
Special funds for 2013 enterprise development support	368,333.33	-	-	368,333.33	-	-	-	Related to assets
Land return fund and farmland occupied tax, deed tax return	24,914,181.39	-	-	454,107.19	-	-	<b>24,460,074.20</b>	Related to assets
Land return fund and farmland occupied tax, deed tax return	18,544,066.77	-	-	406,682.04	-	-	<b>18,137,384.73</b>	Related to assets
Land return fund and farmland occupied tax, deed tax return	5,601,447.00	-	-	125,172.00	-	-	<b>5,476,275.00</b>	Related to assets
2017 special fund reward for special project of Guangdong industrial and informatization (supporting enterprise technology transformation)	5,180,925.93	-	-	615,555.56	-	-	<b>4,565,370.37</b>	Related to assets
Technical renovation project funds	30,000.00	-	-	30,000.00	-	-	-	Related to assets
New landfill site project	2,738,814.07	-	-	286,692.90	-	-	<b>2,452,121.17</b>	Related to assets
Dongheng Environmental Industrial Park Technology Supporting Funds	15,000,000.00	-	-	750,000.00	-	-	<b>14,250,000.00</b>	Related to assets
Subsidies for rainwater biofiltration technology research and development project	1,000,000.00	-	-	1,000,000.00	-	-	-	Related to assets
Solar smart water purification floating island technology and landscape integrated device research and development and industrialization promotion project subsidy funds	250,000.00	-	-	250,000.00	-	-	-	Related to assets
National Water Special Project 5 – Comprehensive integration and demonstration of sludge and waste disposal and recycling technologies	-	683,000.00	-	585,428.57	-	-	<b>97,571.43</b>	Related to assets
National Water Special Project 3 – Comprehensive integration and demonstration of typical regional water quality improvement technologies in the Wujingang river basin	-	5,730,000.00	-	4,911,428.57	-	-	<b>818,571.43</b>	Related to assets





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. 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	Amount included in other income during the year	Amount of written-down cost during the year	Other changes	Balance at the end of year	Related to assets/income
Funds for resource conservation and environmental protection project of Renewable Energy	1,495,833.66	-	-	849,999.96	-	-	<b>645,833.70</b>	Related to assets
End gas denitration system of generating units of Xiaping Power Plant of Shenzhen Dongjiang Environment Recycled Resources Co., Ltd.	1,980,000.04	-	-	219,999.96	-	-	<b>1,760,000.08</b>	Related to assets
<b>Total</b>	184,675,393.59	16,674,000.00	-	36,421,537.93	-	-	<b>164,927,855.66</b>	Related to assets

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. 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	Movement during the year (+, -)					Balance at the end of year
		Issue of new shares	Grant of shares	Transfer of shares from reserve	Others	Sub-total	
Total amount of shares	887,100,102.40	-	-	-	-7,833,000.00	-7,833,000.00	879,267,102.40

- 1) The Resolution on Repurchase and Cancellation of Restricted Shares Granted under the 2016 Restricted Share Incentive Scheme was considered and approved at the 25th meeting of the sixth session of the Board and the 16th meeting of the sixth session of the board of supervisors convened by the Company on 14 December 2018, and was considered and approved at the first extraordinary general meeting in 2019, the first A shares class meeting in 2019 and the first H shares class meeting in 2019 of the Company. As the 24 participants under the 2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited (Revised Draft) were no longer qualified for the unlocked share incentives during the period, the Company decided to repurchase and cancel a total of 1,138,000 restricted shares held by them.

The procedures of repurchase and cancellation for the above 1,138,000 shares were completed at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 8 April 2019.

- 2) The Resolution on Repurchase and Cancellation of Restricted Shares Granted under the 2016 Restricted Share Incentive Scheme was considered and approved at the 34th meeting of the sixth session of the Board and the 17th meeting of the sixth session of the board of supervisors convened by the Company on 28 March 2019, and was considered and approved at the annual general meeting in 2018, the second A shares class meeting in 2019 and the second H shares class meeting in 2019 of the Company. As such, the Company repurchased and cancelled a total of 6,695,000 restricted shares granted but not unlocked in the first batch and reserved portion under the Incentive Scheme held by the participants.

The procedures of repurchase and cancellation for the above 6,695,000 shares were completed at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 27 June 2019.





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. 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	888,237,102.40	–	–	–	-1,137,000.00	-1,137,000.00	887,100,102.40

### 40. 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	476,931,880.37	–	59,939,830.00	416,992,050.37
Other capital reserves	21,720,714.66	–	–	21,720,714.66
<b>Total</b>	<b>498,652,595.03</b>	<b>–</b>	<b>59,939,830.00</b>	<b>438,712,765.03</b>

During the year, decrease in share premium was attributable to the repurchase and cancellation of restricted shares not yet unlocked that are held by former participants.

#### 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	485,676,610.37	–	8,744,730.00	476,931,880.37
Other capital reserves	20,150,762.30	1,569,952.36	–	21,720,714.66
<b>Total</b>	<b>505,827,372.67</b>	<b>1,569,952.36</b>	<b>8,744,730.00</b>	<b>498,652,595.03</b>

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. 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	67,772,830.00	–	67,772,830.00	–
<b>Total</b>	<b>67,772,830.00</b>	<b>–</b>	<b>67,772,830.00</b>	<b>–</b>

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

#### During 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	124,677,510.00	–	56,904,680.00	67,772,830.00
<b>Total</b>	<b>124,677,510.00</b>	<b>–</b>	<b>56,904,680.00</b>	<b>67,772,830.00</b>



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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Other comprehensive income

Item	Balance at the beginning of year	Incurred during the year					Balance at the end of year
		Incurred during the year, before income tax	Less: amount previously recognized in other comprehensive income and transferred to profit and loss during the period	Less: income tax expense	Attributable to parent company after tax	Attributable to minority interests after tax	
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	16,927,580.70	73,655.53	-	-	73,655.53	-	17,001,236.23
Including: exchange difference on translation of financial statement in foreign currency	-702,163.02	73,655.53	-	-	73,655.53	-	-628,507.49
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	17,629,743.72	-	-	-	-	-	17,629,743.72
<b>Total</b>	16,927,580.70	73,655.53	-	-	73,655.53	-	17,001,236.23

### 43. Special reserves

#### During the year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Safety production fees	5,561,004.28	6,118,661.33	6,180,551.18	5,499,114.43
<b>Total</b>	5,561,004.28	6,118,661.33	6,180,551.18	5,499,114.43

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43. Special reserves (Continued)

During last year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Safety production fees	3,128,442.22	7,096,637.41	4,664,075.35	5,561,004.28
<b>Total</b>	<b>3,128,442.22</b>	<b>7,096,637.41</b>	<b>4,664,075.35</b>	<b>5,561,004.28</b>

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, Longgang Dongjiang, Coastal Solid Waste and Wosen Environmental, 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.

### 44. 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 year
Statutory surplus reserve	202,915,933.37	16,439,689.68	-	219,355,623.05
<b>Total</b>	<b>202,915,933.37</b>	<b>16,439,689.68</b>	<b>-</b>	<b>219,355,623.05</b>





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 44. Surplus reserve *(Continued)*

#### 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	199,255,721.44	3,660,211.93	–	202,915,933.37
<b>Total</b>	199,255,721.44	3,660,211.93	–	202,915,933.37

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.

### 45. 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	5,611,350.00	5,611,350.00	1.5
<b>Total</b>	5,611,350.00	5,611,350.00	–

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 MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Unallocated profit

Item	During the year	During the last year
<b>Amount at the end of last year</b>	<b>2,492,936,395.01</b>	2,250,645,463.83
Add: Effects of changes in accounting policies	–	-18,104,014.61
<b>Amount at the beginning of the year</b>	<b>2,492,936,395.01</b>	2,232,541,449.22
Add: Net profit attributable to shareholders of the parent company during the year	<b>423,929,691.12</b>	407,917,006.14
Less: Withdrawal of statutory surplus reserve *1	<b>16,439,689.68</b>	3,660,211.93
Withdrawal of any surplus reserve	–	–
Appropriation to general risk provision	–	1,497,225.00
Dividend payable of ordinary shares	<b>121,241,824.27</b>	142,364,623.42
Bonus of ordinary shares converted to equity	–	–
<b>Amount at the end of the year</b>	<b>2,779,184,572.18</b>	2,492,936,395.01

\*1: 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:

(a) *For the year ended 31 December 2019*

Pursuant to the resolution passed at the Board meeting on 28 March 2019 and the shareholders' resolution passed at the 2018 Annual General Meeting on 11 June 2019, the payment of cash dividend of RMB1.40 (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 879,267,102 shares was considered and approved. The total cash dividend to be distributed as final dividend would be RMB123,097,394.28. No capital reserves will be converted into shares and no bonus shares will be awarded for such distribution. In addition, the reversal of dividends of the restricted shares not yet unlocked that were held by former incentive participants who have resigned in 2019 was RMB320,916.00, and the reversal of dividends of the the restricted shares granted but not unlocked in the first batch and reserved portion that were held by the participants and repurchased and cancelled in 2019 were RMB1,534,654.01.

(b) *For the year ended 31 December 2018*

Pursuant to the resolution passed at the Board meeting on 30 March 2018 and the shareholders' resolution passed at the 2017 Annual General Meeting on 20 June 2018, the payment of cash dividend of RMB1.61 (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 887,100,102 shares was considered and approved. The total cash dividend to be distributed would be RMB142,823,116.42. The remaining distributable profit will be carried forward with no bonus shares will be awarded and no capital reserves will be converted into shares. The actual cash dividend to be distributed would be RMB142,364,623.42, net of the dividends payable to the restricted shares of RMB458,493.00.





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Minority interests

Name of subsidiary	Proportion of minority interest (%)	Amount at the end of year	Amount at the beginning of year
Longgang Dongjiang	46.00	<b>79,064,260.35</b>	92,388,054.31
Qingdeng Wastes Treatment	49.00	<b>52,641,289.33</b>	54,010,547.85
Hunan Dongjiang	5.00	<b>-230,694.86</b>	817,828.56
Qingyuan Xinlv	37.50	<b>37,697,949.62</b>	38,851,648.41
Jiaxing Deda	49.00	<b>36,813,314.63</b>	36,473,543.27
Coastal Solid Waste	25.00	<b>17,046,532.28</b>	17,074,542.85
Xiamen Oasis	40.00	<b>108,078,910.36</b>	97,661,604.96
Xiamen Dongjiang	40.00	<b>81,269,306.65</b>	78,718,351.11
Wosen Environmental	17.18	<b>15,739,165.06</b>	14,104,899.14
Shaoxing Dongjiang	48.00	<b>-295,607.79</b>	-206,517.25
Jiangxi Kangtai	49.00	<b>1,385,396.39</b>	3,841,178.33
Green Environmental	45.00	<b>11,240,523.26</b>	21,868,046.00
Hubei Tianyin	40.00	<b>-11,147,705.84</b>	8,234,012.72
Zhuhai Yongxingsheng	20.00	<b>45,763,517.77</b>	37,491,890.04
Humen Green	10.00	<b>10,533,040.50</b>	11,917,990.10
Hengshui Ruitao	15.00	<b>7,354,896.37</b>	7,420,077.81
Jiangsu Dongheng Environmental	43.75	<b>20,867,519.30</b>	24,453,076.55
Zhejiang Jianglian	40.00	<b>57,048,941.83</b>	50,524,181.00
Zhenjiang Dongjiang	40.00	<b>818,693.72</b>	765,825.07
Weifang Blue Sea	30.00	<b>13,909,826.23</b>	16,715,630.58
Huangshi Dongjiang	30.00	<b>1,467,732.39</b>	1,263,828.84
Tangshan Wandesi	20.00	<b>25,836,368.48</b>	25,836,368.48
Mianyang Dongjiang	49.00	<b>25,560,534.37</b>	2,045,375.85
Handan Dongjiang	40.00	<b>1,896,697.72</b>	1,956,463.85
Foshan Fulong	49.00	<b>43,690,595.30</b>	-
Huizhou Dongtou	40.00	<b>3,919,672.19</b>	-
Jieyang Dongjiang	15.00	<b>2,240,930.58</b>	-
<b>Total</b>	-	<b>690,211,606.19</b>	644,228,448.43

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Net current assets

Item	Amount at the end of year	Amount at the beginning of year
Current assets	<b>3,025,673,151.15</b>	3,088,057,329.14
Less: current liabilities	<b>4,397,027,120.00</b>	3,519,255,374.34
<b>Net current assets</b>	<b>-1,371,353,968.85</b>	-431,198,045.20

### 49. Total assets less current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Total assets	<b>10,395,432,084.42</b>	9,763,884,252.66
Less: current liabilities	<b>4,397,027,120.00</b>	3,519,255,374.34
<b>Total assets less current liabilities</b>	<b>5,998,404,964.42</b>	6,244,628,878.32

### 50. 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	<b>1,744,166,400.00</b>	1,834,096,571.16
Long-term borrowings	<b>849,151,280.12</b>	517,198,387.82
Bonds payable	<b>863,584,371.24</b>	1,261,729,730.52
Lease liabilities	<b>16,510,185.92</b>	20,976,587.91
Other receivables	<b>442,890,992.34</b>	–
<b>Total</b>	<b>3,916,303,229.62</b>	3,634,001,277.41





# NOTES TO FINANCIAL STATEMENTS

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 50. 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	<b>1,823,658,282.84</b>	1,915,496,571.16
– repayable after 1 year	<b>769,659,397.28</b>	435,798,387.82
Sub-total	<b>2,593,317,680.12</b>	2,351,294,958.98
Other borrowings		
– repayable within 1 year	<b>1,306,238,560.73</b>	363,505,965.58
– repayable after 1 year	<b>16,746,988.77</b>	919,200,352.85
Sub-total	<b>1,322,985,549.50</b>	1,282,706,318.43
<b>Total</b>	<b>3,916,303,229.62</b>	3,634,001,277.41

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	<b>1,823,658,282.84</b>	1,915,496,571.16
1-2 years	<b>195,512,798.82</b>	21,500,000.00
2-5 years	<b>475,546,598.46</b>	346,298,387.82
Over 5 years	<b>98,600,000.00</b>	68,000,000.00
<b>Total</b>	<b>2,593,317,680.12</b>	2,351,294,958.98

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 50. 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	<b>1,306,238,560.73</b>	363,505,965.58
1-2 years	<b>12,238,479.25</b>	5,939,962.58
2-5 years	<b>4,508,509.52</b>	913,260,390.27
<b>Total</b>	<b>1,322,985,549.50</b>	1,282,706,318.43

### 51. Operating revenue and operating costs

(1) Information of operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	<b>3,458,591,061.22</b>	<b>2,210,633,262.30</b>	3,284,080,652.02	2,125,240,410.09
Other businesses	-	-	-	-
<b>Total</b>	<b>3,458,591,061.22</b>	<b>2,210,633,262.30</b>	3,284,080,652.02	2,125,240,410.09

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 51. Operating revenue and operating costs *(Continued)*

(2) *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	<b>1,075,315,594.63</b>	<b>826,061,176.71</b>	1,228,371,673.60	916,901,986.38
Industrial waste treatment and disposal	<b>1,667,032,150.56</b>	<b>827,642,901.82</b>	1,286,740,266.05	677,077,283.04
Municipal waste treatment and disposal	<b>230,026,079.09</b>	<b>218,487,976.98</b>	262,002,747.67	228,705,399.43
Renewable energy utilization	<b>91,393,039.66</b>	<b>62,164,543.98</b>	91,446,521.00	62,642,226.05
Environmental engineering and services	<b>176,430,506.80</b>	<b>152,354,177.62</b>	173,303,221.53	124,032,702.17
Trading and others	<b>59,013,071.19</b>	<b>13,830,972.64</b>	104,516,046.14	25,853,277.11
Dismantling household appliances	<b>159,380,619.29</b>	<b>110,091,512.55</b>	137,700,176.03	90,027,535.91
<b>Total</b>	<b>3,458,591,061.22</b>	<b>2,210,633,262.30</b>	3,284,080,652.02	2,125,240,410.09

- (3) Percentage of purchase from the largest supplier is 1.82%, where percentage of purchase from the five largest suppliers is 8.39%; Percentage of turnover or sales of the largest customers is 3.85%, where percentage of turnover or sales of the five largest customers is 14.33%.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 51. Operating revenue and operating costs *(Continued)*

#### *(4) Information related to performance obligations*

The types of transactions in which the Company is involved in performance obligations are the sale of goods, the provision of labour services and environmental engineering and services. Revenue is recognised when the Company satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

The performance period for sales of goods is usually within one month. The relevant performance terms are delivery upon the receipt of the full or partial payments based on the types of customers. The goods are confirmed and accepted by the both parties before leaving the factory and the Company no longer bear any responsibility after the goods leaving the factory.

The labour service is mainly for the annual service fee for industrial waste treatment and disposal. The performance period is within one year. The relevant terms are the full processing fee in advance within the validity period of the contract, and the revenue is recognized throughout the service period.

The performance period for the environmental engineering and service is relatively longer. Payments by instalments are stipulated in the project contracts. Both parties shall confirm the settlement based on the completed progress pursuant to the contacts. The warranty period after the completion of the project is usually 1 year.

#### *(5) Information related to the transaction price allocated to the remaining performance obligation*

As at 31 December 2019, the amount of revenue corresponding to the contracted performance obligations of the Company which had not been fulfilled or fully fulfilled was RMB242,638,244.94, in which amount expected to be recognized as revenue within 1 year was RMB242,638,244.94.





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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 52. Gross profit

Item	Amount of the year	Amount of last year
Operating revenue	<b>3,458,591,061.22</b>	3,284,080,652.02
Less: operating costs	<b>2,210,633,262.30</b>	2,125,240,410.09
Gross profit	<b>1,247,957,798.92</b>	1,158,840,241.93

### 53. Tax and levies

Item	Amount of the year	Amount of last year
Urban maintenance and construction tax	<b>12,000,029.99</b>	13,845,904.03
Education surcharge	<b>9,569,134.90</b>	10,905,449.87
Land use tax	<b>8,219,878.64</b>	7,880,759.28
Property tax	<b>12,328,020.00</b>	9,704,383.71
Stamp duty	<b>1,710,888.40</b>	1,786,807.29
Others	<b>2,104,782.70</b>	960,789.94
<b>Total</b>	<b>45,932,734.63</b>	45,084,094.12

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 54. Selling expenses

Item	Amount of the year	Amount of last year
<b>Total</b>	<b>122,308,761.20</b>	98,523,251.47
Including:		
Salaries	<b>83,927,340.44</b>	50,820,171.95
Entertainment expenses	<b>4,967,635.13</b>	8,693,266.67
Transportation expenses	<b>4,865,195.82</b>	4,595,546.94
Traveling expenses	<b>4,853,517.06</b>	3,269,646.84
Social insurance expenses	<b>4,386,085.65</b>	3,523,799.83
Staff welfare	<b>2,834,982.75</b>	2,375,601.27
Packaging expenses	<b>2,026,762.68</b>	2,131,880.86
Promotion and marketing fee	<b>1,938,668.94</b>	2,042,334.47
Lease expenses	<b>1,839,775.19</b>	2,013,580.67

### 55. Administrative expenses

Item	Amount of the year	Amount of last year
<b>Total</b>	<b>363,904,047.17</b>	374,454,834.60
Including:		
Salaries	<b>123,933,353.40</b>	151,195,230.16
Depreciation expenses	<b>67,628,501.41</b>	49,624,559.07
Staff welfare	<b>16,650,799.93</b>	16,717,268.53
Social insurance expenses	<b>13,907,028.45</b>	13,836,511.44
Amortization of intangible assets	<b>12,243,326.10</b>	10,013,778.32
Entertainment expenses	<b>11,773,958.63</b>	17,902,629.89
Securities service fees	<b>9,952,627.04</b>	8,750,759.24
Security expenses	<b>7,447,257.23</b>	6,387,945.04
Utilities	<b>7,353,576.96</b>	6,020,639.67





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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 55. Administrative expenses *(Continued)*

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	<b>1,273,584.91</b>	2,028,301.84
– Audit service fee for annual report of subsidiaries	<b>843,975.62</b>	1,119,931.69
– Audit service fee for internal control	<b>424,528.29</b>	542,495.79
– Other service fee	<b>718,398.44</b>	346,389.92
<b>Total</b>	<b>3,260,487.26</b>	4,037,119.24

### 56. Research and development expenses

Item	Amount of the year	Amount of last year
Research and development of waste liquid and wastewater treatment and disposal	<b>38,854,010.86</b>	31,428,993.98
Research and development on dismantling technology of used household appliances	<b>10,169,403.48</b>	5,445,798.78
Incineration plant process technology	<b>8,232,337.01</b>	8,856,915.83
Hazardous waste operations management system project	<b>7,382,782.03</b>	2,821,700.40
Research on detection methods	<b>5,286,164.76</b>	3,909,376.65
Process research project for harmless treatment and recycling of etching solution	<b>8,162,270.36</b>	254,498.91
Waste paint bucket recycling research project	<b>1,504,831.29</b>	–
Research and development project of comprehensive utilization and disposal technologies of solid waste	<b>2,839,384.81</b>	–
Research and development project of recycling of water from pressure filtration for tin stripping	<b>2,675,155.98</b>	–
Industry-university research project and special project	<b>2,611,824.43</b>	442,202.63
Research on optimization design of feeding system	<b>2,398,273.14</b>	3,991,825.45
Research project of organized emission and collection of gas from feeding pit	<b>2,378,153.48</b>	–
Research project of disposal and treatment of hazardous waste with high sulfur and chlorine content	<b>2,344,684.82</b>	–
Research and development project of water treatment devices	<b>2,172,531.03</b>	–
Research project of recycling of metal drum	<b>1,984,692.74</b>	–
Research project of new process for production of high-purity cupric oxide	<b>1,964,717.89</b>	–

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 56. Research and development expenses *(Continued)*

Item	Amount of the year	Amount of last year
Sludge reduction research project	<b>1,850,752.09</b>	654,185.29
Research project of automatic control of wet deacidification through incineration of hazardous waste in rotary kiln	<b>1,831,620.07</b>	—
Integrated equipment project	<b>1,500,932.04</b>	—
Research project of comprehensive treatment and recycling of waste acid	<b>1,466,149.77</b>	—
Heavy metal stabilization research and development project	<b>1,464,230.48</b>	—
Industrial salt recycling research project	<b>1,432,338.53</b>	—
Copper sulphate recycling research and industrialization project	<b>1,315,661.70</b>	—
Standard formulation project of copper sulphate for electroplating	<b>1,261,555.41</b>	—
Research project of development and application of super reverse osmosis membrane system	<b>1,214,650.90</b>	—
Research and development project of ferric chloride automatic production process	<b>1,179,099.62</b>	—
Research project of technologies of safe landfill and disposal of brine sludge	<b>1,097,926.18</b>	—
Research project on environmental treatment methods for emulsions	<b>1,079,413.49</b>	1,072,949.06
Research project on moisture content of flue gas	<b>945,137.14</b>	901,466.92
Research project on vacuum degree of decompression evaporation based on salt content in concentrated solution	<b>941,780.64</b>	—
Research project of treatment of concentrated solution from evaporation	<b>855,366.30</b>	—
Research and application project of deep treatment of leachate	<b>831,076.93</b>	—
Cuprate production line energy saving and consumption reduction project	<b>830,088.64</b>	—
Research project on effect of high content of COD and salt on efficiency of single-effect evaporation	<b>790,732.35</b>	—
Research project on effect in different stages of biochemical system based on oxidation reduction potential	<b>641,622.40</b>	—
Research and development project of solid waste disposal system	<b>560,472.95</b>	—
COD degradation and metal removal experiment project	—	5,799,479.55





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 56. Research and development expenses *(Continued)*

Item	Amount of the year	Amount of last year
VOCs purification experiment project	–	3,624,674.72
Research project for stripping treatment of discarded packaging materials	–	2,759,890.36
Integration and demonstration projects of urban sewage treatment sludge reduction, nitrogen and phosphorus recovery, methanogenesis and standardization technology	–	2,259,886.84
Research project of tin hydride denitration process	–	1,939,276.64
New process research for high-purity crystal form copper hydroxide production	–	1,765,516.17
Research and development project of cotton core and filter core comprehensive utilization	–	1,449,869.88
Research project of tin mud denitration and quality upgrading	–	1,149,750.60
Research and application project of CVD dust treatment method	–	1,024,804.82
Research project on the influence of the form of chlorine in hazardous wastes on the content of hydrogen chloride in flue gas	–	883,110.86
UASB anaerobic denitrification system project	–	868,021.26
Research project on the influence of the size of the second combustion chamber structure on the combustion efficiency of flue gas	–	756,963.82
Bag dust removal research project	–	733,322.58
Research project on harmless disposal of high concentration inorganic waste acid	–	710,899.29
New quenching atomization system project	–	625,923.09
Design and construction project of hazardous waste kiln skin	–	532,234.08
Other (less than RMB500,000)	<b>3,308,615.00</b>	4,885,684.85
<b>Total</b>	<b>127,360,440.74</b>	91,549,223.31

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 57. Finance costs

(1) Breakdown of finance costs

Item	Amount of the year	Amount of last year
Interest expenses	155,505,661.06	136,104,319.99
Less: interest income	16,392,157.46	8,522,617.55
Add: exchange losses	520,448.11	1,181,450.11
Add: other expenses	1,031,861.08	5,360,726.34
<b>Total</b>	<b>140,665,812.79</b>	134,123,878.89

(2) Breakdown of interest expenses

Item	Amount of the year	Amount of last year
Interests on bank borrowings and overdrafts	145,319,865.72	124,898,212.47
Bond interests calculated based on actual interest rates	45,983,989.04	54,860,216.32
Interest expenses on lease liabilities	902,522.52	125,186.80
<b>Sub-total</b>	<b>192,206,377.28</b>	179,883,615.59
Less: capitalized interests	36,700,716.22	43,779,295.60
<b>Total</b>	<b>155,505,661.06</b>	136,104,319.99

General borrowing cost capitalized during the year is calculated by applying a capitalization rate of 5.20% (last year: 5.27%).





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 57. Finance costs (Continued)

#### (3) Breakdown of interest income

Item	Amount of the year	Amount of last year
Interest income from bank deposits	16,392,157.46	8,522,617.55
<b>Total</b>	<b>16,392,157.46</b>	<b>8,522,617.55</b>

### 58. Other income

Sources that generate other income	Amount of the year	Amount of last year
Value Added Tax refunds immediately after payment	104,332,758.70	114,819,176.83
Deferred income or other current liabilities transferred	36,421,537.93	9,636,159.60
Special projects related to science and technology innovation	4,938,750.55	4,602,000.00
Governmental financial subsidies from Heshan City Finance Bureau	4,172,000.00	—
Second batch of subsidies for Industrial Co-construction Financial Support Projects in Guangdong Province in 2019	2,458,800.00	—
Settlement amount from Environmental Protection Bureau	2,059,900.00	—
Social security related subsidies	1,254,951.27	643,391.15
High-tech enterprise related subsidies	1,104,000.00	2,791,800.00
Employment stabilization subsidies	1,046,239.11	—
Industrial Co-construction Financial Support Subsidies from Heshan City Finance Bureau	952,500.00	—
Special development fund from Municipal Bureau of Industry and Information Technology	890,800.00	—
Industrial and commercial electricity cost reduction subsidy	823,855.88	1,297,514.57
Prize for technical modification projects of industrial enterprises from Fushan Management Committee in 2018	648,600.00	—
Research and development incentives and grants	464,000.00	721,300.00
Other taxes and fees	367,301.93	2,151,031.30
Government grant for support of office building of listed companies from Economic Development Bureau of Nanshan District, Shenzhen	310,000.00	—
Subsidy for circular economy demonstrative enterprises	300,000.00	—

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 58. Other income (Continued)

Sources that generate other income	Amount of the year	Amount of last year
Award for encouragement of scale expansion of small and medium-sized enterprises	200,000.00	–
Subsidies for special projects of technical modification under regional economic development funds of 2018 from the Finance Bureau of Longgang District, Shenzhen	170,000.00	–
Industrial transformation and upgrade prize in 2017	100,000.00	–
Funds for subcontracting of commercial development services in 2019	100,000.00	–
Industrial energy saving and industrial circular economy funds from the Bureau of Industry and Information Technology	100,000.00	–
Four above business awards	100,000.00	100,000.00
2017 Pearl River Delta and Guangdong Northwest Industry Joint Financial Support Fund Project Reward Program	–	65,140,000.00
863 Project	–	2,813,900.00
Enterprise Development Support Fund	–	936,400.00
Dongguan Science and Technology Bureau Guangdong Finance Supplement Fund	–	871,000.00
Notice on the issuance of 2017 provincial enterprise research and development provincial financial subsidy project program	–	612,200.00
Government subsidies related to asset securitization	–	500,000.00
Provincial Industrial Enterprise Technology in 2018	–	409,500.00
Socialized informationization special subsidy	–	301,800.00
2017 Dongguan City Enterprise Growth and Cultivation Special Fund Professional Service Subsidy Project	–	300,000.00
2017 annual incubation program funds	–	210,000.00
Reward and supplement plan for financial support projects to support industrial co-construction in Pearl River Delta and Northwestern Guangdong	–	100,000.00
Other (less than RMB100,000)	920,580.39	432,902.00
<b>Total</b>	<b>164,236,575.76</b>	<b>209,390,075.45</b>

Amount charged to non-recurring profit or loss during the year was RMB59,903,817.06 (last year: RMB94,570,898.62).





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 59. Investment income

Item	Amount of the year	Amount of last year
Income from long-term equity investments under equity approach	<b>5,924,330.98</b>	12,905,848.59
Gains from remeasurement of equity interest at fair value upon acquisition of control	<b>7,244,975.50</b>	–
Investment income from disposal of long-term equity investments	<b>140,647.92</b>	353,230.97
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period	–	–
Investment income from disposal of financial assets measured at fair value through profit and loss of the period	<b>65,080.00</b>	–
Investment income of available-for-sale financial assets during the holding period	–	–
Investment income from financial products	–	–
<b>Total</b>	<b>13,375,034.40</b>	13,259,079.56

Investment income generated from unlisted investments during the year amounted to RMB13,375,034.40.

### 60. Gain/loss on changes in fair value

Item	Amount of the year	Amount of last year
Held-for-trading financial assets	–	11,503,220.00
Including: Gains from changes in fair value arising from derivative financial instruments	–	–
Held-for-trading financial liabilities	–	–
Investment properties at fair value	<b>8,894,318.93</b>	5,045,619.01
<b>Total</b>	<b>8,894,318.93</b>	16,548,839.01

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 61. Credit impairment loss

Item	Amount of the year	Amount of last year
Provisions for bad debts of notes receivable and accounts receivable	300,869.11	-7,692,571.36
Provisions for bad debts of other accounts receivable	-76,388,978.50	-35,204,894.17
Impairment loss on debt investment	-	-
Impairment loss on other debt investment	-	-
Provisions for bad debts of long-term accounts receivable	-	-13,000,000.00
Impairment loss on contract assets	1,016,458.67	-1,596,712.63
Impairment loss on loans	-797,800.00	-3,222,801.00
<b>Total</b>	<b>-75,869,450.72</b>	<b>-60,716,979.16</b>

### 62. Impairment loss of assets

Item	Amount of the year	Amount of last year
Impairment loss on inventories and contract performance costs	-1,879,957.25	-220,428.07
Impairment loss on available-for-sale financial assets	-	-
Impairment loss on held-to-maturity investment	-	-
Impairment loss on long-term equity investment	-	-
Impairment loss on investment properties	-	-
Impairment loss on fixed assets	-	-2,138,570.85
Impairment loss on project materials	-	-
Impairment loss on construction in progress	-	-2,781,152.67
Impairment loss on productive biological assets	-	-
Impairment loss on oil and gas asset	-	-
Impairment loss on intangible assets	-	-
Impairment loss on goodwill	-38,996,036.61	-22,856,832.59
<b>Total</b>	<b>-40,875,993.86</b>	<b>-27,996,984.18</b>





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Disposal gain on asset

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Disposal gain on the held-for-trading asset portfolios	–	–	–
Gain on disposal of non-current assets	<b>548,355.22</b>	61,388.93	548,355.22
Including: Disposal gain on the non-current assets classified as held-for-trading	–	–	–
Including: Gain on disposal of fixed assets	–	–	–
Gain on disposal of intangible assets	–	–	–
Disposal gain on the non-current assets not classified as held-for-trading	<b>548,355.22</b>	61,388.93	548,355.22
Including: Gain on disposal of fixed assets	<b>660,834.23</b>	-229,066.65	660,834.23
Gain on disposal of intangible assets	<b>-112,479.01</b>	290,455.58	-112,479.01
Non-monetary assets exchange gains	–	–	–
Gain on disposal of non-current assets in debt restructuring	–	–	–
<b>Total</b>	<b>548,355.22</b>	61,388.93	548,355.22

Note: Amount charged to non-recurring profit or loss during the year was RMB548,355.22 (last year: RMB61,388.93)

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Non-operating 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 non-current assets	–	–	–
Donations	–	–	–
Government grants	–	–	–
Inventory profit	<b>674.35</b>	87,132.32	674.35
Other	<b>12,976,829.11</b>	3,728,826.23	12,976,829.11
<b>Total</b>	<b>12,977,503.46</b>	3,815,958.55	12,977,503.46

Note: Amount charged to non-recurring profit or loss during the year was RMB12,977,503.46 (last year: RMB3,815,958.55).

### 65. Non-operating expenses

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Public welfare donations	<b>1,017,714.03</b>	1,130,311.95	1,017,714.03
Inventory loss	<b>45,205.44</b>	–	45,205.44
Total losses on spoilage and obsolescence of non-current assets	<b>2,564,006.48</b>	3,733,476.83	2,564,006.48
Extraordinary losses (penalty)	<b>1,762,495.27</b>	–	1,762,495.27
Others	<b>1,277,997.22</b>	6,283,371.18	1,277,997.22
<b>Total</b>	<b>6,667,418.44</b>	11,147,159.96	6,667,418.44

Note: The amount charged to non-recurring profit or loss during the year was RMB6,667,418.44 (last year: RMB11,147,159.96).





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

## VI. EXPLANATORY NOTES FOR MAJOR 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	<b>78,980,649.16</b>	85,025,520.91
– The PRC	<b>78,980,649.16</b>	85,025,520.91
– Hong Kong	–	–
Overprovision (underprovision) of income tax in the previous year	<b>-14,046,894.82</b>	2,717,591.64
– The PRC	<b>-14,046,894.82</b>	2,717,591.64
Deferred income tax	<b>-7,246,769.88</b>	-3,541,092.30
<b>Total</b>	<b>57,686,984.46</b>	84,202,020.25

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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 66. Income tax expenses *(Continued)*

(2) *Adjustment to accounting profit an income tax expenses*

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	<b>524,404,927.14</b>	558,319,177.74
Income tax expenses calculated at statutory/ applicable tax rates	<b>78,660,739.06</b>	83,747,876.66
Effect of different tax rate applicable to subsidiaries	<b>15,135,543.65</b>	38,538,531.29
Effect of overprovision (underprovision) of income tax in the previous year	<b>-14,046,894.82</b>	2,717,591.64
Effect of non-taxable income	<b>-22,037,042.40</b>	-14,034,784.59
Effect of non-deductible costs, expenses and losses	<b>5,164,491.77</b>	116,150.74
Effect of utilization of unrecognized deductible losses of deferred income tax assets in the previous period	<b>-9,435,092.33</b>	-2,239,424.23
Effect of deductible temporary difference or deductible loss of unrecognized deferred income tax assets of the year	<b>31,555,351.20</b>	9,590,089.83
Effect of additional research and development expenditure deduction	<b>-3,920,082.09</b>	-2,809,684.87
Effect of special tax exemption	<b>-23,355,858.58</b>	-33,112,943.10
Changes of balance of deferred income tax asset/ liability at the beginning of year caused by tax rate changed	<b>-34,171.00</b>	1,688,616.88
Other adjustments		
Income tax expenses	<b>57,686,984.46</b>	84,202,020.25





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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 67. Depreciation and amortization

Depreciation/amortization recognized under the income statement of the year was RMB407,904,697.50 (last year: RMB324,577,814.86).

### 68. 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	<b>423,929,691.12</b>	407,917,006.14
Consolidated net profit attributable to ordinary shareholders of the parent company (net of non-recurring profit or loss)	<b>361,422,588.12</b>	323,431,535.09
Weighted average number of issued ordinary shares of the parent company	<b>879,267,102.00</b>	874,060,435.33
Basic earnings per share (RMB/share)	<b>0.48</b>	0.47
Basic earnings per share (RMB/share) (net of non-recurring profit or loss)	<b>0.41</b>	0.37

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 68. 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	<b>879,267,102.00</b>	873,282,102.00
Adjustment from transfer of capital reserve to share	–	–
Number of shares increased for unlocking of restricted shares (the first batch)	–	790,000.00
Number of months starting from the next month of the unlocking restricted shares (first batch) to the end of the reporting period	–	11
Number of shares increased for unlocking of restricted shares (the second batch)	–	650,000.00
Number of months starting from the next month of the unlocking restricted shares (second batch) to the end of the reporting period	–	1
Number of shares increased for unlocking of restricted shares (the third batch)	–	4,545,000.00
Number of months starting from the next month of the unlocking restricted shares (third batch) to the end of the reporting period	–	–
Subtotal of unlocking restricted shares	–	778,333.33
Number of issued ordinary shares at the end of year	<b>879,267,102.00</b>	874,060,435.33

#### (2) Diluted earnings per share

Basic earnings per share was same as the diluted earnings per share for the two years ended 31 December 2019 as there were no diluting events during both years.





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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 69. Other comprehensive income

Item	Amount of the year	Amount of last year
Exchange difference on translation of financial statements in foreign currency	-628,507.49	-702,163.02
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	17,629,743.72	17,629,743.72
Less: net amount of disposal of overseas operations charged to profit or loss of the period	-	-
<b>Total (Basic earnings per share was same as the diluted earnings per share for the two years ended 31 December 2019 as there were no diluting events during both years.)</b>	<b>17,001,236.23</b>	<b>16,927,580.70</b>

For details, please refer to "Other comprehensive income" under Note VI.42.

### 70. 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 (2018: RMB0.00)	-	-
Final dividend proposed after the balance sheet date of RMB0.15 per share (2018: RMB0.14)	131,890,065.30	123,097,394.28
<b>Total</b>	<b>131,890,065.30</b>	<b>123,097,394.28</b>

The Board recommends the payment of a cash dividend of RMB1.50 (inclusive of tax) for every 10 share of the Company (2018: RMB1.40 for every 10 shares) held by all shareholders of the Company based on the total number of shares of 879,267,102 shares of the Company as at 22 April 2020, with the total amount of cash dividend to be paid amounting to RMB131,890,065.30. No capital reserves will be converted into shares and no bonus shares will be awarded.

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 71. 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	96,528,746.96	69,612,279.88
Interest income	16,392,157.46	8,314,869.60
Security deposits and others	26,621,738.36	–
<b>Total</b>	<b>139,542,642.78</b>	<b>77,927,149.48</b>

2) Other cash payments relating to operating activities

Item	Amount of the year	Amount of last year
Other expenses	36,890,483.51	36,966,023.32
Entertainment expenses	16,741,593.76	26,851,683.78
Research and development expenses	32,532,739.52	23,516,218.04
Current accounts with other companies and individuals	15,914,593.11	18,375,519.37
Office expenses	7,067,000.17	14,495,760.76
Intermediate brokerage fee	11,726,621.15	9,082,083.34
Securities service fees	10,079,947.41	8,921,312.68
Traveling expenses	8,806,539.19	7,521,994.25
Maintenance fee	6,185,738.22	6,903,925.82
Security expenses	7,467,503.01	6,661,382.09
Rent	2,948,831.31	6,432,714.23
Transportation expenses	4,865,195.82	5,105,568.77
Utilities	7,407,679.66	4,595,546.94
Consultation fee	4,368,332.75	2,476,586.18
Promotion and marketing expenses	1,938,668.94	2,042,334.47
<b>Total</b>	<b>174,941,467.53</b>	<b>179,948,654.04</b>



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

## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 71. Items under the cash flow statement (Continued)

(1) Cash received/paid in relation to other operating/investment/financing activities (Continued)

3) Other cash received in relation to investing activities

Item	Amount of the year	Amount of last year
Wealth management products	–	–
Cash at the beginning of acquisition of Huateng and Wandesi	–	–
Net cash received upon the deregistration of subsidiaries	–	1,383,469.85
<b>Total</b>	<b>–</b>	<b>1,383,469.85</b>

4) 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	–	3,850,000.00
<b>Total</b>	<b>–</b>	<b>3,850,000.00</b>

5) Other cash payments relating financing activities

Item	Amount of the year	Amount of last year
Payment for repurchase of shares	<b>58,418,730.00</b>	426,790.00
Other handling charges	<b>1,470,999.53</b>	19,044.75
<b>Total</b>	<b>59,889,729.53</b>	<b>445,834.75</b>

# NOTES TO FINANCIAL STATEMENTS

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 71. Items under the cash flow statement (Continued)

#### (2) Supplementary information of consolidated cash flow statement

Item	Amount of the year	Amount of last year
<b>1. Net profit adjusted as cash flow of operating activities:</b>		
Net profit	<b>466,717,942.68</b>	474,117,157.49
Add: Impairment loss for assets	<b>40,875,993.86</b>	27,996,984.18
Credit impairment loss	<b>75,869,450.72</b>	60,716,979.16
Depreciation of fixed assets	<b>307,102,750.27</b>	227,904,789.21
Depreciation of right-of-use assets	<b>5,501,495.11</b>	—
Consumption of oil and gas assets	—	—
Depreciation of productive biological assets	—	—
Amortization of intangible assets	<b>73,550,523.48</b>	87,626,317.16
Amortization of long-term unamortized expenses	<b>21,749,928.64</b>	9,046,708.49
Amortization of unamortized expenses	—	—
Accrued expenses	—	—
Loss from disposal of fixed assets, intangible assets and other long term assets (gain represented in "-" sign)	<b>-548,355.22</b>	-61,388.93
Loss on written off of fixed assets (gain represented in "-" sign)	<b>2,564,006.48</b>	3,733,476.83
Gain/loss of changes in fair value (gain represented in "-" sign)	<b>-8,894,318.93</b>	-16,548,839.01
Finance costs (gain represented in "-" sign)	<b>155,505,661.06</b>	136,104,319.99
Investment loss (gain represented in "-" sign)	<b>-13,375,034.40</b>	-13,259,079.56
Decrease in deferred income tax assets (increase represented in "-" sign)	<b>-8,252,154.35</b>	-7,584,262.39
Increase in deferred income tax liabilities (decrease represented in "-" sign)	<b>1,005,384.47</b>	10,967,485.90
Decrease in inventories (increase represented in "-" sign)	<b>3,545,114.46</b>	12,661,589.67
Decrease in operating receivables (increase represented in "-" sign)	<b>145,238,074.32</b>	-139,012,467.84
Increase in operating payables (decrease represented in "-" sign)	<b>-33,159,349.49</b>	23,248,844.32
Others	—	—
<b>Net cash flow generated from operating activities</b>	<b>1,234,997,113.16</b>	897,658,614.67





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 71. Items under the cash flow statement *(Continued)*

#### (2) Supplementary information of consolidated cash flow statement *(Continued)*

Item	Amount of the year	Amount of last year
<b>2. Significant non-cash investing and financing transactions:</b>		
Debts transferred to capital	-	-
Convertible corporate bonds due within 1 year	-	-
Fixed assets under finance lease	-	-
<b>3. Net changes in cash and cash equivalents:</b>		
Cash balance at the end of the period	<b>1,096,743,745.12</b>	1,028,991,292.47
Less: cash balance at the beginning of the period	<b>1,028,991,292.47</b>	1,221,930,230.43
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	<b>67,752,452.65</b>	-192,938,937.96

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 71. 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 of last year
Information of acquisition of subsidiaries and other operating units	–	–
1. Consideration for acquisition of subsidiaries and other operating units	<b>63,956,600.00</b>	–
2. Cash and cash equivalents paid for acquisition of subsidiaries and other operating units	<b>63,956,600.00</b>	–
Less: cash and cash equivalents held by subsidiaries and other operating units	<b>6,352,130.49</b>	–
3. Net cash paid for acquisition of subsidiaries and other operating units	<b>57,604,469.51</b>	–
4. Net assets of subsidiaries acquired	<b>81,356,951.44</b>	–
Current assets	<b>25,043,852.43</b>	–
Non-current assets	<b>264,041,165.72</b>	–
Current liabilities	<b>120,348,066.71</b>	–
Non-current liabilities	<b>87,380,000.00</b>	–
Information of disposal of subsidiaries and other operating units	–	–
1. Consideration for disposal of subsidiaries and other operating units	–	–
2. Cash and cash equivalents received upon disposal of subsidiaries and other operating units	–	–
Less: cash and cash equivalents held by subsidiaries and other operating units	–	–
3. Net cash received upon disposal of subsidiaries and other operating units	–	–
4. Net assets of subsidiaries disposed of	–	–
Current assets	–	–
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–





# NOTES TO FINANCIAL STATEMENTS

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 71. Items under the cash flow statement *(Continued)*

#### (4) Cash and cash equivalents

Item	Balance at the end of the year	Balance at the beginning of the year
Cash	<b>1,096,743,745.12</b>	1,028,991,292.47
Including: Cash on hand	<b>214,654.89</b>	371,482.97
Bank deposits readily available for payments	<b>1,096,529,090.23</b>	1,028,619,809.50
Other monetary fund readily available for payments	-	-
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	<b>1,096,743,745.12</b>	1,028,991,292.47
Including: restricted cash and cash equivalents used by the parent company and the subsidiaries 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.

# NOTES TO FINANCIAL STATEMENTS

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 72. Restricted assets in respect of ownership or use rights

Item	Book value at the end of year	Reason for restriction
Monetary fund	<b>8,016,859.00</b>	guarantee deposits and bank acceptances margin
Accounts receivable	<b>7,262,389.66</b>	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
Other receivables	<b>56,922,177.91</b>	Account managed by GF Securities Asset Management (Guangdong) Co., Ltd., which was used for the repayment of principal and interests of bonds
Fixed assets	<b>202,989,444.98</b>	Loan collateral
Intangible assets	<b>141,692,384.44</b>	Loan collateral
Construction-in-progress	<b>217,113,062.28</b>	Loan collateral





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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 73. Items denominated in foreign currencies

(1) *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	–	–	–
Including: Hong Kong Dollars	<b>6,615,672.73</b>	0.8958	5,926,319.63
US Dollars	<b>973,251.32</b>	6.9762	6,789,595.86
Accounts receivable – Hong Kong Dollars	<b>890,857.45</b>	0.8958	798,030.10
Accounts receivable – US Dollars	<b>2,416.62</b>	6.9762	16,858.82
Other receivables – Hong Kong Dollars	<b>5,009,828.34</b>	0.8958	4,487,804.23
Short-term borrowings – Hong Kong Dollars	<b>8,000,000.00</b>	0.8958	7,166,400.00
Accounts payable – Hong Kong Dollars	<b>374,010.05</b>	0.8958	335,038.20
Employee benefits payables – Hong Kong Dollars	<b>286,137.64</b>	0.8958	256,322.10
Other payables – Hong Kong Dollars	<b>602,436.39</b>	0.8958	539,662.52
Prepayments – Hong Kong Dollars	<b>378,708.02</b>	0.8958	339,246.64
Contract liabilities – US Dollars	<b>4,231.58</b>	6.9762	29,520.35
Non-current liabilities due within 1 year – Hong Kong Dollars	<b>437,158.49</b>	0.8958	391,606.58
Lease liabilities – Hong Kong Dollars	<b>479,818.96</b>	0.8958	429,821.82

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## VI. EXPLANATORY NOTES FOR MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 74. Lease

#### (1) As lessor

The rental income from lands and buildings (net of government rent, rates and other expenditure) for the year was RMB15,260,524.21 (last year: RMB15,738,179.08).

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	10,790,235.44	11,440,783.19
1 to 2 years	11,113,942.50	10,614,842.62
<b>Total</b>	<b>21,904,177.94</b>	22,055,625.81

#### (2) As lessee

Leases of the Company as lessee

Type	Amount
Short-term lease expense included in profit or loss	22,585,568.96
Lease expense of low value assets	634,418.41
Variable lease payments not included in the measurement of the lease liability	–
Income from sublease of right-of-use assets	–
Total cash outflow related to lease	29,026,801.98
Gain or loss from sales and leaseback transactions	–





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## VII. CHANGES IN CONSOLIDATION SCOPE

### 1. Business combinations not under common control

#### (1) Business combinations not under common control during the year

Name of the acquiree	Date of equity acquired	Consideration of equity acquired	Percentage of equity acquired (%)	Equity acquisition method	Acquisition date	Determination basis of the acquisition date	Income of the acquiree from the acquisition date to the end of the year	Net profit of the acquiree from the acquisition date to the end of the year
Foshan Fulong	18 April 2019	155,323,171.43	51.00	Equity transfer	18 April 2019	Transfer of control	55,645,650.02	7,807,528.78

#### (2) Cost of combination and goodwill

Items	Foshan Fulong
Cash	63,956,600.00
Fair value of non-cash assets	–
Fair value of liabilities issued or assumed	–
Fair value of equity securities issued	–
Fair value of contingent consideration	–
Fair value at acquisition date of equity held before acquisition date	91,366,571.43
Total cost of combination	155,323,171.43
Less: share of fair value of identifiable net assets acquired	41,492,045.24
Goodwill	113,831,126.19

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

### 1. Business combinations not under common control (Continued)

#### (3) Identifiable assets and liabilities of the acquirees at the acquisition date

Items	Foshan Fulong	
	Fair value at the acquisition date	Carrying amount at the acquisition date
Assets:		
Monetary fund	6,352,130.49	6,352,130.49
Notes receivable	-	-
Accounts receivable	2,576,241.32	2,576,241.32
Prepayments	-	-
Other receivables	3,618,740.35	3,618,740.35
Inventories	5,336,491.48	5,336,491.48
Other current assets	7,160,248.79	7,160,248.79
Long-term receivables	-	-
Long-term equity investment	-	-
Fixed assets	55,137,922.03	55,137,922.03
Construction in progress	139,591,653.02	139,591,653.02
Intangible assets	63,742,088.81	63,742,088.81
Goodwill	-	-
Long-term unamortized expenses	1,399,832.75	1,399,832.75
Deferred income tax assets	4,169,669.11	4,169,669.11
Liabilities:		
Short-term borrowings	-	-
Notes payable	-	-
Accounts payable	4,461,645.08	4,461,645.08
Receipts in advance	21,835,370.12	21,835,370.12
Employee benefits payables	532,857.95	532,857.95
Tax payable	180,194.76	180,194.76
Interests payable	136,946.01	136,946.01
Other payables	93,201,052.79	93,201,052.79
Long-term borrowings	87,380,000.00	87,380,000.00
Deferred income	-	-
Net assets	81,356,951.44	81,356,951.44
Less: minority interest	39,864,906.20	39,864,906.20
Net assets acquired	41,492,045.24	41,492,045.24





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VII. CHANGES IN CONSOLIDATION SCOPE *(Continued)*

### 2. Disposal of subsidiaries

The Company's subsidiary Shenzhen Dongjiang Products Trading Ltd. was deregistered during the year; the Company's subsidiary Jiangmen Dongjiang Fine Chemical Co., Ltd. was consolidated into Jiangmen Dongjiang Environmental Technology Ltd. as a whole.

### 3. Changes in consolidation scope due to other reasons

Company name	Equity acquisition method	Date of equity acquired	Capital contribution	Capital contribution ratio (%)
Jieyang Dongjiang	Newly established subsidiary	21 February 2019	12,750,000.00	85.00
Huizhou Dongtou	Newly established subsidiary	24 April 2019	6,000,000.00	60.00
Zhuhai Dongjiang	Newly established subsidiary	16 April 2019	50,000,000.00	100.00

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Structure of the Group

Name of subsidiaries	Company type	Major place of operation	Place of registration	Business nature	Proportion of shareholding (%)		Acquisition method
					Direct	Indirect	
Dongjiang Feed	LLC	Shenzhen	Shenzhen	Industrial	100	–	Wholly-owned
Longgang Dongjiang	LLC	Shenzhen	Shenzhen	Industrial	54	–	Wholly-owned
Yunnan Dongjiang	LLC	Kunming	Kunming	Industrial	100	–	Wholly-owned
Huizhou Dongjiang	LLC	Huizhou	Huizhou	Industrial	100	–	Wholly-owned
Qiandeng Wastes Treatment	LLC	Kunshan	Kunshan	Industrial	51	–	Wholly-owned
Huabao Technology	LLC	Shenzhen	Shenzhen	Services	100	–	Combination not under common control
Jiangxi Huabao	LLC	Yichun	Yichun	Services	–	100	Wholly-owned
Qingdao Dongjiang	LLC	Qingdao	Qingdao	Industrial	100	–	Wholly-owned
Hunan Dongjiang	LLC	Shaoyang	Shaoyang	Industrial	95	–	Wholly-owned
Chengdu Treatment Centre	LLC	Chengdu	Chengdu	Industrial	100	–	Wholly-owned
Renewable Energy	LLC	Shenzhen	Shenzhen	Industrial	100	–	Wholly-owned
Nanchang Xinguan	LLC	Nanchang	Nanchang	Industrial	–	100	Combination not under common control
Hefei Xinguan	LLC	Hefei	Hefei	Industrial	–	100	Combination not under common control
Shaoguan Dongjiang	LLC	Shaoguan	Shaoguan	Industrial	100	–	Wholly-owned
Shaoguan Recycling Resource	LLC	Shaoguan	Shaoguan	Industrial	100	–	Combination not under common control
Dongjiang Properties	LLC	Shenzhen	Shenzhen	Services	100	–	Wholly-owned
Baoan Energy	LLC	Shenzhen	Shenzhen	Industrial	100	–	Wholly-owned
Dongjiang HK	LLC	Hong Kong	Hong Kong	Services	100	–	Wholly-owned
Lik Shun Services	LLC	Hong Kong	Hong Kong	Services	–	100	Combination not under common control
Nantong Dongjiang	LLC	Rudong County	Rudong County	Services	–	100	Wholly-owned
Dongjiang Transport Products Trading	LLC	Huizhou	Huizhou	Services	100	–	Wholly-owned
Zhuhai Qingxin	LLC	Shenzhen	Shenzhen	Trading	100	–	Wholly-owned
	LLC	Zhuhai	Zhuhai	Industrial	100	–	Combination not under common control
Qingyuan Xinlv	LLC	Qingyuan	Qingyuan	Industrial	62.5	–	Combination not under common control
Jiaxing Deda	LLC	Jiashan County	Jiashan County	Industrial	51	–	Combination not under common control
Jiangmen Dongjiang	LLC	Jiangmen	Jiangmen	Industrial	100	–	Wholly-owned
Dongguan Hengjian	LLC	Dongguan	Dongguan	Industrial	100	–	Combination not under common control
Dongjiang Kaida	LLC	Shenzhen	Shenzhen	Services	100	–	Wholly-owned
Coastal Solid Waste	LLC	Yancheng	Yancheng	Industrial	75	–	Combination not under common control





# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1) Structure of the Group (Continued)

Name of subsidiaries	Company type	Major place of operation	Place of registration	Business nature	Proportion of shareholding (%)		Acquisition method
					Direct	Indirect	
Xiamen Oasis	Other Corporation Limited Company	Xiamen	Xiamen	Industrial	60	–	Combination not under common control
Xiamen Dongjiang	LLC	Xiamen	Xiamen	Industrial	60	–	By way of demerger
Fujian Oasis Solid Waste	LLC	Nanping	Nanping	Industrial	–	60	Indirectly owned through subsidiary
Longyan Oasis Environmental	LLC	Longyan	Longyan	Industrial	–	60	Indirectly owned through subsidiary
Nanping Oasis Environmental	LLC	Nanping	Nanping	Industrial	–	60	Indirectly owned through subsidiary
Sanming Oasis Environmental	LLC	Sanming	Sanming	Industrial	–	54	Indirectly owned through subsidiary
Wosen Environmental	LLC	Kelamayi	Kelamayi	Industrial	82.82	–	Combination not under common control
Jiangmen Fine Chemistry	LLC	Jiangmen	Jiangmen	Industrial	–	100	Wholly-owned
Jiangxi Dongjiang	LLC	Fengcheng	Fengcheng	Industrial	100	–	Wholly-owned
Shaoxing Dongjiang	LLC	Shaoxing	Shaoxing	Industrial	52	–	Wholly-owned
Jiangxi Kangtai	Corporation Limited Company	Jiujiang	Jiujiang	Industrial	51	–	Combination not under common control
Huiyuan Micro Finance	LLC	Shenzhen	Shenzhen	Financial	100	–	Wholly-owned
Hengjian Tongda	LLC	Shenzhen	Shenzhen	Industrial	100	–	Combination not under common control
Humen Green	LLC	Dongguan	Dongguan	Industrial	–	90	Indirectly owned through subsidiary
Hubei Tianyin	LLC	Jingzhou	Jingzhou	Industrial	60	–	Combination not under common control
Tianyin Technology	LLC	Jingzhou	Jingzhou	Industrial	–	60	Indirectly owned through subsidiary
Tianyin Hazardous	LLC	Jingzhou	Jingzhou	Industrial	–	60	Indirectly owned through subsidiary
Tianyin Vehicle Dismantle	LLC	Jingzhou	Jingzhou	Industrial	–	60	Indirectly owned through subsidiary
Zhuhai Yongxingsheng	LLC	Zhuhai	Zhuhai	Industrial	80	–	Combination not under common control
Green Environmental	LLC	Xiantao	Xiantao	Industrial	55	–	Combination not under common control
Jiangsu Dongjiang	LLC	Rudong County	Rudong County	Industrial	100	–	Combination not under common control
Hengshui Ruitao	LLC	Hengshui	Hengshui	Industrial	85	–	Combination not under common control
Jiangsu Dongheng Environmental	LLC	Jurong	Jurong	Industrial	56.25	–	Combination not under common control

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### *(1) Structure of the Group (Continued)*

Name of subsidiaries	Company type	Major place of operation	Place of registration	Business nature	Proportion of shareholding (%)		Acquisition method
					Direct	Indirect	
Qianhai Dongjiang	LLC	Shenzhen	Shenzhen	Services	100	–	Wholly-owned
Baoan Dongjiang	LLC	Shenzhen	Shenzhen	Industrial	100	–	Wholly-owned
Zhejiang Jianglian	LLC	Shaoxing	Shaoxing	Financial	60	–	Combination not under common control
Huaxin Environmental	LLC	Shaoxing	Shaoxing	Industrial	–	60	Indirectly owned through subsidiary
Zhenjiang Dongjiang	LLC	Jurong	Jurong	Services	60	–	Wholly-owned
Weifang Blue Sea	LLC	Changyi	Changyi	Industrial	70	–	Combination not under common control
Jingzhou Dongjiang	LLC	Jiangling County	Jiangling County	Industrial	100	–	Wholly-owned
Huangshi Dongjiang	LLC	Yangxin County	Yangxin County	Industrial	70	–	Wholly-owned
Zhaoqing Dongsheng	LLC	Zhaoqing	Zhaoqing	Trading	100	–	Wholly-owned
Huateng Environment	LLC	Shenzhen	Shenzhen	Services	100	–	Combination not under common control
Tangshan Wandesi	LLC	Tangshan	Tangshan	Services	80	–	Combination not under common control
Xiantao Dongjiang	LLC	Xiantao	Xiantao	Services	100	–	Wholly-owned
Mianyang Dongjiang	LLC	Mianyang	Mianyang	Industrial	51	–	Wholly-owned
Handan Dongjiang	LLC	Handan	Handan	Industrial	60	–	Wholly-owned
Jieyang Dongjiang	LLC	Jieyang	Jieyang	Industrial	85	–	Wholly-owned
Foshan Fulong	LLC	Foshan	Foshan	Industrial	51	–	Combination not under common control
Fulong Logistic	LLC	Foshan	Foshan	Services	–	51	Indirectly owned through subsidiary
Huizhou Dongtou	LLC	Huizhou	Huizhou	Industrial	60	–	Wholly-owned
Zuhai Dongjiang	LLC	Zuhai	Zuhai	Industrial	100	–	Wholly-owned





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (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
Longgang Dongjiang	46.00%	11,976,206.04	25,300,000.00	79,064,260.35
Qiandeng Wastes Treatment	49.00%	23,130,741.48	24,500,000.00	52,641,289.33
Qingyuan Xinlv	37.50%	5,221,301.21	6,375,000.00	37,697,949.62
Jiaxing Deda	49.00%	2,789,771.36	2,450,000.00	36,813,314.63
Xiamen Oasis	40.00%	10,417,305.40	-	108,078,910.36
Xiamen Dongjiang	40.00%	2,627,955.54	77,000.00	81,269,306.65
Hubei Tianyin	40.00%	-19,381,718.56	-	-11,147,705.84
Zhuhai Yongxingsheng	20.00%	12,271,627.73	4,000,000.00	45,763,517.77
Hengshui Ruitao	15.00%	-65,181.44	-	7,354,896.37
Jiangsu Dongheng Environmental	43.75%	-3,585,557.25	-	20,867,519.30
Foshan Fulong	51.00%	3,825,689.10	-	43,690,595.30

#### (3) Key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Current assets	Balance at the end of the year				Total liabilities
		Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Longgang Dongjiang	120,208,310.78	104,969,349.32	225,177,660.10	16,021,284.10	7,041,833.23	23,063,117.33
Qiandeng Wastes Treatment	114,311,904.68	26,868,312.39	141,180,217.07	27,904,147.84	-	27,904,147.84
Qingyuan Xinlv	77,645,251.54	38,167,530.35	115,812,781.89	12,208,386.11	-	12,208,386.11
Jiaxing Deda	45,200,722.57	66,399,550.00	111,600,272.57	31,801,263.66	5,363,206.30	37,164,469.96
Xiamen Oasis	288,211,622.33	204,148,855.84	492,360,478.17	220,018,036.00	28,188,429.77	248,206,465.77
Xiamen Dongjiang	49,446,580.91	263,129,901.41	312,576,482.32	102,733,086.22	13,940,206.08	116,673,292.30
Hubei Tianyin	61,060,908.98	501,044,962.92	562,105,871.90	418,104,936.24	123,415,903.85	541,520,840.09
Zhuhai Yongxingsheng	69,454,193.35	217,989,144.53	287,443,337.88	75,954,811.76	24,029,075.93	99,983,887.69
Hengshui Ruitao	33,648,530.98	110,230,310.45	143,878,841.43	54,211,655.96	40,200,000.00	94,411,655.96
Jiangsu Dongheng Environmental	18,041,233.92	225,912,725.53	243,953,959.45	170,598,911.16	17,462,301.88	188,061,213.04

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## 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 during 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
Longgang Dongjiang	74,963,729.58	26,035,230.53	26,035,230.53	60,300,955.09	78,951,725.47	32,580,775.10	32,580,775.10	66,497,791.38
Qiandeng Wastes Treatment	222,839,668.09	47,205,594.85	47,205,594.85	54,708,055.13	258,881,357.24	52,282,106.10	52,282,106.10	37,566,042.12
Qingyuan Xinlv	135,863,045.60	13,923,469.89	13,923,469.89	16,869,366.04	165,795,344.38	6,842,671.20	6,842,671.20	4,312,672.29
Jiaying Deda	91,291,575.15	5,693,410.94	5,693,410.94	15,308,652.13	100,512,062.71	8,161,259.83	8,161,259.83	10,413,749.06
Xiamen Oasis	160,053,049.84	26,043,263.51	26,043,263.51	-1,950,817.78	137,700,176.03	22,398,054.78	22,398,054.78	-33,900,380.34
Xiamen Dongjiang	104,006,309.16	6,430,101.09	6,430,101.09	100,543,643.06	123,049,902.99	21,077,118.41	21,077,118.41	45,299,513.12
Hubei Tianyin	61,235,017.64	-48,454,296.40	-48,454,296.40	-147,100.00	76,005,331.69	-27,158,528.82	-27,158,528.82	28,499,703.64
Zhuhai Yongxingsheng	184,375,559.53	61,358,138.64	61,358,138.64	79,470,186.59	199,676,870.26	50,064,204.21	50,064,204.21	25,491,119.62
Hengshui Ruitao	58,000,938.52	-434,542.96	-434,542.96	11,059,527.92	38,547,364.44	-357,304.60	-357,304.60	-7,453,881.20
Jiangsu Dongheng Environmental	6,219,274.06	-8,195,559.44	-8,195,559.44	6,576,199.26	6,499,053.30	-10,055,730.24	-10,055,730.24	17,756,917.39
Foshan Fulong	55,645,650.02	7,807,528.78	7,807,528.78	14,452,371.75	-	-	-	-

#### (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

There were no changes in shareholders' equity in the subsidiary.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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

#### (1) Significant joint ventures or associates

Name of joint ventures or associates	Principal place of operation	Place of registration	Business nature	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
Jieyang ALBA	Jieyang	Jieyang	Industrial	37.10	-	Equity approach
Xingye Dongjiang	Quanzhou	Quanzhou	Industrial	42.50	-	Equity approach

#### 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 2019, the Company holds 50% equity interest and 50% voting rights in Dongjiang Veolia.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)*

##### 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 2019, the Company holds 49% equity interest and 42.86% voting rights in Shenzhen Resource.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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) Jieyang ALBA

Full name: ALBA Rising Green Fuel (Jieyang) Ltd. (歐晟綠色燃料(揭陽)有限公司)

Jieyang ALBA has a registered capital of RMB168,000,000. The Company invested RMB62,328,000 and owned 37.10% equity interest therein. Business scope: to be responsible for the design, construction, operation, maintenance and handover of Jieyang Luyuan Waste Comprehensive Treatment and Resources Utilization Plant within the scope of the franchise period and the franchise area; collection, transshipment, transportation and terminal treatment of domestic waste, kitchen organic waste and municipal solid waste; new energy, environmental protection, water treatment, garbage mechanical sorting, garbage biological treatment, as well as recycling of used materials; biomass power generation, electricity sales; treatment of municipal residents' domestic garbage, other solid wastes and other non-hazardous wastes; research and development, design, engineering construction, investment, operation, general contracting, technical support, technology import and export, technical consultation, equipment processing and manufacturing, equipment installation, equipment maintenance, equipment operation, related instruments and equipment and equipment import and export related to the above business, equipment leasing. The above-mentioned exclude the commodities subject to the State-run trade management; with regard to the commodities subject to quota and license management, make applications in accordance with the relevant regulations of the State. (for projects subject to approval in accordance with laws, business can only be conducted upon approval by relevant department). As of 31 December 2019, the Company holds 37.10% equity interest and 37.10% voting rights in ALBA Rising Green Fuel.

##### 4) Xingye Dongjiang

Full name: Fujian Xingye Dongjiang Environmental Technology Co., Ltd. (福建興業東江環保科技有限公司)

Xingye 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 2019, the Company holds 42.50% equity interest and 42.50% voting rights in Xingye Dongjiang.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)*

#### *(2) Key financial information of significant joint ventures*

Items	Balance at the end of the year/ incurred during the year Dongjiang Veolia	Balance at the beginning of the year/ year/incurred during the year Dongjiang Veolia
Current assets	<b>120,149,373.71</b>	103,662,119.83
Including: cash and cash equivalent	<b>65,554,107.09</b>	41,425,566.87
Non-current assets	<b>311,394,973.28</b>	272,631,168.42
<b>Total assets</b>	<b>431,544,346.99</b>	376,293,288.25
Current liabilities	<b>170,486,213.32</b>	127,445,206.74
Non-current liabilities	<b>31,461,244.75</b>	19,981,497.13
<b>Total liabilities</b>	<b>201,947,458.07</b>	147,426,703.87
Minority interests	<b>22,829,568.01</b>	24,347,051.13
Equity interests attributable to shareholders of the parent company	<b>206,767,320.91</b>	204,519,533.25
Share of net asset based on shareholdings	<b>103,383,660.46</b>	102,259,766.63
Adjustments		
– Goodwill	–	–
– Unrealized profit from intra-group transactions	–	–
– Others	–	–
Book value of investments in interest of joint venture	<b>85,868,519.99</b>	86,511,529.08
Fair value of investments in interest in joint venture with open market quotations	–	–
Operating revenue	<b>341,706,303.27</b>	299,941,207.60
Financial costs	<b>724,047.35</b>	1,435,750.72
Income tax expenses	<b>1,937,933.50</b>	6,182,964.49
Net profit	<b>15,730,682.54</b>	36,716,289.55
Net profit from discontinued operations	–	–
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>15,730,682.54</b>	36,716,289.55
Dividends received from joint venture during the year	–	–





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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

Items	Balance at the end of the year/ incurred during the year Shenzhen Resource	Balance at the end of the year/ incurred during the year Jieyang ALBA	Balance at the end of the year/ incurred during the year Xingye Dongjiang	Balance at the beginning of the year/incurred during the year Shenzhen Resource	Balance at the beginning of the year/incurred during the year Jieyang ALBA	Balance at the beginning of the year/incurred during the year Xingye Dongjiang
Current assets	2,539,803.31	68,536,322.09	87,027,983.37	17,670,606.97	86,914,615.97	85,026,557.14
Including: cash and cash equivalent	1,920,803.30	12,469,563.34	745,873.36	13,331,167.24	22,677,560.48	17,548,962.23
Non-current assets	30,398,533.33	528,349,691.55	318,575,548.47	35,558,808.24	335,822,327.02	244,787,344.67
<b>Total assets</b>	<b>32,938,336.64</b>	<b>596,886,013.64</b>	<b>405,603,531.84</b>	<b>53,229,415.21</b>	<b>422,736,942.99</b>	<b>329,813,901.81</b>
Current liabilities	7,201,682.75	142,203,383.52	78,301,607.45	10,501,385.49	48,446,617.44	48,301,036.84
Non-current liabilities	-	-	306,115,118.23	195,441,040.37	259,166,985.52	185,464,749.98
<b>Total liabilities</b>	<b>7,201,682.75</b>	<b>448,318,501.75</b>	<b>273,742,647.82</b>	<b>10,501,385.49</b>	<b>307,613,602.96</b>	<b>233,765,786.82</b>
Minority interests	-	-	-	-	-	-
Equity interests attributable to shareholders of the parent company	25,736,653.89	148,567,511.89	131,860,884.02	42,728,029.72	115,123,340.03	96,048,114.99
Share of net asset based on shareholdings	12,610,960.41	55,118,546.91	56,040,875.71	20,936,734.56	42,710,759.15	40,820,448.87
Adjustments	-	-	-	-	-	-
- Goodwill	-	-	-	-	-	-
- Unrealized profit from intra-group transactions	-	-	-192,303.81	-	-	-
- Others	-	-	-	-	-	-
Book value of investments in interest of associates	11,390,968.40	60,917,158.29	55,340,653.49	19,808,770.48	50,816,680.74	40,520,244.18
Fair value of investments in interest in associates with open market quotations	-	-	-	-	-	-
Operating revenue	5,740,451.25	51,789,567.66	101,724,512.41	31,108,093.72	430,805.37	14,119,616.53
Financial costs	-17,493.24	4,433,836.63	-9,074.90	-72,744.47	-59,727.46	-956,393.23
Income tax expenses	3,717,894.19	-	-	-	-	-
Net profit	-17,348,215.83	-774,993.14	35,324,030.84	-4,424,203.75	-9,647,642.52	421,475.80
Net profit from discontinued operations	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-17,348,215.83</b>	<b>-774,993.14</b>	<b>35,324,030.84</b>	<b>-4,424,203.75</b>	<b>-9,647,642.52</b>	<b>421,475.80</b>
Dividends received from associates during the year	-	-	-	-	-	-

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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*

Items	Balance at the end of the year/ incurred during the year	Balance at the beginning of the year/ incurred during last year
<b>Associates:</b>		
Total book value of investments	<b>39,232,834.33</b>	44,835,151.82
Total amounts based on shareholding		
– Net profit	<b>-20,459,584.76</b>	-6,771,540.18
– Other comprehensive income	–	–
– Total comprehensive income	<b>-20,459,584.76</b>	-6,771,540.18

#### *(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.





# NOTES TO FINANCIAL STATEMENTS

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

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

Major financial instruments of the Company include monetary fund, notes receivable, accounts receivable, receivables financing, other accounts receivable, borrowings, accounts payable, other accounts payable, 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.

### 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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

### 1. Objective and policies of risk management *(Continued)*

#### (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 2018, 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	<b>973,251.32</b>	2,990,739.98
Monetary fund – HKD	<b>6,615,672.73</b>	5,254,272.30
Account receivables – HKD	<b>890,857.45</b>	1,584,830.00
Account receivables – USD	<b>2,416.62</b>	–
Prepayment – HKD	<b>378,708.02</b>	405,764.34
Other accounts receivable – HKD	<b>5,009,828.34</b>	7,267,971.17
Inventories – HKD	<b>75,324.71</b>	78,715.58
Fixed assets – HKD	<b>2,084,211.04</b>	2,981,670.38
Short-term borrowings – HKD	<b>8,000,000.00</b>	8,000,000.00
Account payable – HKD	<b>374,010.05</b>	313,959.04
Other payable – HKD	<b>602,436.39</b>	604,489.49
Non-current liabilities due within 1 year – HKD	<b>437,158.49</b>	748,573.78
Contract liabilities – HKD	<b>4,231.58</b>	109,318.34
Lease liability – HKD	<b>479,818.96</b>	1,020,447.40

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 2019 to 31 December 2019

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

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(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 2019, 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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

### 1. Objective and policies of risk management *(Continued)*

#### *(2) Credit risk (Continued)*

The Company places its liquid funds at banks with relatively higher credit ratings; therefore, the credit risk with respect to liquid funds is low.

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: RMB504,333,022.96.

#### *(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 2019, the unused credit facilities of bank borrowing of the Company was RMB2.533 billion (31 December 2018: RMB3.270 billion), including unused short-term bank borrowings facilities of the Company of RMB2.475 billion (31 December 2018: RMB3.100 billion), representing a significant change as compared to last year, mainly due to the maturity of the bonds during the period, which resulted in a decrease in the remaining credit limit of bank borrowings compared with the previous period.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

### 1. Objective and policies of risk management *(Continued)*

#### (3) Liquidity risk *(Continued)*

The following table demonstrates the financial assets and financial liabilities the Company held according to the maturity of undiscounted remaining contractual obligations:

Amount as at 31 December 2019:

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
<b>Financial assets</b>					
Monetary fund	1,104,760,604.12	—	—	—	1,104,760,604.12
Held-for-trading financial assets	—	—	—	—	—
Receivables financing	82,320,731.83	—	—	—	82,320,731.83
Accounts receivable	862,658,276.50	—	—	—	862,658,276.50
Other accounts receivable	350,272,018.88	6,849,914.92	—	6,653,700.00	363,775,633.80
Loans	162,490,000.00	—	—	—	162,490,000.00
Non-current asset due within one year	41,252,309.46	—	—	—	41,252,309.46
Contractual assets	117,916,128.85	—	—	—	117,916,128.85
Long-term accounts receivable	—	700,000.00	—	8,261,990.00	8,961,990.00
<b>Financial liabilities</b>					
Short-term borrowings	1,781,935,013.71	—	—	—	1,781,935,013.71
Notes payable	100,360,000.00	—	—	—	100,360,000.00
Accounts payable	685,891,301.15	—	—	—	685,891,301.15
Other accounts payable	601,698,256.90	6,322,652.26	—	—	608,020,909.16
Including: Dividend payable	—	—	—	—	—
Interest payable	2,664,917.36	—	—	—	2,664,917.36
Non-current liabilities due within one year	955,874,167.84	—	—	—	955,874,167.84
Long-term borrowings	38,156,119.04	229,590,117.17	534,221,280.57	107,668,877.80	909,636,394.58
Bond payables	—	—	—	—	—
Contract liabilities	169,267,583.05	—	—	—	169,267,583.05
Lease liabilities	—	6,143,805.87	4,508,509.52	—	10,652,315.39

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

### 2. Sensitivity analysis

The Company applies sensitivity to analyse the rationality of technical risk variables and the effect of possible changes on the current profit and loss or shareholders' 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	<b>41,465.89</b>	<b>41,465.89</b>	127,106.45	127,106.45
USD	Decrease 5% against RMB	<b>-41,465.89</b>	<b>-41,465.89</b>	-127,106.45	-127,106.45
HKD	Increase 5% against RMB	<b>127,389.97</b>	<b>127,389.97</b>	157,932.12	157,932.12
HKD	Decrease 5% against RMB	<b>-127,389.97</b>	<b>-127,389.97</b>	-157,932.12	-157,932.12

#### (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.





# NOTES TO FINANCIAL STATEMENTS

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

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS *(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 by 1%	-6,109,350.45	-6,109,350.45	-3,358,601.93	-3,358,601.93
Borrowings with floating interest rate	Decrease by 1%	6,109,350.45	6,109,350.45	3,358,601.93	3,358,601.93

## 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	
<b>I. Continuous fair value measurement</b>				
(1) Financial assets at fair value through profit and loss	-	-	-	-
Financial assets held for trading-equity instrument investments	-	-	-	-
(2) Investment properties	-	433,545,129.00	-	433,545,129.00
Leased buildings	-	383,764,829.00	-	383,764,829.00
Leased land use rights	-	49,780,300.00	-	49,780,300.00
<b>Total assets with continuous fair value measurement</b>	-	433,545,129.00	-	433,545,129.00

# NOTES TO FINANCIAL STATEMENTS

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

## X. DISCLOSURE OF FAIR VALUE *(Continued)*

### 2. 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 Bowen Real Estate Appraisal and Construction Group Co., Ltd., Guangdong Zhongguangxin Asset Appraisal Co., Ltd., Beijing Yachao Asset Appraisal Co., Ltd., Xiamen Guozhice Assets and Real Estate Land Appraisal Co., Ltd. and Hubei Zhengliangxing Asset Appraisal Co., Ltd. (all of them are independent third parties with no connection to the Company). The valuation techniques and input data used in the fair value measurement of investment property of the Company are as follows:

Owned by	Valuation techniques used	Input
Dongjiang Headquarters	Income method and market approach	Income method is a valuation method via getting the normal future net income of valuation subjects and accruing the present value discounted by using applicable capitalizing rate to obtain the objective prices and values of the valuation subjects. It is applicable to the property with economic benefits or potential economic benefits, and it is not applicable to the public property and the public welfare property and property of which the income is difficult to determine;  Market approach is a valuation method based on replacement theory to compare the valuation subjects with the same or similar properties involving in the recent transactions around the valuation date. By making adjustments to the known price of such similar properties, the reasonable prices or values of the valuation subjects are estimated.
Xiamen Lvzhou	Cost method and income method	The income method calculates the value of property based on its future objective income, and the calculation result is relatively close to the market price. The theoretical basis of the cost method is the value theory of production costs. It is accruing the necessary normal expenses required to develop or construct the property to evaluate the price of the valuation subjects.





# NOTES TO FINANCIAL STATEMENTS

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## X. DISCLOSURE OF FAIR VALUE *(Continued)*

### 2. Valuation method and qualitative and quantitative data of significant input of continuous and non-continuous level 2 fair value measurement items *(Continued)*

Owned by	Valuation techniques used	Input
Jiangsu Dongjiang Environmental	Income method	The income method refers to the evaluation idea of determining the value of the valuation subjects by capitalizing or discounting the expected income of the valuation subjects

Hubei Tianyin Circulation	Cost method and market approach	The cost method refers to an approach in which the appraised value of the valuation subjects shall be measured at the total costs needed for repurchasing or building a brand-new valuation subject under existing conditions minus the depreciation which has occurred and the difference obtained is considered as the valuation value of the valuation subject. Or to determine the residue ratio of the valuation subject as compared to their brand-new state, aka the newness rate, and multiply the existing replacement cost with the residue ratio to arrive at the appraisal value of the valuation subject. The basic calculation formula of the replacement cost method is: Appraised value = Full replacement cost × newness rate.
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The market approach (aka the dealing case comparison method, the trading case comparison method, the market comparison method, the market data comparison method, and the prevailing market price method) is to arrive at the price of the appraised land on the date of valuation through comparison of the appraised land with similar land transactions concluded in the recent period on replacement principle and adjusted for difference in the transaction conditions, date, areas and particular factors of the appraised land according to the known prices of the comparable transactions. The calculation formula is: appraised value = reference market price \* each coefficient for individual factor

# NOTES TO FINANCIAL STATEMENTS

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

## X. DISCLOSURE OF FAIR VALUE *(Continued)*

### 2. Valuation method and qualitative and quantitative data of significant input of continuous and non-continuous level 2 fair value measurement items *(Continued)*

Owned by	Valuation techniques used	Input
Hubei Tianyin Vehicle Dismantling	Cost method and market approach	<p>The cost method refers to an approach in which the appraised value of the valuation subjects shall be measured at the total costs needed for repurchasing or building a brand-new valuation subject under existing conditions minus the depreciation which has occurred and the difference obtained is considered as the valuation value of the valuation subject. Or to determine the residue ratio of the valuation subject as compared to their brand-new state, aka the newness rate, and multiply the existing replacement cost with the residue ratio to arrive at the appraisal value of the valuation subject. The basic calculation formula of the replacement cost method is: Appraised value = Full replacement cost × newness rate.</p> <p>The market approach (aka the dealing case comparison method, the trading case comparison method, the market comparison method, the market data comparison method, and the prevailing market price method) is to arrive at the price of the appraised land on the date of valuation through comparison of the appraised land with similar land transactions concluded in the recent period on replacement principle and adjusted for difference in the transaction conditions, date, areas and particular factors of the appraised land according to the known prices of the comparable transactions. The calculation formula is: appraised value = reference market price × each coefficient for individual factor</p>





# NOTES TO FINANCIAL STATEMENTS

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## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (i) Relationships of related parties

#### 1. Controlling shareholder and ultimate controlling shareholder

##### (1) Controlling shareholder and ultimate controlling shareholder

Controlling shareholder	Balance at the end of year	
	Shareholding	Proportion of Shareholdings (%)
Guangdong Rising Assets	166,068,501.00	18.89%
Subsidiaries of Guangdong Rising Assets	25,931,609.00	2.95%
<b>Total</b>	<b>192,000,110.00</b>	<b>21.84%</b>

As at 31 December 2019, Guangdong Rising Finance Holding Co., Ltd., a wholly-owned subsidiary of Guangdong Rising Assets, held 21,733,582 A Shares of the Company, representing 2.47% 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 are set out in "Structure of the Group" under Note VIII.1 (1).

#### 3. Joint ventures and associates

Details of significant joint ventures or associates of the Company was set out in "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 or associates	Relations with the Company
Dongjiang Veolia	Joint venture
Dongguan Fengye	Associate
Xingye Dongjiang	Associate
Shenzhen Micronutrients	Associate
Jiangsu Suquan	Associate
Shenzhen Resource	Associate

# 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)*

### (i) Relationships of related parties *(Continued)*

#### 4. Other related parties

Name of other related parties	Relations with the Company
Shenzhen Zhongjin Lingnan Nonferrous Metals Co., Ltd. (Zhongjin Lingnan)	Controlled by the same controlling shareholder
Guangzhou Huajian Engineering and Construction Co., Ltd. (Guangzhou Huajian)	Controlled by the same controlling shareholder
Guangdong Guangsheng Youse Import and Export Co., Ltd. (Guangsheng Youse)	Controlled by the same controlling shareholder
Guangdong Zhongnan Construction Co., Ltd. (Zhongnan Construction)	Controlled by the same controlling shareholder
Jiangsu Huihong International Exhibition Decoration Engineering Co., Ltd. (Huihong Exhibition Decoration)	Other related parties controlled by the shareholder holding more than 5% of the Company
Jiangsu Huihong International Group Exhibition Co., Ltd. (Huihong Exhibition Co., Ltd.)	Other related parties controlled by the shareholder holding more than 5% of the Company
Neidian Soft Technology Electronics (Zhuhai) Co., Ltd. (Neidian Technology)	Controlled by the same controlling shareholder
Guangdong Fenghua Hi-Tech Co., Ltd. (Fenghua Hi-Tech)	Controlled by the same controlling shareholder
Guangdong Guangsheng Youse Group Co., Ltd. (Youse Group)	Controlled by the same controlling shareholder
Foshan Taimei Times Lighting Co., Ltd. (Foshan Taimei Times)	Controlled by the same controlling shareholder
Foshan Lighting Equipment Co., Ltd. (Foshan Lighting)	Controlled by the same controlling shareholder
Foshan Lighting Chanchang Optoelectronics Co., Ltd. (Foshan Lighting Chanchang)	Controlled by the same controlling shareholder
Guangdong Dabaoshan Mining Co., Ltd. (Dabaoshan Mining)	Controlled by the same controlling shareholder
Guangdong Zhongren Group Construction Co., Ltd. (Zhongren Group)	Controlled by the same controlling shareholder





# 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)*

### (ii) Related party transactions

1. *Related party transactions in respect of purchase and sales of goods, providing and receiving services*

(1) Purchasing goods/receiving services

Related Party	Related party transactions	Incurred during the year	Incurred during last year
Dongjiang Veolia	Receiving services	<b>17,963,108.18</b>	35,506,613.67
Guangzhou Huajian	Receiving services	<b>560,000.00</b>	3,349,435.71
Guangcheng Youse	Purchase goods	–	110,276.48
Zhongnan Construction	Receiving services	<b>38,018,009.79</b>	–
Huihong Exhibition Decoration	Receiving services	<b>206,603.78</b>	–
Huihong Exhibition Co., Ltd.	Receiving services	<b>64,150.94</b>	–
Neidian Technology	Purchase goods	<b>84,461.70</b>	–
Xingye Dongjiang	Receiving services	<b>4,391,097.35</b>	–
<b>Total</b>		<b>61,287,431.74</b>	38,966,325.86

Before being included in the scope of the consolidated statements of the Company, Foshan Fulong had signed a construction contract with Zhongnan Construction. Foshan Fulong paid RMB34,022,000 to Zhongnan Construction during the term of the contract.

# 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)*

### (ii) Related party transactions *(Continued)*

1. *Related party transactions in respect of purchase and sales of goods, providing and receiving services (Continued)*

(2) Sales of goods/providing services

Related Party	Related party transactions	Incurred during the year	Incurred during last year
Dongjiang Veolia	Providing services	<b>118,497,820.51</b>	83,337,905.92
Dongjiang Veolia	Sales of goods	–	583,529.49
Dongguan Fengye	Providing services	<b>4,009,433.96</b>	4,009,433.95
Zhongjin Lingnan	Providing services	<b>250,771.74</b>	16,070,342.14
Zhongjin Lingnan	Sales of goods	<b>2,633,998.76</b>	–
Jiangsu Suquan	Providing services	<b>943,396.23</b>	1,102,557.06
Xingye Dongjiang	Providing services	<b>6,672,694.33</b>	10,090,910.00
Foshan Fulong	Providing services	–	23,648,648.65
Fenghua Hi-Tech	Providing services	<b>1,051,434.32</b>	–
Youse Group	Providing services	<b>392,830.18</b>	–
Foshan Taimei Times	Providing services	<b>93,318.58</b>	–
Foshan Lighting	Providing services	<b>12,931.03</b>	–
Foshan Lighting Chanchang	Providing services	<b>14,159.29</b>	–
Dabaoshan Mining	Providing services	<b>67,256.64</b>	–
<b>Total</b>		<b>134,640,045.57</b>	138,843,327.21

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	–	90,709.06

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 Environmental	Dongguan Fengye	44,000,000.00	2018-10-15	2033-10-15	No
Dongjiang Environmental	Xingye Dongjiang	150,000,000.00	2018-3-30	2025-3-29	No
Dongjiang Environmental	Xingye Dongjiang	50,000,000.00	2018-7-18	2024-10-17	No





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (iii) Consolidation and parent company

#### 1. Emoluments of key management

##### (1) Emoluments of Directors and Supervisors

Total emoluments of Directors and Supervisors before tax during the year are as follows:

Name	Fees of Directors and Supervisors	Salaries and allowances	Bonus	Retirement benefits scheme contributions	Total
Executive Directors					
Tan Kan	-	1,624,060.82	-	70,064.71	1,694,125.53
Yao Shu	-	1,023,747.60	-	63,777.79	1,087,525.39
<b>Sub-total</b>	-	<b>2,647,808.42</b>	-	<b>133,842.50</b>	<b>2,781,650.92</b>
Non-executive Directors					
Liu Boren	-	-	-	-	-
Huang Yiming	-	-	-	-	-
Lu Bei	-	-	-	-	-
Jin Yongfu	-	-	-	-	-
Deng Qian	-	-	-	-	-
<b>Sub-total</b>	-	-	-	-	-
Independent non-executive Directors					
Wong Hin Wing	150,000.00	-	-	-	150,000.00
Qu Jihui	150,000.00	-	-	-	150,000.00
Zhu Zheng Fu	150,000.00	-	-	-	150,000.00
<b>Sub-total</b>	<b>450,000.00</b>	-	-	-	<b>450,000.00</b>
Supervisors					
Huang Haiping	-	-	-	-	-
Huang Weiming	-	448,002.00	-	35,333.54	483,335.54
Li Yue	-	55,500.00	-	11,428.30	66,928.30
Zhang Hao	-	126,709.00	-	22,794.91	149,503.91
Zhao Xuechao	-	-	-	-	-
<b>Sub-total</b>	-	<b>630,211.00</b>	-	<b>69,556.75</b>	<b>699,767.75</b>
<b>Total</b>	<b>450,000.00</b>	<b>3,278,019.42</b>	-	<b>203,399.25</b>	<b>3,931,418.67</b>

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (iii) Consolidation and parent company *(Continued)*

#### 1. 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 and allowances	Bonus	Retirement benefits scheme contributions	Total
Executive Directors					
Tan Kan	-	1,046,658.80	-	79,088.16	1,125,746.96
Liu Ren	-	1,097,254.00	-	66,000.24	1,163,254.24
Li Yong Peng	-	1,337,370.00	-	72,534.94	1,409,904.94
Zhang Kai	-	532,298.17	-	24,311.42	556,609.59
<b>Sub-total</b>	-	4,013,580.97	-	241,934.76	4,255,515.73
Non-executive Directors					
Liu Boren	-	-	-	-	-
Deng Qian	-	-	-	-	-
Huang Yiming	-	-	-	-	-
Lu Bei	-	-	-	-	-
Jin Yongfu	-	-	-	-	-
<b>Sub-total</b>	-	-	-	-	-
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
<b>Sub-total</b>	450,000.00	-	-	-	450,000.00
Supervisors					
Zhang Anli	-	-	-	-	-
Huang Weiming	-	818,004.00	200,000.00	79,078.90	1,097,082.90
Li Yue	-	169,353.20	-	28,725.00	198,078.20
Zhao Xuechao	-	-	-	-	-
<b>Sub-total</b>	-	987,357.20	200,000.00	107,803.90	1,295,161.10
<b>Total</b>	450,000.00	5,000,938.17	200,000.00	349,738.66	6,000,676.83





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (iii) Consolidation and parent company *(Continued)*

#### 1. *Emoluments of key management (Continued)*

#### (2) Top five employees with highest emoluments

During the year, top five employees with highest emoluments include two (last year: two) directors, and the other three (last year: three) employees with the highest emoluments were as follows:

Item	Amount of the year	Amount of last year
Salaries and allowance	<b>2,525,000.00</b>	2,645,167.00
Bonus	<b>770,000.00</b>	1,350,000.00
Retirement benefits scheme contribution	<b>210,194.00</b>	204,922.62
<b>Total</b>	<b>3,505,194.00</b>	4,200,089.62

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)		
RMB837,800 – RMB1,675,600 (HKD1,000,001 – HKD2,000,000)	<b>5</b>	5
<b>Total</b>	<b>5</b>	5

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (iii) Consolidation and parent company *(Continued)*

#### 1. *Emoluments of key management (Continued)*

(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 and allowances	<b>8,000,262.66</b>	8,678,271.42
Cost of social insurance, housing fund and related pension cost	<b>486,077.42</b>	590,736.84
Bonus	–	200,000.00
<b>Total</b>	<b>8,486,340.08</b>	9,469,008.26

#### 2. *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.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (iv) Related Party Balance

#### 1. 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
Accounts receivable	Dongjiang Veolia	28,911,074.17	-	10,991,668.71	-
Accounts receivable	Jiangsu Suquan	10,993,814.68	-	11,050,418.45	-
Accounts receivable	Foshan Fulong	-	-	42,186,218.51	-
Accounts receivable	Xingye Dongjiang	15,006,926.75	-	13,454,439.88	-
Accounts receivable	Dongguan Fengye	1,700,000.01	-	2,550,000.00	-
Accounts receivable	Zhongjin Lingnan	367,287.04	-	2,303,670.73	-
Accounts receivable	Fenghua Hi-Tech	573,132.00	-	-	-
Other accounts receivable	Dongguan Fengye	-	-	8,339,278.88	-
Prepayments	Zhongren Group	1,536,013.00	-	-	-
Prepayments	Dongjiang Veolia	316,372.22	-	-	-

#### 2. Payable 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
Accounts payable	Xingye Dongjiang	4,961,940.00	-	-	-
Accounts payable	Dongjiang Veolia	3,682,953.61	-	372,742.64	-
Accounts payable	Huihong Exhibition Decoration	171,663.12	-	-	-
Accounts payable	Zhongnan Construction	37,549.20	-	-	-
Other accounts payable	Guangdong Rising Assets	436,796,318.96	-	-	-
Other accounts payable	Zhongnan Construction	554,500.00	-	-	-
Other accounts payable	Xingye Dongjiang	153,084.00	-	-	-
Other accounts payable	Zhongren Group	50,300.00	-	-	-
Other accounts payable	Dongjiang Veolia	-	-	20,000.00	-

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (v) Other Related Party Transactions

On 23 January 2019, 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 2019, the Company has a deposit balance of RMB62,253,626.05 with Rising Finance Company and a loan balance of RMB150,000,000.00 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.

## XII. SHARE-BASED PAYMENTS

### 1. Details of share-based payments

Item	Details (share)
Total amount of equity instrument granted by the Company during the year	–
Total amount of equity instruments exercised by the Company during the year	–
Total amount of equity instruments lapsed of the Company during the year	7,833,000.00
Scope of exercise prices of share options issued by the Company at the end of year and remaining term of contract	–
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) *Unlocking Restricted Shares*

Pursuant to the "Resolution on Share Repurchase and Cancellation of Shares of the Restricted A Share Incentive Scheme Of 2016" considered and passed at the 25th meeting of the sixth session of the Board on 14 December 2018, 1,138,000 Restricted Shares granted but not yet unlocked, which were held by the participants who were not qualified under the unlocking conditions of the share incentive scheme during the period, were repurchased and cancelled.

The procedures for the repurchase and cancellation of the above 1,138,000 Restricted Shares were completed at Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 8 April 2019.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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) *Repurchase and cancellation of Restricted Shares granted but not yet unlocked held by former participants who had left office*

Pursuant to the "Resolution on Share Repurchase and Cancellation of Shares of the Restricted A Share Incentive Scheme Of 2016" considered and passed at the 34th meeting of the sixth session of the Board on 28 March 2019, 6,695,000 Restricted Shares granted but not yet unlocked, which were held by the participants who were not qualified under the unlocking conditions of the share incentive scheme during the period, were repurchased and cancelled.

The procedures for the repurchase and cancellation of the above 6,695,000 Restricted Shares were completed at Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 27 June 2019.

### 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	61,999,348.69
Total expenses of equity-settled share-based payment recognized during the year	–

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XIII. CONTINGENT MATTERS

- (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) The Company and its subsidiaries were sued for contract disputes, and the unsettled amount as of 31 December 2019 was RMB105.17 million, of which the amount of cases involved as the defendant was RMB82.6705 million and the amount of cases involved as the plaintiff was RMB22.4995 million.

- 1) The legal claim against Dongheng Environmental, a subsidiary of the Company

On 9 December 2019, Jiangsu Guangxing Group Co., Ltd. sued to the court on the ground that Dongheng Environmental, a subsidiary of the Company, failed to pay the project payment and investment return of RMB48.2663 million as stipulated in the contract and made a legal claim to Dongheng Environmental for the project payment, investment return, loss on the project suspension, loss on the downtime and any overdue interests. Both parties disagreed on the above-mentioned claim amounts and they are engaged in a legal proceeding.

- (3) Other than as disclosed above, the Company had no other significant contingent matters as of 31 December 2019.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XIV. COMMITMENTS

### 1. Combination and 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	<b>21,160,000.00</b>	21,160,000.00
Work-in-progress	<b>144,556,726.34</b>	153,385,666.00
Purchase of equipment and machineries	<b>42,426,718.41</b>	73,192,584.60
<b>Total</b>	<b>208,143,444.75</b>	247,738,250.60

At the end of the year, the Company has significant external investment commitments contracted but not yet paid in the amount of RMB21,160,000.00, details of which are set out as follows:

Name of investment	Contracted investment amount	Investment amount paid	Investment amount unpaid	Estimated investment period	Notes
Wandesi (Tangshan Caofeidian Environmental Technology Co., Ltd)	172,000,000.00	150,840,000.00	21,160,000.00	2020	
<b>Total</b>	<b>172,000,000.00</b>	<b>150,840,000.00</b>	<b>21,160,000.00</b>		

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XIV. COMMITMENTS (Continued)

### 1. Combination and 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 RMB144,556,726.34, details of which are as follows:

Name of investment	Contracted investment amount	Investment amount paid	Investment amount unpaid	Estimated Investment period	Notes
Contract of plant construction (Weifang Dongjiang)	28,781,137.22	26,529,119.67	2,252,017.55	2020	
Phase II of the incineration and improvement project (Coastal Solid Waste)	8,300,000.00	2,905,000.00	5,395,000.00	2020	
Phase II of the incineration project (Hengshui Ruitao)	72,146,142.41	61,122,247.74	11,023,894.67	2020	
Waste Treatment and Disposal Center Project (Tangshan Wanders)	56,174,831.54	39,831,115.27	16,343,716.27	2020	
Incineration project (Zhuhai Yongxingsheng)	17,258,728.39	11,589,596.52	5,669,131.87	2020	
Incineration expansion project for industrial hazardous waste (Huaxin Environmental)	12,550,000.00	8,157,500.00	4,392,500.00	2020	
Quanzhou Xingye project (Headquarter of Dongjiang)	40,866,759.00	37,470,230.00	3,396,529.00	2020	
Phase III of the incineration project (Coastal Solid Waste)	23,581,272.88	21,524,648.10	2,056,624.78	2020	
Landfill construction project (Fujian Lvzhou)	30,105,500.00	10,176,425.00	19,929,075.00	2020	
Physical and chemical wastewater workshop, integrated pool and outdoor pipe corridor project (Foshan Fulong)	22,545,809.35	1,536,013.00	21,009,796.35	2020	
Evaporation mechanical and electrical installation general contract project (Fujian Lvzhou)	3,279,909.00	1,147,968.15	2,131,940.85	2020	
Comprehensive recycling project of sludge containing heavy metal (Shaoguan Green)	83,300,000.00	57,666,500.00	25,633,500.00	2020	
Main workshop, Category C warehouse, auxiliary workshop, Category A warehouse project (Foshan Fulong)	73,420,000.00	48,097,000.00	25,323,000.00	2020	
<b>Total</b>	<b>472,310,089.79</b>	<b>327,753,363.45</b>	<b>144,556,726.34</b>		





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XIV. COMMITMENTS *(Continued)*

### 1. Combination and 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 RMB42,426,718.41, details of which are as follows:

Item	Contracted amount	Paid amount	Unpaid amount	Estimated investment period	Notes
20,000 tons of incineration equipment (Huaxin Environmental)	49,872,941.00	22,442,823.00	27,430,118.00	2020	
Laboratory equipment procurement contract (Hengshui Ruitao)	1,708,804.80	1,511,000.00	197,804.80	2020	
Desulfurization tower project equipment and ancillary works (Shaoguan Renewable Resources)	5,470,000.00	4,923,000.00	547,000.00	2020	
Hazardous waste incineration treatment (Weifang Dongjiang)	92,348,285.00	80,609,395.00	11,738,890.00	2020	
Exhaust gas treatment system (Wandesi)	7,711,826.96	5,419,921.35	2,291,905.61	2020	
Kiln residue slag selection iron and silver comprehensive utilization project – equipment purchase contract (Shaoguan Renewable Resources)	1,180,000.00	959,000.00	221,000.00	2020	
<b>Total</b>	<b>158,291,857.76</b>	<b>115,865,139.35</b>	<b>42,426,718.41</b>		

2. Other than the abovementioned commitments, the Company has no other significant commitments as at 31 December 2019.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XV. MATERIAL NON-ADJUSTMENT EVENTS

### 1. Significant non-adjusting events

- 1) At the 47th meeting of the sixth session of the Board convened by the Company on 5 February 2020, the "Resolution relating to the Early Termination of the "Guangfa Hengjin-Guangsheng Dongjiang Environmental Humen Lvyuan PPP Project Asset Support Special Plan" was considered and approved. In order to optimise the Company's debt structure and reduce financing costs, after careful consideration, the Company decided to terminate the "Guangfa Hengjin-Guangsheng Dongjiang Environmental Humen Lvyuan PPP Project Asset Support Special Plan".
- 2) Pursuant to the Prospectus of 2017 Green Corporate Bonds (First Tranche) of Dongjiang Environmental Company Limited Publicly Issued to Qualified Investors (the "Current Bonds"), the Company has paid the principal and related interest of the Current Bonds on 10 March 2020. The Current Bonds were delisted on the same day.
- 3) The Company convened the 15th meeting of the sixth session of the Board on 3 July 2018 to consider and approve the Proposal on the Proposed Registration and Issuance of Perpetual Medium-Term Notes, which would authorize the Company to apply to the National Association of Financial Market Institutional Investors (the "NAFMII") for registration and issuance of perpetual medium-term notes, with an amount of not exceeding RMB1.5 billion. The above proposal has been considered and approved on the second extraordinary meeting in 2018. The Company received the Registration Acceptance Notice (Zhong Shi Xie Zhu [2019] MTN350) issued by the NAFMII on 13 June 2019. In view of the changes in the market financing environment and other factors, the Company has submitted to the NAFMII the Explanations on the Written-off of the Remaining Amount of Perpetual Medium-Term Notes of Dongjiang Environmental Company Limited and applied for the written-off of the amount of RMB1.5 billion under the Registration Acceptance Notice. On 3 April 2020, the Company received A Letter on the Cancellation of the Registration Amount of Medium-term Notes of Dongjiang Environmental Company Limited issued by the NAFMII, pursuant to which the NAFMII agree to write off the registration amount of RMB1.5 billion of medium-term notes of the Company. Subsequently, the Company will actively proceed with financial plans such as medium-term notes based on actual needs, optimize the debt structure of the Company, and effectively supplement the working capital of the Company.

### 2. Profit distribution

Item	Details
Proposed distribution of profit or dividends	Based on share capital of 879,267,102 shares, the Company paid a cash dividend of RMB1.50 (tax included) for every 10 shares to all shareholders, and total cash dividend would be RMB131,890,065.30. Remaining balance of distributable profit would be carried forward to subsequent periods.





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XV. MATERIAL NON-ADJUSTMENT EVENTS *(Continued)*

3. Since 2020, we have faced an unstable and challenging situation brought about by the spread of coronavirus in every aspect of the society. The Company has assessed the overall impact of the current situation on the operations of the Company and has taken all possible and effective measures to limit and control the impact. The Company will maintain its attention to changes in the situation in the future and respond and take adjustment measures in a timely manner.
4. Other than the above disclosure, the Company had no other material post-balance date events.

## XVI. OTHER SIGNIFICANT EVENTS

### 1. 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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XVI. OTHER SIGNIFICANT EVENTS (Continued)

### 1. Segment information (Continued)

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.

#### 2019 Reporting Segments

Unit: RMB'0,000

Item	Industrial waste	Municipal	Renewable	Environmental	Trading and	Household	Unallocated	Elimination	Total	
	Industrial	waste	energy	engineering		appliance				
	Waste recycling	treatment and disposal	waste treatment	utilization	and services	dismantling	amounts			
Operating revenue	107,531.56	169,240.27	23,002.61	9,139.30	21,392.78	7,451.35	15,938.06	6,040.97	-13,877.79	345,859.11
Including: Revenue from external transactions	107,531.56	166,703.22	23,002.61	9,139.30	17,643.05	5,901.31	15,938.06	-	-	345,859.11
Revenue from intra-segment transactions	-	2,537.05	-	-	3,749.73	1,550.04	-	6,040.97	-13,877.79	-
Operating costs	82,195.76	86,038.52	22,432.34	6,344.71	15,505.45	1,050.48	11,233.01	275.43	580.90	225,656.60
Segment total profit (total loss)	15,307.64	36,316.47	324.74	3,471.68	3,812.97	4,139.91	2,285.71	10,359.38	-23,578.01	52,440.49
Total assets	290,017.92	311,033.95	49,965.44	25,410.42	55,447.98	86,488.69	57,807.05	451,989.81	-288,618.05	1,039,543.21
Total liabilities	31,838.49	191,406.68	44,195.07	3,155.07	27,941.66	7,981.83	30,787.32	228,202.13	-29,449.38	536,058.87
Additional information										
Impairment losses recognized in the current period	-15.67	-3,768.34	26.49	-	128.38	-628.10	15.17	-7,432.47	-	-11,674.54
Including: impairment of goodwill	-	-3,362.77	-	-	-	-536.83	-	-	-	-3,899.60
Apportionment of fixed assets and construction in progress	-	-	-	-	-	-	-	-	-	-





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XVI. OTHER SIGNIFICANT EVENTS (Continued)

### 1. Segment information (Continued)

2018 Reporting Segments

Unit: RMB'0,000

Item	Industrial Waste recycling	Industrial waste treatment and disposal	Municipal waste treatment	Renewable energy utilization	Environmental engineering and services	Trading and others	Household appliance dismantling	Unallocated amounts	Elimination	Total
Operating revenue	122,837.17	131,594.82	26,200.27	9,144.65	19,041.65	19,415.54	13,770.03	-	-13,596.06	328,408.07
Including: Revenue from external transactions	122,837.17	128,674.03	26,200.27	9,144.65	17,330.32	10,451.60	13,770.03	-	-	328,408.07
Revenue from intra-segment transactions	-	2,920.79	-	-	1,711.33	8,963.94	-	-	-13,596.06	-
Operating costs	91,690.20	70,628.53	22,870.54	6,264.22	14,114.60	11,549.27	9,002.75	4,508.40	-13,596.06	217,032.45
Segment total profit (total loss)	15,006.34	40,182.57	1,677.88	3,314.12	4,373.81	6,789.90	1,296.83	-16,809.53	-	55,831.92
Total assets	304,179.65	255,359.31	50,549.94	22,466.34	45,664.01	108,125.03	49,236.05	388,325.94	-249,460.50	974,445.77
Total liabilities	27,482.72	114,687.98	47,453.51	3,514.48	23,651.83	9,092.87	24,820.65	269,173.72	-14,048.05	505,829.71
Additional information	-	-	-	-	-	-	-	-	-	-
Impairment losses recognized in the current period	-201.90	-3,660.72	-44.43	-27.00	-1,496.43	-333.85	-16.10	-3,090.97	-	-8,871.40
Including: impairment of goodwill	-	-2,285.68	-	-	-	-	-	-	-	-2,285.68
Apportionment of fixed assets and construction in progress	-	-491.97	-	-	-	-	-	-	-	-491.97

- On 22 January 2020, the Company and Sound Sustainable Resources Holding Co., Ltd (“Sound Company”) entered into a confirmation. The main contents are as follows: (1) each of the parties unanimously agreed to accelerate and facilitate the resolution of the issue relating to the restoration of the vetting for types and quantity of dissembled abandoned electrical appliances and electronic products of Qingyuan Dongjiang Environmental Technologies Company Limited (“Qingyuan Dongjiang”); (2) The actual loss of Qingyuan Dongjiang shall be determined by Qingyuan Dongjiang in accordance with the outcome arising from the approach taken in accordance with the interview and discussion opinion of the relevant industry supervising authorities. If that leads to obligations arising between the Company and Sound Company, such obligations shall be negotiated and confirmed in accordance with the Equity Transfer Agreement and such other relevant documents executed by the parties. The payment of the outstanding sums such as the consideration for the equity transfer and the shareholders’ loan by Sound Company to the Company as agreed in the Equity Transfer Agreement shall be resolved by negotiations between both parties; and (3) each of the parties unanimously agreed to facilitate the resolution of relevant issues based on the principles of respect of fact, friendly negotiation and fairness and reasonableness. For details, please refer to the relevant announcement of the Company disclosed on 23 January 2020.
- Other than those disclosed above, the Company has no other significant transactions and matters affecting investors’ decision.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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

### 1. Accounts receivable

Item	Balance at the end of year	Balance at the beginning of year
Accounts receivable	240,585,300.95	286,213,865.94
Less: Bad debt provision	1,688,217.86	1,185,307.15
<b>Total</b>	<b>238,897,083.09</b>	<b>285,028,558.79</b>

#### (1) Ageing of accounts receivable

Age	Balance at the end of year	Balance at the beginning of year
0-90 days	141,757,821.77	147,963,169.30
91-180 days	3,301,786.33	35,042,233.72
181-365 days	8,294,579.11	36,730,831.19
1-2 years	42,533,209.58	33,694,255.53
2-3 years	12,117,217.94	32,783,376.20
Over 3 years	32,580,686.22	–
<b>Total</b>	<b>240,585,300.95</b>	<b>286,213,865.94</b>

#### (2) Accounts receivable that are provided for bad debts on collective basis based on estimated credit risks characteristics

Group classification	Balance at the end of year		
	Accounts receivable	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	474,353.08	100.00	474,353.08
Accounts receivable from government	99,369,197.13	–	–
Accounts receivable from related companies	25,757,090.70	–	–
Accounts with related parties	90,147,200.57	–	–
Accounts receivable from general customers or others:	24,837,459.47	4.89	1,213,864.78
Within 1 year	17,901,344.26	0.50	89,506.72
1-2 years	5,071,075.21	6.10	309,335.58
2-3 years	1,865,040.00	43.70	815,022.48
Over 3 years	–	–	–
<b>Total</b>	<b>240,585,300.95</b>	<b>–</b>	<b>1,688,217.86</b>





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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 that are provided for bad debts on collective basis based on estimated credit risks characteristics (Continued)

Group classification	Accounts receivable	Balance at the beginning of year	
		Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	-	-	-
Accounts receivable from government	74,445,085.36	-	-
Accounts receivable from related companies	63,654,237.52	-	-
Accounts receivable from internal units	104,203,809.57	-	-
Accounts receivable from general customers or others:	43,910,733.49	2.70	1,185,307.15
Within 1 year	37,867,101.02	0.80	302,936.81
1-2 years	6,043,632.47	14.60	882,370.34
2-3 years	-	-	-
Over 3 years	-	-	-
<b>Total</b>	<b>286,213,865.94</b>	<b>-</b>	<b>1,185,307.15</b>

(3) Amounts tested individually for expected credit losses

Name	Book value	Balance at the end of year		
		Bad debt provision	Proportion of provisions (%)	Reason of provisions
Shenzhen Chongda Multilayer Circuit Board Co., Ltd.	359,353.08	359,353.08	100.00	Contract fines, difficult to recover
Shenzhen Shunyue Industrial Co., Ltd.	115,000.00	115,000.00	100.00	Contract fines, difficult to recover
<b>Total</b>	<b>474,353.08</b>	<b>474,353.08</b>	<b>-</b>	

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)

#### (4) Bad debt provision for accounts receivable

Category	Balance at the beginning of year	Changes in the current year			Balance at the end of year
		Provided	Reversed	Written off	
Bad debts provision for accounts receivable	1,185,307.15	502,910.71	-	-	<b>1,688,217.86</b>

(5) Accounts receivable written off during the year: Nil

(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	<b>57,453,320.61</b>	1-2 years, 2-3 years	23.88	
No. 2	<b>51,997,893.52</b>	1-2 years, over 3 years	21.61	
No. 3	<b>30,673,551.49</b>	Within 1 year	12.75	
No. 4	<b>15,006,926.75</b>	Within 1 year, 1-2 years	6.24	
No. 5	<b>8,962,566.49</b>	Within 1 year, 1-2 years	3.73	
<b>Total</b>	<b>164,094,258.86</b>		68.21	-

(7) Accounts receivable which was derecognized due to transfer of financial assets: Nil

(8) Transferred accounts receivable in which the Company continued to involve and relevant assets or liabilities formed: Nil





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)*

### 2. Receivables financing

#### (1) *Receivables financing by categories*

Item	Balance at the end of year	Balance at the beginning of year
Bank acceptance notes	16,373,751.31	7,629,204.49
<b>Total</b>	<b>16,373,751.31</b>	7,629,204.49

(2) Notes receivable which have been used for pledge at the end of the year: Nil

(3) Notes receivable endorsed or discounted and not expired at the balance sheet date at the end of the year: RMB20,930,673.92

(4) The notes transferred to notes receivable due to the performance failure of the issuer: Nil

(5) Notes receivable written off during the year: Nil

At the end of the year, none of the notes was transferred to notes receivable due to the performance failure of the issuer.

### 3. Other accounts receivable

Item	Balance at the end of year	Balance at the beginning of year
Interest receivable	-	-
Dividend receivable	-	-
Other accounts receivable	2,631,639,032.01	2,210,438,803.49
Less: Provision for bad debts	139,502,541.88	66,247,559.91
<b>Total</b>	<b>2,492,136,490.13</b>	2,144,191,243.58

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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. Other accounts receivable (Continued)

#### 3.1 Other accounts receivable

##### (1) Other accounts receivable categorized by nature

Nature	Book balance at the end of year	Book balance at the beginning of year
Current accounts with related parties	2,479,018,622.34	2,037,785,069.79
Considerations of equity transfer and current accounts with former subsidiaries	138,467,689.47	137,218,300.00
Guarantee deposits, provisions and others	8,325,241.77	25,651,244.81
Payment on behalf of third parties	5,827,478.43	9,784,188.89
<b>Total</b>	<b>2,631,639,032.01</b>	<b>2,210,438,803.49</b>

##### (2) Other accounts receivable by group of expected credit risk

Group classification	Balance at the end of year		
	Other accounts receivable	Expected credit loss rate (%)	Bad debt amount
Accounts receivable from government	571,215.61	-	-
Deposits, security deposit, reserve fund receivable and others	10,597,323.99	-	-
Current accounts with related parties	2,479,018,622.34	-	-
Accounts receivable from general customers or others:	141,451,870.07	98.62	139,502,541.88
Within 1 year	2,038,199.87	24.20	493,244.37
1-2 years	713,498.92	48.20	343,906.48
2-3 years	67,534.47	48.50	32,754.22
Over 3 years	138,632,636.81	100.00	138,632,636.81
<b>Total</b>	<b>2,631,639,032.01</b>	<b>-</b>	<b>139,502,541.88</b>





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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. Other accounts receivable (Continued)

#### 3.1 Other accounts receivable (Continued)

#### (2) Other accounts receivable by group of expected credit risk (Continued)

Group classification	Balance at the beginning of year		
	Other accounts receivable	Expected credit loss rate (%)	Bad debt amount
Accounts receivable from government	255,881.16	-	-
Deposits, security deposit, reserve fund receivable and others	19,823,524.90	-	-
Current accounts with related parties	2,037,785,069.79	-	-
Accounts receivable from general customers or others:	152,574,327.64	43.42	66,247,559.91
Within 1 year	13,258,917.77	21.50	2,850,667.32
1-2 years	29,134,998.39	31.10	9,060,984.50
2-3 years	110,146,949.48	49.30	54,302,446.09
Over 3 years	33,462.00	100.00	33,462.00
<b>Total</b>	<b>2,210,438,803.49</b>	<b>-</b>	<b>66,247,559.91</b>

#### (3) Bad debt provisions for other accounts receivable

Category	Balance at the beginning of year	Changes in the current year			Balance at the end of year
		Provided	Reversed	Written off	
Bad debt provisions for other accounts receivable	66,247,559.91	73,254,981.97	-	-	<b>139,502,541.88</b>

#### (4) Other receivables written off during the year: Nil.

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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. Other accounts receivable (Continued)

#### 3.1 Other accounts receivable (Continued)

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

Name of entity	Nature of accounts receivable	Balance as at the end of the year	Age	Proportion to total	Balance of bad debt provision at the end of year
				other accounts receivable at the end of year (%)	
No. 1	Accounts with related parties	572,778,659.28	Within 1 year	21.77	-
No. 2	Accounts with related parties	328,755,786.79	Within 1 year	12.49	-
No. 3	Accounts with related parties	143,725,538.73	Within 1 year	5.46	-
No. 4	Accounts with related parties	140,012,510.28	Within 1 year	5.32	-
No. 5	Accounts with related parties	139,497,187.43	Within 1 year	5.30	-
<b>Total</b>		<b>1,324,769,682.51</b>		50.34	-

- (6) Accounts receivable involved with government grant: Nil
- (7) Other accounts receivable which was derecognized due to transfer of financial assets: No transferred accounts receivable in which the Company continued to involve and relevant assets or liabilities formed





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)

### 4. 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	3,610,796,147.57	-	3,610,796,147.57	3,370,467,951.64	-	3,370,467,951.64
Investments in associates and joint ventures	217,014,445.33	-	217,014,445.33	265,467,865.98	-	265,467,865.98
<b>Total</b>	<b>3,827,810,592.90</b>	<b>-</b>	<b>3,827,810,592.90</b>	<b>3,635,935,817.62</b>	<b>-</b>	<b>3,635,935,817.62</b>

#### (2) Investments in subsidiaries

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
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	-	-	-	-	-	-
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	-	-

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)

### 4. 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
Hengjian Tongda	145,284,297.00	-	-	145,284,297.00	-	-
Jiangsu Dongjiang	278,800,000.00	-	-	278,800,000.00	-	-
Qianhai Dongjiang	15,000,000.00	-	-	15,000,000.00	-	-
Baoan Dongjiang	60,000,000.00	-	-	60,000,000.00	-	-
Qingyuan Xinlv	68,750,000.00	-	-	68,750,000.00	-	-
Dongjiang Heritage	33,000,000.00	-	-	33,000,000.00	-	-
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	-	-
Jiaxing Deda	30,183,600.00	-	-	30,183,600.00	-	-
Coastal Solida Waste	99,382,865.12	-	-	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	90,558,000.00	-	-	90,558,000.00	-	-
Dongheng Environmental	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	2,100,000.00	-	-	2,100,000.00	-	-
Tangshan Wandesi	204,000,000.00	-	-	204,000,000.00	-	-
Huateng Environmental	20,062,500.00	-	-	20,062,500.00	-	-
Mianyang Dongjiang	2,550,000.00	25,500,000.00	-	28,050,000.00	-	-
Handan Dongjiang	3,000,000.00	-	-	3,000,000.00	-	-
Foshan Fulong	-	148,078,195.93	-	148,078,195.93	-	-
Jieyang Dongjiang	-	12,750,000.00	-	12,750,000.00	-	-
Zhuhai Dongjiang	-	50,000,000.00	-	50,000,000.00	-	-
Huizhou Dongtou	-	6,000,000.00	-	6,000,000.00	-	-
<b>Total</b>	<b>3,370,467,951.64</b>	<b>242,328,195.93</b>	<b>2,000,000.00</b>	<b>3,610,796,147.57</b>	-	-





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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)

### 4. Long-term equity investments (Continued)

#### (3) Investments in associates and joint ventures

Investee	Balance at the beginning of the year	Impairment provision as at the beginning of the year	Changes during the year							Balance at the end of the year	Impairment provision at the end of the year	
			Additional investments	Decrease in investments	Gain and loss of investment recognized using equity approach	Adjustments to other comprehensive income	Declaration or payment of cash dividend or profit	Impairment provision	Others			
I. Joint venture	-	-	-	-	-	-	-	-	-	-	-	-
Dongjiang Veolia	86,511,529.08	-	-	-	6,856,990.91	-	-	7,500,000.00	-	-	85,868,519.99	-
II. Associate	-	-	-	-	-	-	-	-	-	-	-	-
Shenzhen Micronutrients	19,808,770.48	-	-	-	-8,417,802.08	-	-	-	-	-	11,390,968.40	-
Chaoyue Dongchuang	709,352.08	-	-	709,352.08	-	-	-	-	-	-	-	-
Xingye Dongjiang	40,520,244.18	-	-	-	14,820,409.31	-	-	-	-	-	55,340,653.49	-
Foshan Fulong	60,968,679.04	-	-	58,621,595.93	-2,347,083.11	-	-	-	-	-	-	-
Dongguan Fengye	6,132,610.38	-	-	-	-2,635,465.22	-	-	-	-	-	3,497,145.16	-
Jieyang ALBA	50,816,680.74	-	10,388,000.00	-	-287,522.45	-	-	-	-	-	60,917,158.29	-
<b>Total</b>	<b>265,467,865.98</b>	<b>-</b>	<b>10,388,000.00</b>	<b>59,330,948.01</b>	<b>7,989,527.36</b>	<b>-</b>	<b>-</b>	<b>7,500,000.00</b>	<b>-</b>	<b>-</b>	<b>217,014,445.33</b>	<b>-</b>

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)

### 4. Long-term equity investments (Continued)

#### (4) Other information

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	3,827,810,592.90	3,635,935,817.62
<b>Total</b>	<b>3,827,810,592.90</b>	<b>3,635,935,817.62</b>

### 5. Operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	590,684,813.61	480,062,483.00	763,540,719.45	611,596,662.73
Other businesses	-	-	-	-
<b>Total</b>	<b>590,684,813.61</b>	<b>480,062,483.00</b>	<b>763,540,719.45</b>	<b>611,596,662.73</b>





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)

### 6. Investment income

Item	Incurred during the year	Incurred during last year
Income from long-term equity investments under cost method	<b>214,878,921.59</b>	58,505,000.00
Income from long-term equity investments under equity approach	<b>7,989,527.36</b>	12,755,582.66
Investment income from disposal of long-term equity investments	<b>140,647.92</b>	-268,875.05
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period	—	—
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period	<b>65,080.00</b>	—
Investment income received during the period of ownership from held-for-trading financial assets	—	—
Investment income from disposal of held-for-trading financial assets	—	—
Dividend income received during the period of ownership from other equity instruments	—	—
Investment income received during the period of ownership from held-to-maturity investment	—	—
Investment income from disposal of held-to-maturity investment	—	—
Investment income received during the period of ownership from financial assets available-for-sale	—	—
Investment income from disposal of financial assets available-for-sale	—	—
The profit arising from the measurement of the remaining equity at fair value after the loss of control	—	—
Interest income received during the period of ownership from debt investments	—	—
Interest income received during the period of ownership from other debt investments	—	—
Investment income from disposal of other debt investments	—	—
<b>Total</b>	<b>223,074,176.87</b>	70,991,707.61

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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 22 April 2020.

### Supplementary information of financial statements

#### 1. Non-recurring profit and loss statement of the year

- (1) Non-recurring profit and loss of the Company for the year 2019 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	-2,015,651.26	
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 (except for government subsidies which are closely related to the Company’s operations, and entitled in a fixed amount or quantity in conformity with the common standards of the State)	59,903,817.06	
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	–	
Impairment provisions of assets withdrawn due to force majeure such as natural disaster	–	
Profit or loss from debt reconstruction	–	
Corporate reconstruction fee, such as redundancy and business integration expenses	–	
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	–	





# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

(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)*

- (1) Non-recurring profit and loss of the Company for the year 2019 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: (Continued)

Item	Amount of the year	Explanation
Fair value changes in held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, other than effective hedging business related to normal operating of the Company	<b>65,080.00</b>	
Reversal of provision for bad debts for accounts receivables and contract assets 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	<b>8,894,318.93</b>	
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	<b>8,874,091.50</b>	
Other profit or loss items that meet the definition of non-recurring profit or loss	<b>7,385,623.42</b>	
<b>Sub-total</b>	<b>83,107,279.65</b>	
Less: Effect of income tax	<b>14,457,356.36</b>	
Effect of minority interests (after tax)	<b>6,142,820.29</b>	
<b>Total</b>	<b>62,507,103.00</b>	

# NOTES TO FINANCIAL STATEMENTS

1 January 2019 to 31 December 2019

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

## XVIII. APPROVAL OF FINANCIAL STATEMENTS *(Continued)*

### Supplementary information of financial statements *(Continued)*

#### 2. *Net return rate of assets and earnings per share*

Pursuant to the requirements of the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010) issued by China Securities Regulatory Commission, The Company's 2019 annual weighted average return on equity, basic earnings per share and diluted earnings per share are as follows:

Profit generated during the reporting period	Weighted average net return rate of assets (%)	Earnings per share (RMB/per share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the parent company	10.11	0.48	0.48
Net profit attributable to shareholders of the parent company, net of non-recurring profit or loss	8.62	0.41	0.41

Dongjiang Environmental Company Limited  
22 April 2020

