



DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

東江環保股份有限公司

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

(Stock Code: 00895)



* For identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

TAN Kan (*Chairman*)
(appointed on 12 November 2018)
YAO Shu (*Chief executive officer*)
(appointed on 19 March 2019)
LIU Ren (*Chairman*) (*resigned on 21 September 2018*)
Li Yongpeng (*Vice chairman, chief executive officer*)
(resigned on 12 November 2018)
ZHANG Kai (*resigned on 12 November 2018*)

NON-EXECUTIVE DIRECTORS

LIU Bo Ren
HUANG Yiming
LU Bei (*appointed on 12 November 2018*)
JIN Yongfu (*appointed on 12 November 2018*)
DENG Qian (*resigned on 25 February 2019*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Hin Wing
QU Jiu Hui
ZHU Zheng Fu

SUPERVISORS

ZHAO Xuechao (*appointed on 20 August 2018*)
HUANG Wei Ming
LI Yue
ZHANG An Li (*resigned on 20 August 2018*)

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 (*appointed on 12 November 2018*)
WONG Hin Wing
LIU Ren (*resigned on 21 September 2018*)

STRATEGIC DEVELOPMENT COMMITTEE

TAN Kan (*Chairman*)
(appointed on 12 November 2018)
YAO Shu (*appointed on 28 March 2019*)
QU Jiu Hui
LI Yong Peng (*resigned on 12 November 2018*)
LIU Ren (*resigned on 21 September 2018*)
DENG Qian (*resigned on 25 February 2019*)

AUTHORISED REPRESENTATIVES

TAN Kan (*appointed on 12 November 2018*)
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 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

COMPANY'S WEBSITE

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

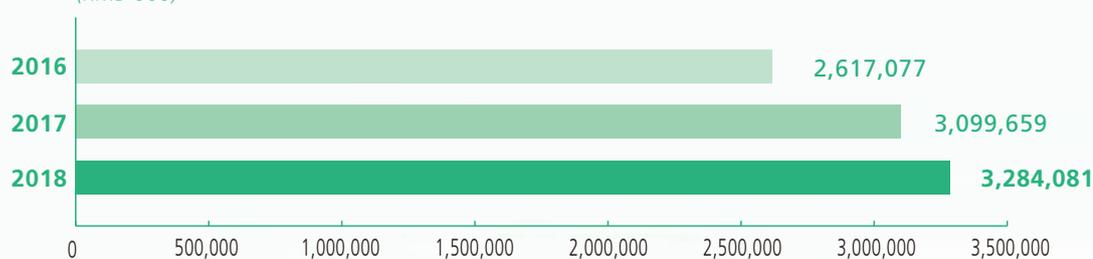
PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1309, 13th Floor, Prince's Building,
10 Chater Road, Central, Hong Kong

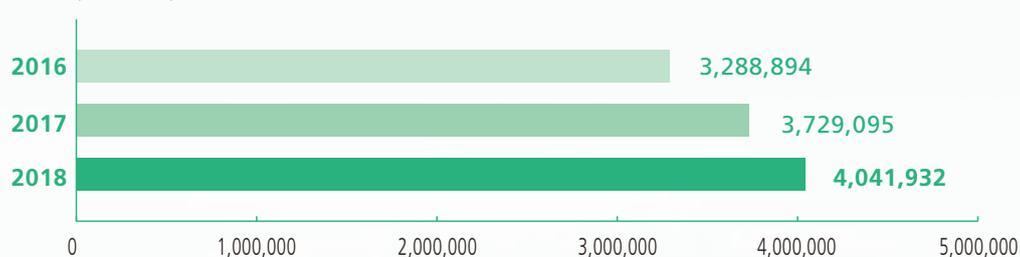
FINANCIAL SUMMARY

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Results					
Total operating revenue	3,284,081	3,099,659	2,617,077	2,402,986	2,047,511
Gross profit	1,158,840	1,112,149	945,320	778,727	665,310
Gross profit margin	35.29%	35.88%	36.12%	32.41%	32.49%
Net profit attributable to shareholders of the Company	407,917	473,376	533,814	332,534	251,610
Financial position					
Total assets	9,744,458	9,240,147	8,189,149	6,685,217	4,985,470
Total liabilities	5,058,297	4,918,300	4,323,456	3,465,681	2,146,894
Minority interests	644,228	592,752	576,799	466,375	396,237
Equity attributable to shareholders of the Company	4,041,932	3,729,095	3,288,894	2,753,159	2,442,338

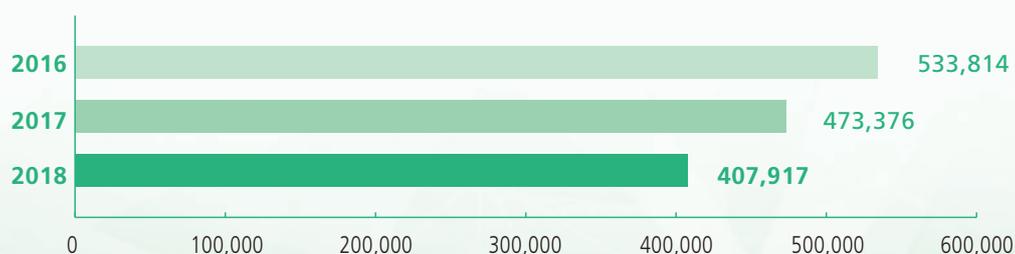
Total operating revenue
(RMB'000)



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 2018 (the "**Reporting Period**").

OVERVIEW

The Company actively practiced the concept of "Lucid waters and lush mountains are invaluable assets" to construct the ecological civilization in the new era, and adhered to the long-term strategy of focusing on hazardous waste disposal. By taking the operating objectives as guidance and with the aim of achieving high quality development, the Company optimized the structure of hazardous waste disposal qualification, deepened the business expansion in the market, enhanced the advantage in capacity and scale, accelerated the product development, technology innovation and management innovation, and made steady progress in different tasks, which ensured the stable growth in the Company's asset size and laid a solid foundation for the Company in achieving high quality development.

In 2018, the environmental protection inspection further strengthened the regulation on environment pollution. The continuous implementation of "Waste-off Action" led to quick release of potential demand in hazardous waste disposal industry, and posed certain challenges to hazardous waste disposal enterprises in respect of waste collection, transportation and disposal and emission standard. With the increase of shareholding by Rising Company and the share transfer to High Hope Group, the state-owned shareholding in the Company exceeded 30%, which significantly enhanced the advantage as a state-owned enterprise and advantage in regional resources, signifying a new development stage of the Company. Facing such opportunities and challenges, the Company assumed the responsibility as a state-owned enterprise, focused on the development of main business of hazardous waste disposal, meanwhile developing the regional environmental treatment and protection services, so as to made major contribution to the prevention and control of environmental pollution.

In 2018, the Company actively expanded the market, optimized the structure of the disposal qualification and improved the quality of recycled products. It achieved an operating revenue of RMB3,284,080,700, representing an increase of 5.95% as compared to the same period in 2017. The net profit attributable to the shareholders of the listed Company was approximately RMB407,917,000, representing a decrease of approximately 13.83% as compared to the same period of last year. As at the end of 2018, the total assets were approximately RMB9,744,457,700, representing an increase of approximately 5.46% as compared to the beginning of the Reporting Period; the equity interests attributable to the shareholders of the listed Company was approximately RMB4,041,932,100, representing an increase of approximately 8.39% as compared to the beginning of the Reporting Period.

CHAIRMAN'S STATEMENT

During the Reporting Period, the Company achieved a remarkable result in terms of project expansion. It secured Dananhai Hazardous Waste Disposal Project in Jieyang City, Guangdong Province and set up an environmental protection cooperation platform in Huizhou City, Guangdong Province, respectively, further deepening the regional layout in East Guangdong and playing the role of backbone state-owned enterprises in the construction of Guangdong-Hong Kong-Macao Greater Bay Area. In addition, the Company also participated in the investment of Jieyang Ousheng Garbage Incineration Project, establishing the third-generation municipal waste disposal technology with leading operation technology and effectively filling the Company's gap in such field. The Company vigorously facilitated project implementation, captured opportunities to carry out business expansion, completed various construction projects and further increased the project reserves with expected increase of over 750,000 tons in annual treatment capacity, which laid a solid foundation for the Company in achieving sustainable development and consolidating industry position. On the other hand, the Company accumulated over 26,000 customers, representing a year-on-year increase of 25%, and recorded year-on-year growth of over 200% in both overseas sales volume and sales of recycled products. The Company achieved a great result in terms of environmental protection compliance management, which led to zero occurrence of major and large safety accident. The scientific research efforts of the Company were recognized again and the Company became the first enterprise in the country to have a key laboratory at the provincial level in the field of hazardous waste disposal.

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 RMB1.4 (tax included) for every 10 shares to all shareholders, subject to approval by the shareholders of the Company at the forthcoming annual general meeting and class shareholders meeting.

OUTLOOK

As the 70th anniversary of the founding of the People's Republic of China, 2019 is a critical year for building a moderately prosperous society and tackling the challenges in pollution prevention and control, which is also critical for Dongjiang Environmental in tackling difficulties, deepening reform and actively contributing to the construction of ecological civilization. International situation is complicated and ever-changing, and the economy is still facing downward pressure. With the nationwide call for pollution prevention and control, China will continue to take environmental protection as a major task and facilitate green development with great efforts, and the competition in environmental protection industry will gradually intensify. As such, the external environment brings both challenges and new opportunities and momentum of development and reform for the Company.

CHAIRMAN'S STATEMENT

Facing such opportunities and challenges, the Company will study, understand and implement the concept of ecological civilization of General Secretary Xi Jinping, take the major ideas conveyed by his speech given during his visit in Guangdong as our guidance, adhere to the strategy of focusing on hazardous waste disposal, implement the operation and development strategies of "capturing market share, improving areas of weakness, strengthening innovation, facilitating transformation, controlling risks and supporting Party construction", and make major contribution as a state-owned enterprise, so as to tackle the difficulties in pollution prevention and control, achieve high quality development in the new stage, and bring greater return to the shareholders and investors.

The Company will accelerate the construction of projects, optimized the structure of hazardous waste disposal qualification, strengthen the capital operation, make reasonable adjustment to industry distribution, and deepen the development in the regional markets of the Yangtze River Delta, the Beijing-Tianjin-Hebei city cluster and the Bohai Economic Rim. Meanwhile, the Company will explore new businesses and new models such as environmental housekeeping services and EPC+O. In addition, the Company will strengthen the technology research and development, continue to improve the production process, and enhance the product quality so as to establish the brand of Dongjiang products. It will also implement the "Pilot Program of Comprehensive Reform through Incentive, Constraint and Fault Tolerance", optimize the overall incentive mechanism, and strictly implement the production safety accountability system, so as to ensure production safety and operate in compliance with environmental laws and regulations.

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
28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

With the implementation of the “13th Five-Year Plan”, in-depth construction of ecological civilization and the ongoing efforts in tackling environmental pollution, and under the strategic guidance of “Pursuing high quality development that prioritizes ecological environment and focuses on green development” proposed by General Secretary Xi Jinping, the hazardous waste disposal industry enjoys a long-term favourable development trend. As the industrialization and concentration in the solid waste treatment market in China remains at a low level with only a few enterprises that possess core competitiveness, and the solid waste treatment industry has the characteristics of high industry barrier, complicated treatment process and large upfront investment in projects, hazardous waste disposal enterprises with advanced techniques, equipment, technology, extensive experience in operation management and robust capital strength will enjoy more prominent advantages in development in the future. Meanwhile, the issue and implementation of the newly revised National Catalogue of Hazardous Waste and the increasingly stringent regulation on hazardous waste disposal and emission control will pose great challenge to hazardous waste disposal enterprises in the short term.

In 2018, the environmental protection inspection further strengthened the regulation on environment pollution, which led to quick release of potential demand in hazardous waste disposal industry, and posed certain challenges to hazardous waste disposal enterprises in respect of waste collection, transportation and disposal and emission standard. The Company adhered to the direction of strategic development and focused on the annual operation objectives. The Company effectively consolidated its resources, adjusted the business structure, actively explored the market, increased its market shares in the industrial solid hazardous waste and resource production business, actively carried out market expansion, accelerated product research and development, technology innovation and management innovation, made steady progress in different tasks, and ensured the stable growth of the Company’s asset size.

In 2018, the Company achieved an operating revenue of RMB3,284,080,700, representing an increase of 5.95% as compared to the same period of 2017; the net profit attributable to the shareholders of the listed Company was approximately RMB407,917,000, representing a decrease of approximately 13.83% as compared to the same period of last year. As at the end of 2018, the total assets were approximately RMB9,744,457,700, representing an increase of approximately 5.46% as compared to the beginning of the Reporting Period; the equity interests attributable to the shareholders of the listed Company was approximately RMB4,041,932,100, representing an increase of approximately 8.39% as compared to the beginning of the Reporting Period. Due to the provision for depreciation and increase in finance cost resulting from the transfer of construction in progress to fixed assets, provision for impairment of goodwill and provision for impairment of certain assets other than goodwill during the Reporting Period, the operating results of the Company was affected to some extent and resulted in the decrease in net profit growth of the Company.

(i) Well prepared to focus on the development of main business of hazardous waste disposal

With the increase of shareholding by Rising Company and the share transfer to High Hope Group, the state-owned shareholding in the Company exceeded 30%. In this new stage of development, the Company adhered to the five-year development strategy as its guideline, focused on the main business of hazardous waste disposal, and made supporting development of two major areas of regional environmental governance and environmental protection services.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the enhanced regulatory standard of environmental protection, decrease in demand for recycled products, continuous increase in price of raw materials and increase in finance cost caused certain impact on the Company's operation. In response to these challenges, the Company actively expanded the market, adjusted the product structure, improved the quality of recycled products and optimized the treatment process. During the Reporting Period, the industrial waste treatment business of the Company achieved business revenue of RMB1.287 billion, representing a year-on-year increase of approximately 10.22%; the business revenue from recycled product business amounted to RMB1.228 billion, representing a year-on-year increase of 3.96%. In particular, benefited by the qualification integration and production capacity enhancement of Jiangsu Dongjiang, the capacity of harmless treatment in Eastern China was further released, leading to significant business growth, in which number of customers recorded a year-on-year increase of 35%, revenue from customers with yearly package increased by 77%, revenue from solid waste increased by 22.50%, and the handling volume of landfill waste increased by 125%. In addition, the Company actively explored new projects and secured the Jieyang Dananhai Hazardous Waste Disposal Project with designed treatment capacity of 100,000 tons per year, established an environmental protection cooperation platform jointly with Huizhou National Investment Company to invest in the local hazardous waste disposal business and other environmental protection business, and participated in the investment of Jieyang Ousheng Garbage Incineration Project, which expanded our business coverage to this sector.

(ii) *Vigorously facilitate project implementation and capture opportunities to accelerate business expansion*

In order to enhance the hazardous waste disposal capacity and match the market demand, the Company increased its efforts project construction and actively facilitated the preliminary work of proposed projects. Meanwhile, the Company carried out renewal of operation licenses, and facilitated the optimization and adjustment of hazardous waste disposal qualification, which laid a key foundation for the sustainable development and leapfrog development of the Company.

During the Reporting Period, the Company completed 3 construction projects: 1) the incineration project of Shaoguan Green with annual capacity of 9,500 tons commenced operation, and the construction of copper contaminated sludge recycle project with annual capacity of 80,000 tons was completed, which laid a solid foundation for expansion in the hazardous waste market in Northern Guangdong; 2) Xingye Dongjiang, the Company's first PPP hazardous waste disposal project was completed and commenced operation with disposal qualification of 20,000 tons per year for incineration, 33,500 tons per year for landfill, 15,000 tons per year for physical and chemical treatment and 3,000 tons per year for recycling; and 3) the construction of Shandong Weifang Lanhai Project was completed with designed capacity of 60,000 tons per year for incineration, 120,000 tons per year for physical and chemical treatment and 15,900 tons per year for recycle, and the project was expected to commence operation in the first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The major projects under construction of the Company included Tangshan Caofeidian Wandesi Project, Nantong Dongjiang Project, Foshan Fulong Project, Fujian Nanping Project, Huaxin Environmental Project, Jiangxi Dongjiang Recycle Project and Xiamen Dongjiang Project. Upon the completion of the above projects, our annual treatment capacity is expected to increase by over 250,000 tons by 2020.

In addition, the Company actively facilitated the preliminary work of 7 proposed projects including Baoan Dongjiang Modification and Expansion Project, Zhuhai Fushan Industrial Park Project, Jieyang Dananhai Project, Weifang Dongjiang Landfill Project, Hebei Shexian Project, Sichuan Mianyang Project and Longgang Plasma Project to establish abundant project reserve. Upon the completion of these projects, our annual treatment capacity is expected to increase by over 500,000 tons, which will effectively support the sustainable development of the Company.

(iii) Continuously improve the research and development ability and achieve breakthrough in technology innovation

The Company adheres to the strategic direction of innovation driven development, strives to secure the leading position in the industry in terms research and development and application of advanced technology and creates drivers for the Company's high quality development.

- 1) The Company's "Laboratory for Research and Development of Hazardous Liquid Waste Recycling and In-depth Treatment Technology" was admitted as a provincial key laboratory, which made the Company the first enterprise that has provincial key laboratory for hazardous waste treatment and disposal in China and eliminated the lack of scientific research on hazardous waste treatment in China;
- 2) "Solving the scaling problem during the process of wastewater evaporation by using evaporator cleaning technology" and the three technologies of "Recovery of waste nitric acid by diffusion dialysis, utilization of high concentration nitrate and denitrification of low concentration nitrate" enable the treatment of nitrate at different concentration level and the recycling and harmless treatment of nitrate waste, which solves the technical problem that bothered the industry for years, enriches the treatment process and product portfolio of the Company and creates first-mover advantage in the industry;
- 3) The research and development ability of the Company was well recognized and highly supported by relevant authorities. During the Reporting Period, the government grant for research and development received by the Company amounted to RMB37.9 million, recording a new high in the Company's history. During the year, we completed 8 technical transformation projects and established a management platform of technology information system with comprehensive coverage of technical transformation and research and development of the Company which enables sharing of technology achievement within the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(iv) Improve the market management system and achieve remarkable results in market expansion

Based on the changes in the industry, the Company further promoted the modular and standardized market management system, strengthened the promotion of proprietary brand and high quality products, improved the customer information management system and call center information system, coordinated different business of the Company and expanded the coverage to 8 provinces and cities in China, which contributed to the continuous enhancement of operation efficiency and customer satisfaction and consolidated our market position.

For waste collection and transportation, the Company actively developed yearly package customers for hazardous waste disposal, and recorded a year-on-year increase of 46% in revenue from yearly package customers. The Company has over 26,000 customers, representing a year-on-year increase of 25%. For sales operation, the Company developed over 100 new customers for recycled products, representing a year-on-year increase of approximately 72%, strengthened its cooperation with major customers, increased the business volume, developed new long-term customers and ensured stable procurement volume. During the Reporting Period, the Company achieved remarkable result in overseas market expansion of recycled products, expanded to seven countries including Japan, Philippines and Pakistan, completed the filing of various products in the United States, Argentina and other countries. During the Reporting Period, we recorded year-on-year growth of over 200% in both overseas sales volume and sales amount of recycled products.

(v) Deepen the standardized management of the Company to improve the quality and enhance the efficiency of development

During the Reporting Period, the Company continued to strengthen internal operation management, endeavored to establish an efficient enterprise system with refined task allocation, standardized management and institutionalized execution and achieved the target requirement of “increasing benefits through effective management”. By maintaining cooperation relationship with the banks, the Company obtained new banking facilities of RMB1,541 million during the year, and effectively controlled the finance cost. The Company strengthened the recruitment, training and management of talents, implemented the mechanism of market-oriented recruitment and internal talent promotion, and established a team of talents with core competitiveness. The Company persisted in focusing on main business, facilitated the special tasks of integration, restructuring and streamlining, and completed the liquidation and cancellation of various companies, which contributed to the further improvement of asset quality. Facing the challenging situation of hazardous waste regulation, the Company strengthened the management of environmental protection and safety works, conducted internal self inspection and rectification for existing problems and risks in strict accordance with the opinions from different level of environment protection inspection, ensured the safe production and compliant emission that meet relevant environmental protection standards at the treatment facilities of the Company, formulated standardized operating procedures with higher standard for safety and environmental protection works, and promptly and strictly implemented such procedures in all production bases of the Company, which enhanced its own emergency response capabilities and achieved a “zero occurrence” of the first-class accident.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total operating revenue

For the year ended 31 December 2018, the Group's total operating revenue increased by 5.95% as compared with 2017 to approximately RMB3,284,080,652 (2017: approximately RMB3,099,658,647). The increase of the total operating revenue mainly because in the process of operation, the Company enhance the market shares of the industrial solid hazardous waste and resource production business by implementing corporate development strategy, adjusting the business structure and actively exploring the market, which insurance the increase of the operating income in the Reporting Period. The operating income of the industrial waste treatment and disposal increase approximately 10.22% to approximately RMB1,286,740,266 (2017: approximately RMB1,167,436,763) over the same period last year. The operating income of resource production business showed a year-on-year growth of approximately 3.96% to approximately RMB1,228,371,674 (2017: approximately RMB1,181,528,804), and the operating income of Waste Electrical Appliance Dismantling Treatment showed an increase of approximately 140.27% to approximately RMB137,700,176 (2017: approximately RMB57,310,914) because of Fujian Dongjiang.

Profit

For the year ended 31 December 2018, the Group's integrated gross profit margin was 35.29% (2017: 35.88%). The integrated gross profit margin is about level off by decreasing about 0.59% compared with the same period of last year. This is mainly because of the year-on-year increase of prices of the raw material and accessories and the increase of labor cost. In the result, the gross profit margin of the main business segments decreased slightly. However, the comprehensive gross profit margin is level off, compared with the same period of last year due to the adjustment of the business structure by the Company, which means the operating income from industrial waste treatment business, with a higher gross profit margin, had an increased proportion in the total operating income, while the proportion of engineering business, with lower profit margin, had a lower proportion in the total operating income. Besides, the Company continues the activity of energy saving and material reducing, strengthened the budget management, and effectively controlled production cost.

For the year ended 31 December 2018, net profit attributable to Shareholders of the Company was approximately RMB407,917,006 (2017: approximately RMB473,375,978), down by approximately 13.83% compared with 2017. The decrease was mainly because of the Company accelerated construction progress to meet the market demand for industrial hazardous waste treatment. During the year, a number of projects were completed and ready for their intended uses. According to the Enterprises Accounting Standards, the increase in amount of depreciation and corresponding financial costs when construction in progress were transferred to fixed assets exceeded estimations. The production capacity of some completed projects was still rising, and thus contributed a lower profit. As the profitability of some acquired projects were lower than expectation and based on the analysis and forecast on future operating conditions, the Company made respective impairment provision for goodwill at the end of the year on a prudent basis. Besides, as there was downward pressure on the overall economic conditions, according to relevant regulations including the Accounting Standards, the Company made impairment provision for assets (excluding goodwill) on a prudent basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales expenses

For the year ended 31 December 2018, the Group's sales expenses were approximately RMB98,523,251 (2017: approximately RMB68,630,472), accounting for 3.00% of the total operating revenue (2017: 2.21%). The sales expenses increased mainly because of reinforcing market expansion and corporate business brand management in the Reporting Period, as well as change in the consolidation scope and increase of subsidiaries compared with the same period last year.

Administrative expenses

For the year ended 31 December 2018, the Group's administrative expenses were approximately RMB374,454,835 (2017: approximately RMB350,582,285), accounting for 11.40% of the total operating revenue (2017: 11.31%). The proportion of administrative expenses to revenue was basically unchanged. The slow increase in administrative expenses during the Reporting Period was because administrative expenses were under better control with strengthened management and strict control of the Company.

Finance costs

For the year ended 31 December 2018, the Group's finance costs were approximately RMB134,123,879 (2017: approximately RMB98,676,711), accounting for 4.08% of the total operating revenue (2017: 3.18%). The finance costs increased mainly because the Company expanded its scale, which boosted the capital requirements, and increased issuance of corporate bonds and bank loans and capitalization and transfer of interest of construction in progress which resulted in rising interest expenses.

Income tax expenses

For the year ended 31 December 2018, the Group's income tax expenses were approximately RMB84,202,020 (2017: approximately RMB69,217,094), accounting for 15.08% of total profit (2017: 11.12%). The increase of income tax expenses was mainly due to subsidiaries which enjoyed income tax incentives on environmental protection, including Jiangmen Dongjiang and Wosen Environmental, were subject to income tax.

FINANCIAL POSITION AND LIQUIDITY

As at 31 December 2018, net current assets of the Group amounted to approximately RMB-435,951,432 (2017: RMB-133,739,695), including cash and cash equivalent of approximately RMB1,028,991,292 in total (2017: approximately RMB1,221,930,230).

As at 31 December 2018, total liabilities of the Group amounted to approximately RMB5,058,297,102 (2017: approximately RMB4,918,299,846). The Group's gearing ratio was 51.91% (2017: 53.23%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to approximately RMB3,524,008,761 (2017: approximately RMB3,170,148,436). As at 31 December 2018, the Group's outstanding bank loans reached approximately RMB2,351,950,859 (2017: approximately RMB2,171,323,046).

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 January 2018, the Company paid RMB2,550,000 for the investment in a subsidiary that is 51% owned by the Company, namely Mianyang Dongjiang.

In July 2018, the Company paid RMB3,000,000 for the investment in a subsidiary that is 60% owned by the Company, namely Handan Dongjiang.

In August 2018, the Company entered into an equity transfer agreement, and successfully acquired 38% of the equity interest of Shenzhen Dongjiang Heritage Technologies Co., Ltd. at cash consideration of RMB17,500,000. The shareholding of the Company in Shenzhen Dongjiang Heritage Technologies Co., Ltd. has been increased to 100%.

In September 2018, the Company entered into an equity transfer agreement to acquire 37.10% of the equity interest of ALBA Rising Green Fuel (Jieyang) Ltd.. During the Reporting Period, equity transfer payment of RMB52,139,164.00 was made.

Save as disclosed in this announcement, 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 announcement, as at the date of this announcement, the Group does not have other future plans for material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE AND FOREIGN EXCHANGE RISKS

Interest rate risk

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

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

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

Foreign exchange risk

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

Pledge of assets

As at 31 December 2018, certain assets of the Group were pledged to secure bank borrowings, guarantees and letters of credit facilities granted to the Group, as follows:

	2018	2017
Fixed assets	150,742,548.33	132,982,034.97
Cash and bank balances	25,077,700.00	23,177,700.00
Intangible assets	57,753,208.62	74,770,438.59
Construction in progress	34,938,993.17	85,249,982.04
Other receivables	41,349,451.66	21,555,473.48
Investment properties	50,277,200.00	–
Receivables	6,170,588.00	70,742,384.00

Information on employees and remuneration policies

As at 31 December 2018, the number of full-time employees stood at 4,609 (2016: 4,534) with a total staff cost of approximately RMB578,363,692.98 (2017: RMB464,401,022.22). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund, and medical insurance.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

Pursuant to the method of collection and treatment of industrial waste adopted by the Group, since its incorporation, the Group has not incurred any material expenses due to environmental restoration. However, there is no guarantee that the Chinese authorities will not implement stringent environmental policies and/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 2018.

Capital commitment

As at 31 December 2018, the capital commitment of the Group was as follows:

Item	2018	2017
Capital expenditures contracted for but not recognized in the financial statement		
Foreign investment	21,160,000.00	48,780,000.00
– Construction in progress	153,385,666.00	268,258,048.15
– Acquisition of plant and machinery	73,192,585.00	106,411,606.00
Total	247,738,250.60	423,449,654.15

FUTURE PROSPECTS

2019 will be critical for Dongjiang Environmental in tackling difficulties and deepening reform. International situation is complicated and ever-changing, the economy is facing increasing downward pressure, and the industry competition continues to intensify. As the Central Government continues to carry out its second round of environmental protection supervision and inspection which will last for four years, environmental protection issues will remain a major task in China. With the nationwide call for pollution prevention and control, China will continue to strengthen the protection and recovery of ecological system, support the development of environmental protection industry and put great efforts in promoting sustainable development. As such, the external environment brings both challenges and new opportunities and momentum of development for the Company. The Company will study, understand and implement Xi Jinping's idea of ecological civilization, and take in as a basic principle of the Company to contribute its efforts to pollution prevention and control as a state-owned enterprise. In addition, the Company will maintain its strategic focus on the main business of hazardous waste disposal as its strategic position and development direction and pay attention to both project operation and industry expansion to achieve high quality development in the new stage.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Simultaneously carry out project construction and asset revitalization and optimize asset structure

The Company will continue to focus on the main business of hazardous waste disposal and the core areas, perform our function as a state-owned enterprise, support the construction of ecological civilization in the Guangdong-Hong Kong-Macao Greater Bay Area, actively participate in the protection and recovery of ecological environment in the Yangtze River Economic Belt, further penetrate and expand in the Eastern China market, and develop new business driver of the Company. In 2019, we will actively facilitate the construction of Tangshan Caofeidian Project, Nantong Dongjiang Project, Fujian Nanping Project, Foshan Fulong Project, Shaoguan Heavy Metal Sludge Smelting Project, Xiamen Dongjiang Project, Shaoxing Huaxin Incineration Project, Longgang Plasma Incineration Project and Shajing Base Technical Transformation Project, obtain disposal qualification as soon as possible, strive to achieve incremental production capacity of over 200,000 tons, further optimize the business deployment, cover the shortness in qualification for hazardous waste disposal and consolidate the leading position in hazardous waste disposal industry. For project backlog, we will accelerate the preliminary work of Zhuhai Fushan Project, Jieyang Dananhai Project, Shaoguan Dongjiang Landfill Site Project, Huidongwei Phase II Project and Mianyang Dongjiang Project so as to facilitate the commencement of construction of these projects.

We will carry out streamlining and efficiency enhancement in a practical manner, and put efforts in compressing management structure, reducing the number of legal persons, recovering losses and reducing debts. We will be open to cooperation to revitalize inefficient assets and continue to incubate projects with development potential to enrich our project reserve. We will also strengthen the integration of enterprises with similar business in similar industries to improve industry synergy and fully enhance the operational efficiency.

(ii) Deepen standardized and refined management to facilitate stable development of the Company

Firstly, based on the standard of first-tier domestic and overseas enterprises, we will further improve the regulations, rules and management procedures of the Company, vigorously promote standardized and regulated management and strengthen the management foundation to provide fundamental protection to the business development, transformation and upgrade of the Company. Secondly, we will establish a robust, reasonable and comprehensive management system to form an operating model with clear objective, reasonable basis and effective risk control. Thirdly, we will promote informationized management, regulate and facilitate business development and improve our ability in information sorting and processing to provide reliable support to the operation management and strategic development of the Company. Fourthly, we will carry out overall budget management, further improve our ability in unified cash management, strengthen cash management, accelerate the collection of receivables, control the inventory of finished products, accelerate the cash movement, expand financing channels and optimize debt structure.

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Adhere to the technology innovation driven approach to facilitate high quality development of the Company

The Company will adhere to the core idea of development driven by technology innovation, and strengthen its innovation ability based on the development strategy and current situation of the industry. Firstly, we will improve and strengthen our research and development team to establish a professional team with outstanding professional skills, diversified research structure and strong collaboration. Secondly, we will strengthen our cooperation with scientific research institutes and colleges and establish a collaborative system integrating industry, academic institutions and research institutes which matches the business development of the Company, difficulties in production technology and the need of the industry. Thirdly, we will continue to develop technologies for quality improvement of recycled products, treatment of highly concentrated wastewater, incineration techniques and exhaust gas emission, solve the practical problems encountered in production process, enhance product quality and improve production techniques, reduce cost and expense, so as to consolidate our industry leading position with technology advantages and facilitate the high quality development of the Company.

(iv) Optimize internal incentive mechanism to fully utilize human capital

Based on the requirements of Guangdong SASAC and the needs of development of the Company, we will implement the pilot program of comprehensive reform under the theme of “incentive, constraint and fault tolerance”, develop a reasonable performance evaluation mechanism with incentive, constraint and fault toleration, establish a human resource management system with market competitiveness, maximize the potential of our staff, establish our advantage in talent reserve and put efforts in nurturing our own core management staff, technical team and skillful workers, so as to provide robust talent reserve for business upgrade, transformation and development of the Company.

(v) Make innovation in market expansion and establish the brand of Dongjiang

We will further improve our market research ability, pay close attention to the changes in industry, carry out market research with focus on amount of waste generation in different regions, type of hazardous waste, disposal destination, operation of competitors and new policies of the industry, optimize the market management system and establish a market database to provide basis for decision making of the Company. Based on the local demand for hazardous waste disposal and development plan for industrial sector, we will strengthen the communication with regulatory authorities and local governments, strive to adjust and optimize our qualification structure and invest in new projects as and when appropriate. We will diversify the portfolio of recycled products, optimize the standardized production system, and improve the product quality and production yield. We will also develop and maintain good relationship with our customer by providing high quality services, and further strengthen our efforts in sales and promotion of products under our own brand in order to improve the brand recognition of Dongjiang Environmental. We will strengthen the expansion in overseas market, lower the market risk and improve the Company's sales continuity and stability.

MANAGEMENT DISCUSSION AND ANALYSIS

(vi) Adhere to the safe development concept to ensure the stable operation of the Company

As an enterprise engaged in pollution prevention and control, the Company will strengthen its sense of responsibility, uphold the safe development concept, promote the implementation of safety responsibility, emphasize on risk management and control, increase efforts in identifying and eliminating safety hazard, consolidate basic safety management, perform the obligation of environmental protection as required by the laws, ensure lawful operation and compliant emission, prevent material safety accidents, and ensure long-term stable operation of the Company in terms of safety production. We will diligently perform the duty of occupational health management, carry out special safety activity to rectify prominent problems and improve shortcomings related to occupational health within the Company, implement the system of occupational health check before, during and after employment, and provide adequate labour protective measures to operating staff. We will strengthen the safety education of our staff and organize specific safety education and training on a regular basis to improve the safety awareness of the staff. We will facilitate the establishment of environmental protection information management platform in order to comprehensively enhance the informationized and intelligent level of safety and environmental protection management of the Company. We will also implement multiple measures to practice our intelligent and green development concept to facilitate the high quality development of the Company.

MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Tan Kan (譚侃), aged 49, 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 holds 240,000 shares of the Company. 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. Yao Shu (姚曙), aged 52, 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. Liu Boren (劉伯仁), aged 49, is an executive Director, with a Bachelor's Degree. He had worked in Guangdong Branch of the People's Bank of China, Guangzhou Branch of People's Bank of China and Guangdong Regulatory Bureau of China Banking Regulatory Commission. From March 2014 to October 2016, he has served as an Assistant General Manager in Guangdong Rising Assets Management Co., Ltd. He has served as the chairman of the board of Guangdong Rising Finance Co., Ltd since June 2015. Mr. Liu was appointed as a non-executive director on 11 October 2016.

Mr. Huang Yi Ming (黃藝明), aged 45, is an executive Director, with a Bachelor's Degree. He had worked in Guangdong International Trust and Investment Corporation, Bestfound Law Firm, etc. Since April 2016, he has served as a Minister of Legal Affairs Department in Guangdong Rising Assets Management Co., Ltd.. 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 53, 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 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 50, 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 54, is an independent non-executive Director, 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 61, is an independent non-executive Director. Mr. Qu 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 56, is an independent non-executive Director. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Certified Public Accountants, 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), China Agri-Products Exchange Limited (listed on the Hong Kong Stock Exchange, stock code:149), Guangzhou Pharmaceutical Holdings Limited (listed on Shanghai Stock Exchange, Stock Code: 600332), Inner Mongolia Yitai Group Co., Ltd (listed on Hong Kong Stock Exchange, Stock Code: 03948), Wine's Link International Holdings Limited (listed on Hong Kong Stock Exchange, Stock Code: 08509) 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. Zhao Xue Chao (趙學超), aged 47, holds a master's degree. He was the Chairman of Guangdong Zhongren Fuel Co., Ltd.; Assistant to the General Manager, Secretary of the Board, Deputy General Manager and member of the Party Committee of CCP of Guangdong Guangsheng Construction and Investment Group Co., Ltd, the Deputy General Manager of Guangdong Rare Earth Industry Group Co., Ltd.; the Chairman of the Supervisory Committee of Rising Nonferrous Metals Share Co., Ltd.. He currently serves as the head of the first of the working groups dispatched to the Supervisory Board of Guangdong Rising Assets Management Co., Ltd by the owner hereof. Mr. Zhao was appointed as a supervisor of the Company and the chairman of the Supervisory Committee on 20 August 2018.

Mr. Huang Wei Ming (黃偉明), aged 52, is a supervisor of the Company 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.

Ms. Li Yue (李悦), aged 31, holds a bachelor's degree. She joined the Company in February 2012 and worked in administration sectors, she is currently a specialized officer of the administration department of the Company. She served as Supervisor of the Company since 29 December 2017.

MANAGEMENT PROFILE

COMPANY SECRETARY

Ms. Wang Tian (王恬), aged 43, is the vice chief executive officer of the Group, the secretary of the Board and company secretary and authorised representative of the Company. Ms. Wang joined the Group in March 2002. She graduated from Zhongshan University (中山大學) in 1999 majoring in international finance and obtained a master's degree in economics from University of Birmingham in the United Kingdom. Ms. Wang has years of experience in the field of listed corporation management, capital operation and information disclosure. On 17 December 2012, Ms. Wang was appointed as the company secretary and authorised representative of the Company, and was appointed as the vice chief executive officer of the Group on 10 June 2014.

SENIOR MANAGEMENT

Ms. Wang Tian (王恬), aged 43, 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.

Mr. Wang Shi (王石), aged 50, 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. Yu Xiangli (余湘立), aged 55, 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 is currently served as the vice chief executive officer of Dongjiang Environmental Company Limited.

Ms. Wang Jianying (王健英), female, aged 52, 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 is currently served as a vice chief executive officer and the chief financial 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 59 to 60 of this report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.140 per share of the Company (inclusive of tax) (2017: RMB0.161) to all shareholders of the Company based on the total number of shares of 879,267,102 shares of the Company. Accordingly, the total amount of dividend to be paid is RMB123,097,394.28. No bonus shares will be awarded, and no capital reserves will be converted into shares. The above said proposal is subject to approval by the shareholders of the Company at the 2018 annual general meeting ("AGM") to be convened and held. The Company will make further announcement in accordance with the Listing Rules upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends is determined. Subject to the approval of the final dividend by the shareholders, the final dividend is expected to be paid around 31 July 2019.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2018, a discussion on the Group's future prospects are provided in "Management Discussion and Analysis" in pages 7 to 18 in this annual report, an analysis of the Group's performance during the Reporting Period using key performance indicators are provided in "Financial Summary" in page 3 in this annual report.

OTHER EVENTS DURING THE PERIOD

Renewal of Financial Services Agreement

Unless the context otherwise requires, terms used below shall have the same meanings as those defined in the announcements of the Company dated 7 February 2018 and 26 March 2018.

On 7 February 2018, the Company renewed the Financial Services Agreement with Rising Finance, in relation to the provision of financial services by Rising Finance to the Company with a term of one year commencing from the signing of the Financial Services Agreement by both parties. The Financial Services Agreement and the transactions contemplated thereunder was approved on the first extraordinary general meeting in 2018 of the Company on 26 March 2018.

For details, please refer to the announcements of the Company dated 7 February 2018 and 26 March 2018.

DIRECTORS' REPORT

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

On 16 January 2018, the Board determined that the unlocking conditions of the third unlocking period of reserved portion of Restricted A Shares under the Restricted A Share Incentive Scheme (as defined in the circular of the Company dated 28 November 2013), which was approved on 23 January 2014, were satisfied. Upon approval of the above resolution, the third unlocking period will commence from the first trading day after 36 months from the date of grant of reserved Restricted A Shares to the last trading day within 48 months from the date of grant of the reserved Restricted A Shares. 40% of the reserved portion of total Restricted A Shares will be unlocked and available for application by relevant Share Incentive Participants (as defined in the circular of the Company dated 28 November 2013) during the unlocking period. A total number of 59 Share Incentive Participants have applied to unlock, in aggregate, 790,000 Restricted A Shares, representing 0.09% of the then total share capital of the Company. The Unlocked Restricted A Shares have been listed on the Shenzhen Stock Exchange on 26 January 2018.

For details, please refer to the announcements of the Company dated 16 January 2018 and 24 January 2018.

Satisfaction of unlocking conditions of the first unlocking period of reserved portion of restricted a shares granted under the 2016 restricted a share incentive scheme

On 12 November 2018, the Board has considered and passed a resolution that the unlocking conditions of the first unlocking period in respect of the reserved portion of Restricted Shares of the Restricted A Share Incentive Scheme in 2016 have been satisfied. The first unlocking period will commence from the first trading day after 12 months from the date of grant of the reserved portion of Restricted A Shares to the last trading day within 24 months from the date of grant of the reserved portion of Restricted A Shares. A total number of 43 Share Incentive Participants have applied to unlock, in aggregate, 650,000 Restricted A Shares, representing 0.07% of the total share capital of the Company at that time. These A Shares have been listed on the Shenzhen Stock Exchange on 21 November 2018.

For details, please refer to the announcements of the Company dated 12 November 2018 and 18 November 2018.

Satisfaction of unlocking conditions of the second unlocking period of first batch of restricted A Shares granted under the 2016 restricted a share incentive scheme

On 14 December 2018, the Board has considered and passed a resolution that the unlocking conditions of the second unlocking period in respect of the reserved portion of Restricted Shares of the Restricted A Share Incentive Scheme in 2016 have been satisfied. The second unlocking period will commence from the first trading day after 24 months from the date of grant of the reserved portion of Restricted A Shares to the last trading day within 36 months from the date of grant of the reserved portion of Restricted A Shares. A total number of 291 Share Incentive Participants have applied to unlock, in aggregate, 4,545,000 Restricted A Shares, representing 0.5% of the total share capital of the Company at that time. These A Shares have been listed on the Shenzhen Stock Exchange on 24 December 2018.

For details, please refer to the announcements of the Company dated 14 December 2018 and 19 December 2018.

DIRECTORS' REPORT

Extension of the validity period of the authorisation granted to the board or its authorized persons with absolute discretion to deal with the proposed non-public issue of a shares and extension of the validity period of the resolutions in respect of the proposed non-public issue of a shares

The validity period of the resolutions in respect of the Proposed Non-public Issue of A Shares (the "**Validity Period of Resolution in Respect of the Proposed Non-public Issue of A Shares**") and the validity period of the authorisation granted to the Board or the Board's authorised person(s) to handle all relevant matters relating to the Proposed Non-public Issue of A Shares (the "**Validity Period of Authorisation to the Board**") considered and approved at the Previous Shareholders' Meetings has expired on 26 June 2018.

On 20 June 2018, the proposed extension of the Validity Period of Resolution in Respect of the Proposed Non-public Issue of A Shares was approved by the shareholders at the annual general meeting (the "**AGM**"), the second class meeting of the holders of A shares of 2018 and the second class meeting of the holders of H shares of 2018 (the "**Class Meetings**"), and the Validity Period of Resolution in Respect of the Proposed Non-public Issue of A Shares and the Validity Period of Authorisation to the Board were extended for a 12-month period from 26 June 2018 until 25 June 2019.

For details of extension of the validity period of the authorisation granted to the Board or its authorized persons with absolute discretion to deal with the proposed non-public issue of A shares and extension of the validity period of the resolutions in respect of the proposed non-public issue of A shares, please refer to the announcement dated 20 June 2018, the notice dated 4 May 2018 and the circular dated 29 May 2018 of the Company.

Registration and issuance of perpetual medium-term notes

On 3 July 2018, the Board announced that in order to support the business development of the Company, optimize the debt structure, broaden the financing channels, it approved 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 size not exceeding RMB1.5 billion (included).

On 20 August 2018, the proposed registration and issuance of perpetual medium-term notes was approved by the shareholders on the second extraordinary general meeting of 2018 (the "**EGM**") held by the Company on 20 August 2018.

The implementation of the proposal in relation to the issue of perpetual medium-term notes is subject to registration with the NAFMII, and the final scheme of the issue is subject to the registration notice of the NAFMII.

For details of registration and issuance of perpetual medium-term notes, please refer to the announcements dated 3 July 2018 and 20 August 2018 and the circular dated 13 July 2018 of the Company.

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.

DIRECTORS' REPORT

FIXED ASSETS

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 18 April 2018, the Company repurchased a total of 1,137,000 restricted A Shares of par value RMB1.00 each at approximately RMB6.556 (for 10,000 repurchased A Shares) per A Share and at approximately RMB8.7100 (for 1,127,000 repurchased A Shares) per A Share. The purchase price totaled approximately RMB9,881,730. The abovementioned A Shares were subsequently cancelled on 19 April 2018.

The A shares repurchased above represents approximately 0.128% of the then total share capital of the Company.

For details, please refer to the announcement of the Company dated 19 April 2018.

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

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in shareholders' equity on pages 68 to 69 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 RMB1,332,504,795.10. 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 18.11% of the total sales for the year and sales to the largest customer included therein amounted to approximately 6.20%. Purchases from the Group's five largest suppliers accounted for approximately 9.45% of the total purchases for the year and purchase from the Group's largest supplier accounted for approximately 2.70% 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' REPORT

DIRECTORS AND SUPERVISORS

The Directors during the Reporting Period were: Mr. Tan Kan (appointed on 12 November 2018), Mr. Liu Ren (resigned on 21 September 2018), Mr. Li Yong Peng (resigned on 12 November 2018), Mr. Zhang Kai (resigned on 12 November 2018) as the executive Directors; Mr. Liu Bo Ren, Mr. Huang Yiming, Mr. Deng Qian (resigned on 25 February 2019), Mr. Lu Bei (appointed on 12 November 2018), Mr. Jin Yongfu (appointed on 12 November 2018) 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. Liu Bo Ren, 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.

The supervisors of the Company ("**Supervisors**") during the Reporting Period were: Mr. Zhao Xuechao (appointed on 20 August 2018), Mr. Zhang An Li (resigned on 20 August 2018), Mr. Huang Wei Ming and Ms. Li Yue, and up to the date of this report the Supervisors are Mr. Zhao Xuechao, Mr. Huang Wei Ming and Ms. Li Yue.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 19 to 22 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. Liu Bo Ren, 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. Zhao Xue Chao, Mr. Huang Wei Ming and Ms. Li Yue, 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' REPORT

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.

DIRECTORS' REPORT

Remuneration Policy of Non-Executive Directors

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

Principles of Long-Term Incentive Schemes

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

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

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

As at 31 December 2018, 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	240,000 A shares	0.027%/0.035%

Save as disclosed above, as at 31 December 2018, 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.

DIRECTORS' REPORT

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	183,630,928 A Shares (Note 1)	20.727%/26.775%
		2,896,000 H Shares (Note 2)	0.327%/1.447%
Jiangsu High Hope International Group Co., Ltd.	Beneficial owner	76,082,707 A shares (Note 3)	8.588%/11.094%
		18,204,800 H shares (Note 4)	2.055%/2.654%

Save as disclosed above, as at 31 December 2018, 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 183,630,928 A shares, among which 166,068,501 A shares is held by Guangdong Rising Assets, 1,302,027 and 16,260,400 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 2018, 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 2018.

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 26 March 2018 and ends on 26 March 2019.

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.

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 7 February and 26 March 2018.

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

On 17 August 2018, 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 5 January 2018. 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).

DIRECTORS' REPORT

In addition, on 17 August 2018, the Company (as the Supplier) and Fankou Lead-Zinc Ore of Zhongjin Lingnan (as the Purchaser) entered into the Supplemental Agreement on Purchase and Sale of Copper Sulphate to determine the annual caps for the transactions contemplated under the Purchase and Sale Agreement on Copper Sulphate entered into between the Company and Zhongjin Lingnan on 20 December 2017. Pursuant to the Supplemental Agreement on Purchase and Sale of Copper Sulphate, the parties agreed that the Company supplied copper sulphate to Fankou Lead-Zinc Ore (a non-wholly owned subsidiary of Zhongjin Lingnan). As Zhongjin Lingnan is a non-wholly owned subsidiary of Guangdong Rising Assets Management Co., Ltd., a substantial shareholder of the Company, Zhongjin Lingnan is a connected party of the Company as defined by the Listing Rules. Accordingly, the transactions contemplated under the Supplemental Agreement on Purchase and Sale of Industrial and Mining Products and the Supplemental Agreement on Purchase and Sale of Copper Sulphate constitute a continuing connected transaction of the Company under the Listing Rules.

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

For details, please refer to the announcements of the Company dated 17 August 2018 and 24 August 2018.

Entering into the Equity Transfer Agreement and entering into the Supplemental Agreement on the Equity Transfer Agreement

The Company (as the Purchaser) entered into the Equity Transfer Agreement with Hong Kong ALBA (as the Vendor), pursuant to which the Company agreed to purchase and Hong Kong ALBA agreed to transfer Sales Equity (equivalent to 37.10% of the equity interest of Target Company) for a consideration of RMB62,328,000 in total (including RMB33,390,000 Equity Transfer Payment Portion and RMB28,938,000 for Supplemental Registered Capital Portion).

In addition, the Company and Hong Kong ALBA entered into the Supplemental Agreement on the Equity Transfer Agreement on the same day, pursuant to which certain terms were added to the Equity Transfer Agreement.

As the applicable percentage ratios of the Acquisition (as defined in the Listing Rules) are more than 0.1% but less than 5%, pursuant to Chapter 14A of the Listing Rules, the Acquisition 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 announcements of the Company dated 21 September 2018 and 8 October 2018.

RELATED PARTY TRANSACTIONS

Service Contracts

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

COMPETING BUSINESS

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

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 page 14 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.

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 2019.

DIRECTORS' REPORT

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 2018 and up to the date of this report, the Group does not have any violation of relevant laws and regulations which gives rise to significant impact to the Group's development, performance and businesses.

AUDITORS

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

In 2018, 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.

In 2018, 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 2019, 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

28 March 2019

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 28 March 2019, the Supervisory Committee convened a meeting, at which the 2018 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

ZHAO Xuechao
Chairman of the Supervisory Committee
Shenzhen, the PRC
28 March 2019

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. Liu Boren, Mr. Huang Yiming, Mr. Lu Bei and Mr. 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 19 to 22 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>) (<i>Note 1</i>)	3/3
Mr. Yao Shu (<i>Chief executive officer</i>) (<i>Note 2</i>)	0/0
Mr. Liu Ren (<i>Note 5</i>)	13/13
Mr. Li Yong Peng (<i>Note 6</i>)	16/16
Mr. Zhang Kai (<i>Note 7</i>)	16/16
Non-executive Directors	
Mr. Huang Yi Ming	19/19
Mr. Liu Bo Ren	19/19
Mr. Lu Bei (<i>Note 3</i>)	3/3
Mr. Jin Yong Fu (<i>Note 4</i>)	3/3
Mr. Deng Qian (<i>Note 8</i>)	19/19
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. Tan Kan was appointed as the executive director of the Board on 12 November 2018. Mr. Tan attended 3 out of 3 Board meetings held during his tenure in the year ended 31 December 2018.
2. Mr. Yao Shu was appointed as the executive director of the Board on 19 March 2019. Mr. Yao did not attend Board meetings during his tenure in the year ended 31 December 2018.
3. Mr. Lu Bei was appointed as the executive director of the Board on 12 November 2018. Mr. Lu attended 3 out of 3 Board meetings held during his tenure in the year ended 31 December 2018.
4. Mr. Jin Yong Fu was appointed as the executive director of the Board on 12 November 2018. Mr. Jin attended 3 out of 3 Board meetings held during his tenure in the year ended 31 December 2018.
5. Mr. Liu Ren Sheng was retired as the executive Director on 21 September 2018. Mr. Liu attended 13 out of 13 Board meetings held during his tenure in the year ended 21 September 2018.

CORPORATE GOVERNANCE REPORT

6. Mr. Li Yong Peng was resigned as the executive director of the Board and vice chairman on 12 November 2018. Mr. Li attended 16 out of 16 Board meetings held during his tenure as of 12 November 2018.
7. Mr. Zhang Kai was resigned as the executive director of the Board on 12 November 2018. Mr. Zhang attended 16 out of 16 Board meetings held during his tenure as of 12 November 2018.
8. Mr. Deng Qian was resigned as the executive director of the Board on 25 February 2019. Mr. Deng attended 19 out of 19 Board meetings held during his tenure in the year ended 31 December 2018.

There are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. 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

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

Mr. Lu Bei and Mr. Jin Yong Fu and Mr. Tan Kan has entered into a service contract with the Company for a term commencing from 12 November 2018 and ending on the expiry of the term of the sixth session of the Board.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Name of Directors	Attending training/ briefing session	Reading materials
Executive Directors		
Mr. Tan Kan (<i>Chairman</i>)	√	√
Mr. Yao Shu (<i>Chief executive officer</i>)	√	√
Mr. Liu Ren (<i>Chairman</i>) (<i>resigned on 21 September 2018</i>)	√	√
Mr. Li Yong Peng (<i>Chief executive officer</i>) (<i>resigned on 12 November 2018</i>)	√	√
Mr. Zhang Kai (<i>resigned on 12 November 2018</i>)	√	√
Non-executive Directors		
Mr. Huang Yi Ming	√	√
Mr. Liu Bo Ren	√	√
Mr. Lu Bei (<i>appointed on 12 November 2018</i>)	√	√
Mr. Jin Yong Fu (<i>appointed on 12 November 2018</i>)	√	√
Mr. Deng Qian (<i>resigned on 25 February 2019</i>)	√	√
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.

CORPORATE GOVERNANCE REPORT

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

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

GENERAL MEETINGS WITH SHAREHOLDERS

The Company held 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>) (<i>Note 1</i>)	0/0
Mr. Yao Shu (<i>Chief Executive Officer</i>) (<i>Note 2</i>)	0/0
Mr. Liu Ren (<i>Chairman</i>) (<i>resigned on 21 September 2018</i>)	3/3
Mr. Li Yong Peng (<i>Vice Chairman, Executive Director</i>) (<i>resigned on 12 November 2018</i>)	1/4
Mr. Zhang Kai (<i>resigned on 12 November 2018</i>)	0/4
Non-executive Directors	
Mr. Liu Bo Ren	1/4
Mr. Huang Yi Ming	1/4
Mr. Lu Bei	0/0
Mr. Jin Yong Fu	0/0
Mr. Deng Qian (<i>resigned on 25 February 2019</i>)	1/4
Independent Non-executive Directors	
Mr. Zhu Zheng Fu (<i>Note 8, 9</i>)	1/4
Mr. Wong Hin Wing (<i>Note 8, 9</i>)	2/4
Mr. Qu Jiu Hui (<i>Note 8, 9</i>)	0/4
Average Attendance Rate	28.5%

Notes:

1. Mr. Tan Kan was appointed as the executive director of the Board on 12 November 2018. Mr. Tan did not held any general meetings during his tenure in the year ended 31 December 2018.
2. Mr. Yao Shu was appointed as the executive director of the Board on 19 March 2019. Mr. Yao did not held any general meetings during his tenure in the year ended 31 December 2018.
3. Mr. Lu Bei was appointed as the executive director of the Board on 12 November 2018. Mr. Lu did not held any general meetings during his tenure in the year ended 31 December 2018.
4. Mr. Jin Yong Fu was appointed as the executive director of the Board on 12 November 2018. Mr. Jin did not held any general meetings during his tenure in the year ended 31 December 2018.
5. Mr. Liu Ren was resigned as the executive director of the Board on 21 September 2018. Mr. Liu attended 3 general meetings during his tenure in the year ended 21 September 2018.

CORPORATE GOVERNANCE REPORT

6. Mr. Li Yong Peng was resigned as the executive director and vice chairman of the Board on 12 November 2018. Mr. Li attended 1 general meeting during his tenure in the year ended 12 November 2018.
7. Mr. Zhang Kai was resigned as the executive director of the Board on 12 November 2018. Mr. Zhang did not attend general meetings during his tenure in the year ended 12 November 2018.
8. 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.
9. Mr. Qu Jiu Hui, Mr. Wong Hin Wing and Mr. Zhu Zheng Fu were absent for several general meetings due to busy business.

AUDIT COMMITTEE

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

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

The principal responsibilities of the Audit Committee include:

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

The Audit Committee met 5 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>)	5/5
Mr. Qu Jiu Hui	5/5
Mr. Zhu Zheng Fu	5/5
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 6 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	6/6
Mr. Wong Hin Wing	6/6
Mr. Qu Jiu Hui	6/6
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 6 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>)	6/6
Mr. Tan Kan (<i>Note 1</i>)	0/0
Mr. Wong Hin Wing	6/6
Average attendance rate	100%

Note:

1. Mr. Tan Kan was appointed as the Nomination Committee member on 12 November 2018. Mr. Tan did not held any committee meetings during his tenure in the year ended 31 December 2018.

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>) (<i>Note 1</i>)	0/0
Mr. Yao Shu (<i>Note 2</i>)	0/0
Mr. Qu Jiu Hui	1/1
Average attendance rate	100%

Notes:

1. Mr. Tan Kan was appointed as the Strategic Development Committee member on 12 November 2018. Mr. Tan did not held any committee meetings during his tenure in the year ended 31 December 2018.
2. Mr. Yao Shu was appointed as the Strategic Development Committee member on 19 March 2019. Mr. Yao did not held any committee meetings during his tenure in the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid to the Company's auditor, SHINEWING CERTIFIED PUBLIC ACCOUNTANTS, for audit services during the Reporting Period was in total RMB1,350,000. During the Reporting Period, the Company engaged SHINEWING CERTIFIED PUBLIC ACCOUNTANTS as the auditing accounting firm of internal control and paid an audit fee of RMB450,000.

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

As the repurchase and cancellation of restricted shares granted but not yet unlocked as held by departed incentive participants was approved in the first A class meetings in 2018 and the first H class meetings in 2018, the Articles was amended to take into account of the increase in the Company' registered capital and the number of A Shares. Please refer to the circular of the Company dated 7 February 2018 for details of the aforesaid.

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

SENIOR MANAGEMENT'S REMUNERATION

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

Particulars regarding senior management's remuneration and the five individuals with highest emoluments for the Reporting Period are set out in the note XI.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 47 to 53 of this report.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

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

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

The Company has established an internal audit function to ensure the effectiveness of its internal control system, as well as identify and prevent any potential risk. The head of internal audit submits working reports and recommendations on a regular basis to the executive Directors. The 2018 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/2019GZA30074

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 2018, 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 2018, 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 2018, the consolidated and the parent company’s results of operations and cash flows for 2018.

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.48 to the consolidated financial statements of Dongjiang Environmental Company, the total operating revenue of Dongjiang Environmental Company for 2018 was RMB3,284.0807 million and the major source of revenue was industrial waste recycling product sales and waste treatment and disposal service. Revenue is one of the key performance indicators of Dongjiang Environmental Company, therefore there is an inherent risk of manipulation of the timing of revenue recognition by the management to meet specific targets or expectations. Accordingly, we identified revenue recognition as a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> – 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. – 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. – We examined the accounting records in relation to the revenue from recycling product sales and waste treatment and disposal, checked relevant accounting records and discussed with the management to assess whether there is any indication of material differences and misstatement for the revenue recognition by the management.

REPORT OF THE AUDITORS

2. Assessment on impairment of accounts receivable

Key Audit Matter	How the matter was addressed in the audit
<p>As set out in Note VI.3.2 to the consolidated financial statements of Dongjiang environmental Company, as at 31 December 2018, the balance amount, provision for bad debts and net amount of accounts receivable of Dongjiang Environmental Company amounted to RMB710.0554 million, RMB19.2485 million and RMB690.8069 million, respectively, and the carrying amount was relatively significant. The accounts receivable of Dongjiang Environmental Company was mainly arising from its sales of recycled products and provision of waste disposal service, which are material assets of the Company. If the accounts receivable cannot be recovered on time as expected or cannot be recovered and bad debts are incurred, there may be significant impacts on the financial statements. Accordingly, we identified the assessment on impairment of accounts receivable as a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> – We assessed and tested the internal control process of impairment provision for accounts receivable of Dongjiang Environmental Company with expected credit loss model and assessed the reasonableness of key assumptions and data. – 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. – 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. – We discussed with the management on the collection of accounts receivable and the possible risk for uncollection.

REPORT OF THE AUDITORS

3. Assessment on impairment of goodwill

Key Audit Matter	How the matter was addressed in the audit
<p>As set out in Note VI.18 to the consolidated financial statements of Dongjiang Environmental Company, as at 31 December 2018, the net value of the goodwill for Dongjiang Environmental Company amounted to RMB1,213.1376 million, which had a significant carrying value, which was attributable to the acquisition of subsidiaries by Dongjiang Environmental Company in previous years. If there is any impairment on goodwill, there may be significant impacts on the financial statements of Dongjiang Environmental Company.</p> <p>In view of the different operating conditions of the subsidiaries resulting in goodwill, the testing process of goodwill impairment for Dongjiang Environmental Company is complicated which relies on judgment and evaluation of its management on the assumptions of the expected future income and cash flow discount rate of the subsidiaries acquired. Therefore, we identified the assessment on impairment of goodwill as a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> - We 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. - Based on our knowledge of the business and the industry, we challenged the reasonableness of key assumptions and data given by the management. - We reviewed the supporting evidence for input data of the Company, such as the budgets approved, and assessed the reasonableness of such budgets. - We review the test results of the goodwill assessment agencies to understand their assessment methods, the assumptions used and the reasonableness of the data.

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 2018, 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, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Dongjiang Environmental Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of audit of the group. We remain solely responsible for our audit opinion.

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
28 March 2019

CICPA:
Wu Ruiling

CONSOLIDATED BALANCE SHEET

31 December 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2018	31 December 2017
Current assets:			
Monetary fund	VI.1	1,054,068,992.47	1,242,430,230.43
Deposit reservation for balance			
Lendings to banks and other financial institutions			
Held for trading financial assets	VI.2	24,934,920.00	–
Financial assets at fair value through profit and loss of the period			
Derivative financial assets			
Notes receivable and accounts receivable	VI.3	752,915,896.91	781,002,940.96
Including: Notes receivable	VI.3.1	62,108,965.02	86,366,871.17
Accounts receivable	VI.3.2	690,806,931.89	694,636,069.79
Prepayments	VI.4	43,155,392.19	49,245,646.02
Premium receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Other accounts receivable	VI.5	334,623,903.72	296,097,793.32
Including: Interest receivable		–	–
Dividend receivable		–	–
Purchase and resale of financial assets			
Inventories	VI.6	299,706,172.78	312,588,190.52
Loans	VI.7	372,628,000.00	254,980,000.00
Contract assets	VI.8	95,704,312.32	–
Assets held for sale		–	–
Non-current asset due within one year	VI.9	2,965,177.96	11,084,380.33
Other current assets	VI.10	107,354,560.79	88,979,559.41
Total current assets		3,088,057,329.14	3,036,408,740.99
Non-current assets:			
Granted and entrustee loans and advances			
Debt investment		–	–
Available-for-sale financial assets		–	13,431,700.00
Other debt investment		–	–
Held-to-maturity investment		–	20,000,000.00
Long-term accounts receivable	VI.11	48,736,094.93	194,929,785.02
Long-term equity investment	VI.12	303,461,055.34	243,310,020.04
Other equity instruments investment			
Other non-current financial assets			
Investment properties	VI.13	423,598,931.13	89,685,173.20
Fixed assets	VI.14	2,253,551,471.72	1,649,540,887.90
Construction in progress	VI.15	1,253,654,558.40	1,605,701,931.03
Productive biological assets		–	–
Oil and gas assets			
Intangible assets	VI.16	875,193,511.63	912,308,605.74
Development expenditure	VI.17	17,861,081.17	10,741,736.70
Goodwill	VI.18	1,213,137,618.89	1,235,994,451.48
Long-term unamortized expenses	VI.19	44,450,361.11	19,979,692.84
Deferred income tax assets	VI.20	26,002,037.95	15,222,949.45
Other non-current assets	VI.21	196,753,629.70	192,891,698.08
Total non-current assets		6,656,400,351.97	6,203,738,631.48
Total assets		9,744,457,681.11	9,240,147,372.47

CONSOLIDATED BALANCE SHEET

31 December 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2018	31 December 2017
Current liabilities:			
Short-term borrowings	VI.22	1,834,096,571.16	1,872,637,100.25
Borrowings from central bank			
Receipt of deposits and deposits from other banks			
Loans from other banks			
Held-for-trading financial liabilities		–	–
Financial liabilities at fair value through profit and loss of the period			
Derivative financial liabilities			
Notes and accounts payable	VI.23	708,358,310.28	705,134,001.34
Receipts in advance	VI.24	2,986,660.00	139,360,367.89
Contractual liabilities	VI.25	151,968,538.09	–
Proceeds from disposal of financial assets under agreements to repurchase			
Handling fees and commission payable			
Employee benefits payables	VI.26	82,753,967.08	62,977,562.92
Tax payable	VI.27	81,242,211.56	61,811,293.24
Other accounts payable	VI.28	212,943,150.59	314,712,466.87
Including: Interest payable	VI.28.1	2,106,252.25	891,381.67
Dividend payable	VI.28.2	3,260,310.01	6,593,410.01
Reinsurance accounts payable			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Liabilities held-for-sale		–	–
Non-current liabilities due within one year	VI.29	440,977,675.35	6,131,610.36
Other current liabilities	VI.30	8,681,676.76	7,384,032.79
Total current liabilities		3,524,008,760.87	3,170,148,435.66
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	VI.31	435,798,387.82	292,554,335.54
Bonds payable	VI.32	902,807,955.52	1,289,727,036.55
Including: Preferred shares			
Perpetual bond			
Long-term accounts payables	VI.33	5,329,251.18	1,691,598.24
Long-term employee benefits payables			
Special accounts payable	VI.33.2		2,075,259.49
Estimated liabilities		–	–
Deferred income	VI.34	175,993,716.83	155,897,737.22
Deferred income tax liabilities	VI.20	14,359,029.67	3,391,543.77
Other non-current liabilities	VI.35	–	2,813,900.00
Total non-current liabilities		1,534,288,341.02	1,748,151,410.81
Total liabilities		5,058,297,101.89	4,918,299,846.47

CONSOLIDATED BALANCE SHEET

31 December 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2018	31 December 2017
Shareholders' equity:			
Share capital	VI.36	887,100,102.40	888,237,102.40
Other equity instruments Including: Preferred shares Perpetual bond			
Capital reserve	VI.37	498,652,595.03	505,827,372.67
Less: Treasury share	VI.38	67,772,830.00	124,677,510.00
Other comprehensive income	VI.39	16,927,580.70	2,564,766.23
Special reserves	VI.40	5,561,004.28	3,128,442.22
Surplus reserves	VI.41	202,915,933.37	199,255,721.44
General risk reserve	VI.42	5,611,350.00	4,114,125.00
Undistributed profits	VI.43	2,492,936,395.01	2,250,645,463.83
Total equity attributable to shareholders of the parent company		4,041,932,130.79	3,729,095,483.79
Minority interests	VI.44	644,228,448.43	592,752,042.21
Total shareholders' equity		4,686,160,579.22	4,321,847,526.00
Total liabilities and shareholders' equity		9,744,457,681.11	9,240,147,372.47

Legal representative:
Tan Kan

Chief Financial Officer:
Wang Jianying

Head of Financial Section:
Li Xiaohui

BALANCE SHEET OF THE PARENT COMPANY

31 December 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2018	31 December 2017
Current assets:			
Monetary fund		731,461,806.71	607,297,838.44
Held for trading financial assets		24,934,920.00	–
Financial assets at fair value through profit and loss of the period			
Derivative financial assets			
Notes receivable and accounts receivable	XVII.1	292,657,763.28	447,388,665.22
Including: Notes receivable	XVII.1.1	7,629,204.49	14,810,711.01
Accounts receivable	XVII.1.2	285,028,558.79	432,577,954.21
Prepayments		14,457,977.24	1,956,403.07
Other accounts receivable	XVII.2	2,144,191,243.58	2,327,471,266.90
Including: Interest receivable	XVII.2.1	–	–
Dividend receivable	XVII.2.2	–	16,200,000.00
Inventories		13,530,179.75	8,740,989.27
Loans		–	–
Contract assets		94,145,923.72	
Assets held for sale		–	
Non-current asset due within one year		2,965,177.96	11,084,380.33
Other current assets		3,525,450.30	3,730,707.65
Total current assets		3,321,870,442.54	3,407,670,250.88
Non-current assets:			
Debt investment		–	
Available-for-sale financial assets		–	13,431,700.00
Other debt investment		–	
Held-to-maturity investment		–	
Long-term accounts receivable		41,317,470.93	188,432,039.02
Long-term equity investment	XVII.3	3,635,935,817.62	3,467,505,161.25
Other equity instruments investment			
Other non-current financial assets			
Investment properties		70,711,609.00	66,388,962.20
Fixed assets		92,738,265.04	85,011,672.14
Construction in progress		28,700,798.44	47,309,507.04
Productive biological assets		–	–
Oil and gas assets			
Intangible assets		103,151,947.78	92,204,257.50
Development expenditure		13,962,681.46	9,251,952.73
Goodwill		–	–
Long-term unamortized expenses		3,667,073.62	–
Deferred income tax assets		13,471,543.74	5,260,893.44
Other non-current assets		62,129,472.18	50,371,988.64
Total non-current assets		4,065,786,679.81	4,025,168,133.96
Total assets		7,387,657,122.35	7,432,838,384.84

BALANCE SHEET OF THE PARENT COMPANY

31 December 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	31 December 2018	31 December 2017
Current liabilities:			
Short-term borrowings		1,650,000,000.00	1,774,778,100.25
Held-for-trading financial liabilities		–	–
Financial liabilities at fair value through profit and loss of the period			
Derivative financial liabilities			
Notes and accounts payable		345,743,316.50	412,790,496.44
Receipts in advance		–	3,857,674.41
Contractual liabilities		2,655,258.09	
Employee benefits payables		19,280,410.34	15,539,254.77
Tax payable		6,230,673.47	8,351,912.50
Other accounts payable		1,337,486,477.14	1,147,709,846.35
Including: Interest payable		3,241,910.01	373,379.68
Dividend payable		1,408,576.83	2,428,210.01
Liabilities held-for-sale		–	–
Non-current liabilities due within one year		377,121,775.00	4,500,000.00
Other current liabilities		1,077,246.24	472,749.72
Total current liabilities		3,739,595,156.78	3,368,000,034.44
Non-current liabilities:			
Long-term borrowings		61,800,000.00	40,000,000.00
Bonds payable		623,134,140.84	979,345,699.52
Including: Preferred shares			
Perpetual bond			
Long-term accounts payables		–	–
Long-term employee benefits payables			
Estimated liabilities		–	–
Deferred income		22,377,424.56	22,267,204.96
Deferred income tax liabilities		5,960,865.72	3,296,425.39
Other non-current liabilities		–	2,813,900.00
Total non-current liabilities		713,272,431.12	1,047,723,229.87
Total liabilities		4,452,867,587.90	4,415,723,264.31
Shareholders' equity:			
Share capital		887,100,102.40	888,237,102.40
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve		593,043,107.48	603,069,037.48
Less: Treasury share		67,772,830.00	124,677,510.00
Other comprehensive income		3,509,701.20	3,509,701.20
Special reserves		–	–
Surplus reserves		186,404,658.27	182,744,446.34
Undistributed profits		1,332,504,795.10	1,464,232,343.11
Total shareholders' equity		2,934,789,534.45	3,017,115,120.53
Total liabilities and shareholders' equity		7,387,657,122.35	7,432,838,384.84

Legal representative:
Tan Kan

Chief Financial Officer:
Wang Jianying

Head of Financial Section:
Li Xiaohui

CONSOLIDATED INCOME STATEMENT

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Year 2018	Year 2017
I. Total operating revenue	VI.48	3,284,080,652.02	3,099,658,647.44
Including: Operating revenue		3,284,080,652.02	3,099,658,647.44
Interest income			
Premium income			
Handling charges and commission income			
II. Total operating cost		2,957,689,655.82	2,623,511,664.13
Including: Cost of operation	VI.48	2,125,240,410.09	1,987,509,300.10
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	VI.50	45,084,094.12	41,986,351.40
Selling expenses	VI.51	98,523,251.47	68,630,471.74
Administrative expenses	VI.52	374,454,834.60	350,582,285.47
Research and development expenses	VI.53	91,549,223.31	64,696,266.82
Finance costs	VI.54	134,123,878.89	98,676,710.50
Including: Interest expense		136,104,319.99	105,424,157.53
Interest income		8,522,617.55	7,472,584.20
Impairment loss for assets	VI.55	27,996,984.18	11,430,278.10
Credit impairment losses	VI.56	60,716,979.16	-
Add: Other gains	VI.57	209,390,075.45	128,647,285.60
Gain from investment (Loss represented in "-" signs)	VI.58	13,259,079.56	23,689,636.99
Including: Investment revenue in associates and joint ventures		12,905,848.59	22,434,846.72
Gain from net exposure hedges (Loss represented in "-" signs)			
Gain on fair value changes (Loss represented in "-" signs)	VI.59	16,548,839.01	380,473.53
Exchange gain (Loss represented in "-" signs)			
Disposal gain on asset (Loss represented in "-" signs)"	VI.60	61,388.93	-4,600,814.83
III. Operating profit (Loss represented in "-" signs)		565,650,379.15	624,263,564.60
Add: Non-operating income	VI.61	3,815,958.55	4,681,646.63
Less: Non-operating expenses	VI.62	11,147,159.96	6,372,067.57
IV. Total profit (Total loss represented in "-" signs)		558,319,177.74	622,573,143.66
Less: Income tax expenses	VI.63	84,202,020.25	69,217,094.23

CONSOLIDATED INCOME STATEMENT

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Year 2018	Year 2017
V. Net profit (Net loss represented in "-" signs)		474,117,157.49	553,356,049.43
(1) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss represented in "-" signs)		472,064,927.81	553,376,531.67
2. Net profit from discontinued operations (Net loss represented in "-" signs)		2,052,229.68	-20,482.24
(2) Classified according to the ownership			
1. Net profit attributable to shareholders of the parent company		407,917,006.14	473,375,978.13
2. Profit and loss attributable to minority interests		66,200,151.35	79,980,071.30
VI. Other comprehensive income, net of tax	<i>VI.39</i>	23,776,176.15	-496,036.13
Other comprehensive income attributable to shareholders of the parent company, net of tax		14,362,814.47	-496,036.13
(1) Items cannot be reclassified to profit and loss		-	-
(2) Items can be reclassified to profit and loss		14,362,814.47	-496,036.13
1. Exchange difference on translation of financial statement in foreign currency		242,771.95	-496,036.13
2. Excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value		14,120,042.52	-
Other comprehensive income attributable to minority interests, net of tax		9,413,361.68	-
VII. Total comprehensive income		497,893,333.64	552,860,013.30
Attributable to shareholders of the parent company		422,279,820.61	472,879,942.00
Attributable to minority interests		75,613,513.03	79,980,071.30
VIII. Earnings per share:			
(1) Basic earnings per share (RMB/share)	<i>VI.67</i>	0.47	0.55
(2) Diluted earnings per share (RMB/share)		0.47	0.55

Legal representative:

Tan Kan

Chief Financial Officer:

Wang Jianying

Head of Financial Section:

Li Xiaohui

INCOME STATEMENT OF THE PARENT COMPANY

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Year 2018	Year 2017
I. Operating revenue	<i>XVII.4</i>	763,540,719.45	748,340,684.01
Less: Operating cost	<i>XVII.4</i>	611,596,662.73	563,706,735.67
Tax and levies		4,525,564.21	3,252,188.85
Selling expenses		2,977,536.88	679,887.93
Administrative expenses		83,053,308.57	92,421,320.92
Research and development expenses		7,226,719.39	7,675,474.78
Finance costs		82,781,332.37	84,976,830.54
Including: Interest expense		85,879,049.01	89,663,508.39
Interest income		5,157,915.99	4,557,424.78
Impairment loss for assets		-	5,792,099.71
Credit impairment losses		45,505,668.64	
Add: Other gains		20,148,764.14	11,121,627.16
Gain from investment (Loss represented in "- " signs)	<i>XVII.5</i>	70,991,707.61	95,114,551.17
Including: Investment revenue in associates and joint ventures		12,755,582.66	22,818,069.79
Gain from net exposure hedges (Loss represented in "- " signs)			
Gain on fair value changes (Loss represented in "- " signs)		15,825,866.80	-
Gain on fair value changes (Loss represented in "- " signs)		907,372.49	-134,106.32
II. Operating profit (Loss represented in "- " signs)		33,747,637.70	95,938,217.62
Add: Non-operating income		145,772.71	35,544.71
Less: Non-operating expenses		124,240.34	5,396,368.22
III. Total profit (Total loss represented in "- " signs)		33,769,170.07	90,577,394.11
Less: Income tax expenses		-2,832,949.25	6,565,264.47

INCOME STATEMENT OF THE PARENT COMPANY

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Year 2018	Year 2017
IV. Net profit (Net loss represented in "-" signs)		36,602,119.32	84,012,129.64
(1) Net profit from continuing operations (Net loss represented in "-" signs)		36,602,119.32	84,012,129.64
(2) Net profit from discontinued operations (Net loss represented in "-" signs)			
V. Other comprehensive income, net of tax		-	-
(1) Items cannot be reclassified to profit and loss		-	-
(2) Items can be reclassified to profit and loss		-	-
1. Other comprehensive income to be reclassified to profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Changes in fair value of available-for-sale financial assets			
4. Financial assets reclassified to other comprehensive income			
5. Held-to-maturity investments reclassified as gains and losses on available-for-sale financial assets			
6. Impairment provisions for other debt investment credit			
7. Cash flow hedge reserve			
8. Exchange difference on translation of financial statement in foreign currency			
9. Others			
VI. Total comprehensive income		36,602,119.32	84,012,129.64
VII. Earnings per share			
(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:
Li Xiaohui

CONSOLIDATED CASH FLOW STATEMENT

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		3,829,419,479.45	3,323,484,215.66
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			
Net increase from disposal of financial assets at fair value through profit or loss			
Cash received from interest, handling charges and commission		59,907,114.84	53,771,963.69
Net increase in placements from banks and other financial institutions			
Net increase in cash from repurchase business			
Net cash received from securities brokerage services		109,301,230.74	110,983,923.67
Refund of taxes and levies		77,927,149.48	49,759,443.41
Other cash receipts relating to operating activities	VI.70(1)		
Sub-total of cash inflows from operating activities		4,076,554,974.51	3,537,999,546.43
Cash paid for goods and services		1,940,006,693.63	1,815,599,388.37
Net increase in customer loans and advances		119,110,000.00	-19,295,000.00
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 interests, fees and commissions			
Cash paid for policyholders' dividend			
Cash paid to and on behalf of employees		596,519,688.82	482,736,686.87
Payments of taxes and levies		343,311,323.35	402,472,080.93
Other cash payments relating to operating activities	VI.70(1)	179,948,654.04	185,090,084.38
Sub-total of cash outflows from operating activities		3,178,896,359.84	2,866,603,240.55
Net cash flows from operating activities		897,658,614.67	671,396,305.88

CONSOLIDATED CASH FLOW STATEMENT

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
II. Cash flows from investing activities:			
Cash received from investments		–	–
Cash received from returns on investments		12,269,981.54	12,844,469.69
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,679,707.54	1,023,679.41
Net cash received from disposal of subsidiaries and other operating units		–	–
Other cash receipts relating to investing activities	VI.70(1)	1,383,469.85	99,269,802.94
Sub-total of cash inflows from investing activities		15,333,158.93	113,137,952.04
Cash paid to acquire fixed assets, intangible assets and other long-term assets		846,811,360.11	743,388,561.87
Cash paid on investments		123,302,842.60	189,298,762.53
Net increase in pledged loans			
Net cash paid on acquisition of subsidiaries and other operating units		–	102,147,519.65
Other cash payments relating to investing activities	VI.70(1)	–	71,080,000.00
Sub-total of cash outflows from investing activities		970,114,202.71	1,105,914,844.05
Net cash flows from investing activities		-954,781,043.78	-992,776,892.01
III. Cash flows from financing activities:			
Cash received from financing		13,050,000.00	11,164,200.00
Including: Cash received by subsidiaries from investment from minority shareholders		–	300,000.00
Cash received from borrowings		2,207,760,874.88	1,839,427,610.94
Cash received from issuing bonds			920,000,000.00
Cash received from other financing activities	VI.70(1)	3,850,000.00	12,788,950.44
Sub-total of cash inflows from financing activities		2,224,660,874.88	2,783,380,761.38
Cash payments for settlement of borrowings		1,999,705,351.69	2,098,260,955.92
Cash payments for distribution of dividend, profit or interests expenses		360,568,969.24	270,054,331.71
Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders		40,107,800.00	50,043,200.00
Other cash payments relating to financing activities	VI.70(1)	445,834.75	10,917,188.00
Sub-total of cash outflows from financing activities		2,360,720,155.68	2,379,232,475.63
Net cash flows from financing activities		-136,059,280.80	404,148,285.75

CONSOLIDATED CASH FLOW STATEMENT

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
IV. Effect of foreign exchange rate changes on cash and cash equivalents		242,771.95	-496,036.13
V. Net increase in cash and cash equivalents		-192,938,937.96	82,271,663.49
Add: Balances of cash and cash equivalents at beginning of period		1,221,930,230.43	1,139,658,566.94
VI. Balances of cash and cash equivalents at end of period		1,028,991,292.47	1,221,930,230.43

Legal representative:
Tan Kan

Chief Financial Officer:
Wang Jianying

Head of Financial Section:
Li Xiaohui

CASH FLOW STATEMENT OF THE PARENT COMPANY

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		1,086,555,775.97	612,553,488.48
Refund of taxes and levies		13,690,152.75	4,776,492.22
Other cash receipts relating to operating activities		1,135,098,375.95	2,654,272,349.18
Sub-total of cash inflows from operating activities		2,235,344,304.67	3,271,602,329.88
Cash paid for goods and services		640,503,647.07	398,777,338.95
Cash paid to and on behalf of employees		113,087,036.48	97,126,397.83
Payments of taxes and levies		26,667,323.89	66,570,147.56
Other cash payments relating to operating activities		1,301,375,788.41	2,614,505,885.90
Sub-total of cash outflows from operating activities		2,081,633,795.85	3,176,979,770.24
Net cash flows from operating activities		153,710,508.82	94,622,559.64
II. Cash flows from investing activities:			
Cash received from investments		-	-
Cash received from returns on investments		86,974,981.54	57,308,476.68
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,025,440.26	4,962.00
Net cash received from disposal of subsidiaries and other operating units		-	-
Other cash receipts relating to investing activities		1,383,469.85	125,493,324.70
Sub-total of cash inflows from investing activities		89,383,891.65	182,806,763.38
Cash paid to acquire fixed assets, intangible assets and other long-term assets		30,236,522.48	43,692,154.48
Cash paid on investments		231,752,842.60	197,591,000.00
Net cash paid on acquisition of subsidiaries and other operating units		-	127,340,000.00
Other cash payments relating to investing activities		-	69,097,527.38
Sub-total of cash outflows from investing activities		261,989,365.08	437,720,681.86
Net cash flows from investing activities		-172,605,473.43	-254,913,918.48

CASH FLOW STATEMENT OF THE PARENT COMPANY

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
III. Cash flows from financing activities:			
Cash received from financing		–	11,164,200.00
Cash received from borrowings		1,770,000,000.00	1,640,000,000.00
Cash received from issuing bonds			597,000,000.00
Cash received from other financing activities		2,035,736,214.33	
Sub-total of cash inflows from financing activities		3,805,736,214.33	2,248,164,200.00
Cash payments for settlement of borrowings		1,879,278,100.25	1,785,798,228.97
Cash payments for distribution of dividend, profit or interests expenses		225,359,578.13	204,019,273.25
Other cash payments relating to financing activities		1,558,339,603.07	9,877,640.29
Sub-total of cash outflows from financing activities		3,662,977,281.45	1,999,695,142.51
Net cash flows from financing activities		142,758,932.88	248,469,057.49
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		123,863,968.27	88,177,698.65
Add: Balances of cash and cash equivalents at beginning of period		587,597,838.44	499,420,139.79
VI. Balances of cash and cash equivalents at end of period		711,461,806.71	587,597,838.44

Legal representative:
Tan Kan

Chief Financial Officer:
Wang Jianying

Head of Financial Section:
Li Xiaohui

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Items	2018											Total shareholders' equity	
	Attributable to shareholders 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
Preferred shares	Perpetual bond	Others											
I. Balance at the end of last year	888,237,102.40				505,827,372.67	124,677,510.00	2,564,766.23	3,128,442.22	199,255,721.44	4,114,125.00	2,250,645,463.83	592,752,042.21	4,321,847,526.00
Add: Changes in accounting policy											-18,104,014.61		-18,104,014.61
Correction of previous years													-
Combination of entities under common control													-
Others													-
II. Balance at beginning of year	888,237,102.40	-	-	-	505,827,372.67	124,677,510.00	2,564,766.23	3,128,442.22	199,255,721.44	4,114,125.00	2,232,541,449.22	592,752,042.21	4,303,743,513.39
III. Movement of the year (Decrease represented by "-" signs)	-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	51,476,406.22	382,417,067.83
(1) Total comprehensive income							14,362,814.47				407,917,006.14	75,613,513.03	497,893,333.64
(2) Contribution from shareholders and reduction of capital	-1,137,000.00	-	-	-	-7,174,777.64	-56,904,680.00	-	-	-	-	-	12,357,893.19	60,950,795.55
1. Injection of ordinary shares from shareholders												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													
4. Others	-1,137,000.00				-10,025,930.00	-56,904,680.00						5,774,082.05	45,741,750.00
(3) Profits appropriation									3,660,211.93	1,497,225.00	-147,522,060.35	-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	-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
1. Withdrawn during this year								7,096,637.41					7,096,637.41
2. Usage during this year								4,664,075.35					4,664,075.35
(6) Others													-
IV. Balance at end 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	644,228,448.43	4,686,160,579.22

Legal representative:
Tan Kan

Chief Financial Officer:
Wang Jianying

Head of Financial Section:
Li Xiaohui

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Items	2017											Total shareholders' equity	
	Attributable to shareholders of the parent company										Undistributed profits		
	Share capital	Other equity instruments			Other equity instruments	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve			Provision for normal risks
I. Balance at the end of last year	887,152,102.40				518,915,703.92	210,095,760.00	3,060,802.36	1,912,526.46	190,854,508.48	4,114,125.00	1,892,980,408.00	576,798,533.08	3,865,692,949.70
Add: Changes in accounting policy													-
Correction of previous years													-
Combination of entities under common control													-
Others													-
II. Balance at beginning of year	887,152,102.40	-	-	-	518,915,703.92	210,095,760.00	3,060,802.36	1,912,526.46	190,854,508.48	4,114,125.00	1,892,980,408.00	576,798,533.08	3,865,692,949.70
III. Movement of the year (Decrease represented by "-" signs)	1,085,000.00	-	-	-	-13,088,331.25	-85,418,250.00	-496,036.13	1,215,915.76	8,401,212.96	-	-357,665,055.83	15,953,509.13	456,154,576.30
(1) Total comprehensive income							-496,036.13				473,375,978.13	79,980,071.30	552,860,013.30
(2) Contribution from shareholders and reduction of capital	1,085,000.00	-	-	-	-13,088,331.25	-85,418,250.00						-10,076,562.17	63,338,356.58
1. Injection of ordinary shares from shareholders												300,000.00	300,000.00
2. Injection from holders of other equity instruments													
3. Share-based payment included in the amount of shareholders' equity	1,085,000.00	-	-	-	30,041,455.14	-85,418,250.00							116,544,705.14
4. Others					-43,129,786.39							-10,376,562.17	-53,506,348.56
(3) Profits appropriation									8,401,212.96	-	-115,710,922.30	-53,950,000.00	-161,259,709.34
1. Withdrawn from surplus reserve									8,401,212.96		-8,401,212.96		
2. Withdrawn from provision for normal risks											-		
3. Distribution to shareholders											-107,309,709.34	-53,950,000.00	-161,259,709.34
4. Others											-		
(4) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital													-
2. Transfer of surplus reserve to share capital													-
3. Surplus reserve to compensate deficit													-
4. Transfer changes of defined benefit plans into retained earnings													-
5. Transfer other comprehensive income into retained earnings													-
6. Others													-
(5) Special reserve								1,215,915.76					1,215,915.76
1. Withdrawn during this year								3,124,876.10					3,124,876.10
2. Usage during this year								1,908,960.34					1,908,960.34
(6) Others													-
IV. Balance at end of year	888,237,102.40	-	-	-	505,827,372.67	124,677,510.00	2,564,766.23	3,128,442.22	199,255,721.44	4,114,125.00	2,250,645,463.83	592,752,042.21	4,321,847,526.00

Legal representative:
Tan Kan

Chief Financial Officer:
Wang Jianying

Head of Financial Section:
Li Xiaohui

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year 2018

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	Total shareholders' equity
I. Balance at the end of last year	888,237,102.40				603,069,037.48	124,677,510.00	3,509,701.20	-	182,744,446.34	1,464,232,343.11	3,017,115,120.53
Add: Changes in accounting policy										-22,304,831.98	-22,304,831.98
Correction of previous years											-
Others											-
II. Balance at beginning of year	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
III. Movement of the year (Decrease represented by "-" signs)	-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 shareholders											-
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											-
IV. Balance at end of year	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:
Li Xiaohui

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year 2018

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Items	2017										
	Share capital	Other equity instruments			Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at the end of last year	887,152,102.40				573,027,582.34	210,095,760.00	3,509,701.20		174,343,233.38	1,495,931,135.77	2,923,867,995.09
Add: Changes in accounting policy											-
Correction of previous years											-
Others											-
II. Balance at beginning of year	887,152,102.40	-	-	-	573,027,582.34	210,095,760.00	3,509,701.20		174,343,233.38	1,495,931,135.77	2,923,867,995.09
III. Movement of the year (Decrease represented by "-" signs)											
(1) Total comprehensive income	1,085,000.00	-	-	-	30,041,455.14	-85,418,250.00			8,401,212.96	-31,698,792.66	93,247,125.44
(2) Contribution from shareholders and reduction of capital	1,085,000.00	-	-	-	30,041,455.14	-85,418,250.00					116,544,705.14
1. Injection of ordinary shares from shareholders											
2. Injection from holders of other equity instruments											
3. Share-based payment included in the amount of shareholders' equity	1,085,000.00				30,041,455.14	-85,418,250.00					116,544,705.14
4. Others											
(3) Profits appropriation									8,401,212.96	-115,710,922.30	-107,309,709.34
1. Withdrawn from surplus reserve									8,401,212.96	-8,401,212.96	
2. Distribution to shareholders										-107,309,709.34	-107,309,709.34
3. Others											
(4) Internal transfer of shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Surplus reserve to compensate deficit											
4. 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											
IV. Balance at end of year	888,237,102.40	-	-	-	603,069,037.48	124,677,510.00	3,509,701.20		182,744,446.34	1,464,232,343.11	3,017,115,120.53

Legal representative:
Tan Kan

Chief Financial Officer:
Wang Jianying

Head of Financial Section:
Li Xiaohui

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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.

Pursuant to the "Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants" considered and passed at the 7th meeting of the sixth session of the Board and the 5th meeting of the sixth session of the board of supervisors of Dongjiang Environmental Company on 23 November 2017 and the "Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants of 2016 Restricted Share Incentive Scheme" considered and passed at the 9th meeting of the sixth session of the Board and the 7th meeting of the sixth session of the board of supervisors on 7 February 2018, which were passed at the first extraordinary general Meeting in 2018, the first A shares class meeting in 2018 and the first H shares class meeting in 2018 of the Company, it was agreed that a total of 1,137,000 restricted shares granted to those who have left the company but not yet unlocked are repurchased and written off at a rate of 8.71 yuan per share and the repurchase payment should be RMB9,881,730. As a result, the total share capital of the Company will be decreased to 887,100,102 shares from 888,237,102 shares, while the registered capital of the Company will be decreased from RMB888,237,102 to RMB887,100,102.

As at 31 December 2018, the share capital and shareholding structure of the Company were as follows:

	Number of Shares (shares)	Proportion of Shareholdings (%)
I. Shares subject to selling restrictions		
1. Incentive restricted shares	7,833,000	0.88
2. Restricted shares held by senior management	24,835,794	2.80
3. Individual restricted shares before IPO	–	–
Sub-total	32,668,794	3.68
II. Shares not subject to selling restrictions		
1. RMB ordinary shares	654,293,808	73.76
2. Overseas listed foreign shares	200,137,500	22.56
Sub-total	854,431,308	96.32
III. Total shares	887,100,102	100.00

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

I. GENERAL INFORMATION *(Continued)*

The Company and its subsidiaries (collectively referred to as the “Company”) are engaged in environmental protection industry. The operation scope mainly includes: disposal of waste and recycling (permits are applied separately); treatment of wastewater, waste gas and noise; design, construction and operation of environmental facilities; trading of chemicals (operation permit is required for operation of dangerous goods business); production and trading of environmental material, recycled products and environmental equipment (production site 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.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company covers 67 companies including Dongjiang Heritage, Longgang Dongjiang, Huizhou Dongjiang, Qiandeng Wastes Treatment, Qingyuan Xinlv, Jiaxing Deda, Dongguan Hengjian, Xiamen Oasis Environmental (full name of subsidiaries listed under Note V.1). Compared with last year, 2 subsidiaries including Mianyang Dongjiang and Handan Dongjiang were newly established; 1 subsidiary namely Shenzhen Green was 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 2018 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 2018 to 31 December 2018

(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 2018 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 2018, and the results of operation and the cash flows for 2018.

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 2018 to 31 December 2018

(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 2018 to 31 December 2018

(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 2018 to 31 December 2018

(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 2018 to 31 December 2018

(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 2018 to 31 December 2018

(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.

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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.

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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.

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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.

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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.

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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.

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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.

(i) 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 refers to the historical credit loss experience, combined with the forecast of the current and the future economic condition to calculate the expected credit loss according to the accounts receivable aging and other receivables aging and expected credit loss through full life time in reference.

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.

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

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

(6) Impairment of financial assets (Continued)

- (ii) 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 refers to the historical credit loss experience, combined with the forecast of the current and the future economic condition to calculate the expected credit loss according to the contract assets aging and expected credit loss through full life time in reference.

- (iii) For the issuance 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. 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.

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

12. 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.

13. 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.

14. Long-term equity investments

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

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

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.

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

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

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

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

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

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.

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

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

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

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

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

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

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.

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

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

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

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

15. Investment properties

The investment properties of the Company include leased buildings and structures. 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.

16. Fixed assets

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

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

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

16. Fixed assets *(Continued)*

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.

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

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

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

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

17. Construction in progress

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

18. Borrowing costs

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

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

19. Intangible assets

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

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

19. Intangible assets *(Continued)*

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

20. Research and development expenditure

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

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

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

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

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

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

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

21. Impairment of long-term assets

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

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

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

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

22. Long-term deferred expenses

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

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

23. 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.

24. Contingent liabilities

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

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

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

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

25. Shared based payments

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments at the date of grant. The fair value amount of instruments of which vesting is conditional upon completion of services or 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.

26. Buy back shares of the Company

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

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

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

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

27. 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

1 January 2018 to 31 December 2018

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

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

27. 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 2018 to 31 December 2018

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

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

27. 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 2018 to 31 December 2018

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

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

27. 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 inters rate is the interest rate of the financial instruments during the expected duration or a shorter period, during which the expected future cash inflow or outflow is discounted to net book value of financial instruments.

28. Government grants

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

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

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

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

29. Deferred income tax assets and deferred income tax liabilities

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

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

1 January 2018 to 31 December 2018

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

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

30. Leasing

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

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

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

31. Production safety fees

According to the regulations of "Management Measures of Extraction and Usage of Enterprise Production Safety Fees" (Cai Qi [2012] No.16) issued by Ministry of Finance and State Administration of Work Safety, 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.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

32. Held for sale

- (1) The Company classifies non-current assets or disposal group that meet the following criteria as held for sale: 1) Disposable immediately under current conditions based on practices for disposals of such assets or disposal group in the similar transactions; 2) Probable disposal; that is, a decision has been made on a plan for disposal and an undertaking to purchase has been obtained, and the disposal is expected to be completed within one year. Relevant approval is required for disposals requiring approval of relevant authorities or regulators as required by relevant regulations. Before the Company classifies non-current assets or disposal groups as held for sale for the first time, the carrying value of each asset and liability under the non-current assets or disposal group is measured according to the requirements of the relevant accounting standards. On initial measurement or remeasurement on the date of the balance sheet of non-current assets or disposal group held for sale, where the carrying value is higher than the net value of fair value less disposal expenses, the difference between the carrying value and the net value of fair value less disposal expenses is recognised as asset impairment loss in profit and loss in the current period, and at the same time, provision is made for impairment of held-for-sale assets.
- (2) Non-current assets or disposal groups which the Company acquired specifically for disposal, satisfy the requirement of “the disposal is expected to be completed within one year” on the date of acquisition, and is probable to satisfy conditions of other held-for-sale classifications in the short term (usually within 3 months) are classified as held-for-sale on the date of acquisition. At initial measurement, the initial measurement assuming that it is not classified as held-for-sale and the net value of fair value less disposal expenses are compared, and the lower of the two is measured. Other than non-current assets or disposal groups acquired through corporate merger, the difference arising from 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.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

32. Held for sale *(Continued)*

- (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.

- (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.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

33. Discontinued operations

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

34. Changes of significant accounting policies and accounting estimates

(1) *Changes of significant accounting policies*

Changes of accounting policies and the reasons	Approval procedure	Note
<p>On 31 March 2017, the Ministry of Finance of the PRC issued "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument" (Revised in 2017) (Cai Kuai [2017] No. 7), "Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets" (Revised in 2017) (Cai Kuai [2017] No. 8), "Accounting Standard for Business Enterprises No. 24 – Hedge Accounting" (Revised in 2017) (Cai Kuai [2017] No. 9), and on 2 May 2017, issued "Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument" (Revised in 2017) (Cai Kuai [2017] No. 14) (the above standards are collectively as "New Financial Instrument Standards"). As required by it, 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 above-mentioned Standard from 1 January 2018.</p>	<p>The relevant changes of accounting policies have been approved by the 19th meeting of the 6th Board of Directors and the 34th meeting of the 6th Board of Directors.</p>	Note 1
<p>On 5 July 2017, the Ministry of Finance of the PRC issued the "The Revision and Issuance of 'Accounting Standards for Business Enterprises No. 14 – Revenue'" (Revised in 2017) (Cai Kuai [2017] No. 22) (hereinafter by referred to as the "New Revenue Standard"). As required by it, 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 above-mentioned Standard from 1 January 2018.</p>	<p>The relevant changes of accounting policies have been approved by the 19th meeting of the 6th Board of Directors and the 34th meeting of the 6th Board of Directors.</p>	Note 2
<p>On 15 June 2018, the Ministry of Finance of the PRC issued the "Notice on the Revision of the Format for Issuing 2018 General Enterprise Financial Statements" (Cai Kuai [2018] No.15) (hereinafter by referred to as the "New Financial Statements Format").</p>	<p>The relevant changes of accounting policies have been approved by the 34th meeting of the 6th Board of Directors.</p>	Note 3

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(1) Changes of significant accounting policies (Continued)

Note 1: The Group will make connection and adjustment as required by the New Financial Instrument Standard. In case of inconsistency between the comparative figures in financial statements in prior period and requirements of the New Financial Instrument Standard, the Group will not make adjustment. The shortfall between the carrying amount of the financial instrument and the carrying amount at the adoption date of the New Financial Instrument Standard shall be recognized in undistributed profits or other comprehensive income at 1 January 2018. For details of adjustment, please see “(iv) 34.(4) The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format” in this note.

Note 2: For the implementation of New Revenue Standard, the Group will reassess the recognition and measurement, accounting and presentation of major contract revenues. According to the requirements of the New Revenue Standard, the Group will adjust the accumulated effects of the initial implementation of such standard to the opening amounts of related items in the financial statements in 2018. The initial implementation of such standard has no significant impact on the opening retained earnings in 2018 and no adjustment will be made for the financial statements of 2017. For details of adjustment, please see “(iv) 34.(4) The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format” in this note.

Note 3: The Company prepared the financial statements for the year ended 31 December 2018 according to the abovementioned New Financial Statements Format and made adjustments to the comparative information accordingly. For details of adjustment, please see “(iv) 34.(4) The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format” in this note.

(2) Changes of significant accounting estimates

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

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(3) *The implementation information on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format to the opening amounts of relevant items of financial statements of the current year*

1) Consolidated Balance Sheet

Item	31 December 2017	1 January 2018	Adjustment
Current assets:			
Monetary fund	1,242,430,230.43	1,242,430,230.43	
Deposit reservation for balance			
Lendings to banks and other financial institutions			
Held for trading financial assets	N/A	13,431,700.00	13,431,700.00
Financial assets at fair value through profit and loss of the period		N/A	
Derivative financial assets			
Notes receivable and accounts receivable	781,002,940.96	765,207,358.50	-15,795,582.46
Including: Notes receivable	86,366,871.17	86,366,871.17	-
Accounts receivable	694,636,069.79	678,840,487.33	-15,795,582.46
Prepayments	49,245,646.02	49,245,646.02	-
Premium receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Other accounts receivable	296,097,793.32	266,731,379.98	-29,366,413.34
Including: Interest receivable	-	-	-
Dividend receivable	-	-	-
Purchase and resale of financial assets			
Inventories	312,588,190.52	312,588,190.52	-
Contract assets	N/A	148,542,161.36	148,542,161.36
Assets held for sale			
Non-current asset due within one year	11,084,380.33	11,084,380.33	-
Other current assets	88,979,559.41	88,979,559.41	-
Loans	254,980,000.00	254,980,000.00	-
Total current assets	3,036,408,740.99	3,153,220,606.55	116,811,865.56

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(3) *The implementation information on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format to the opening amounts of relevant items of financial statements of the current year (Continued)*

1) Consolidated Balance Sheet *(Continued)*

Item	31 December 2017	1 January 2018	Adjustment
Non-current assets:			
Granted and entrusted loans and advances			
Debt investment	N/A	-	-
Available-for-sale financial assets	13,431,700.00	N/A	-13,431,700.00
Other debt investment	N/A	-	-
Held-to-maturity investment	20,000,000.00	N/A	-20,000,000.00
Long-term accounts receivable	194,929,785.02	70,250,778.74	-124,679,006.28
Long-term equity investment	243,310,020.04	243,310,020.04	-
Other equity instruments investment	N/A	-	-
Other non-current financial assets	N/A	-	-
Investment properties	89,685,173.20	89,685,173.20	-
Fixed assets	1,649,540,887.90	1,649,540,887.90	-
Construction in progress	1,605,701,931.03	1,605,701,931.03	-
Productive biological assets			-
Oil and gas assets			-
Intangible assets	912,308,605.74	912,308,605.74	-
Development expenditure	10,741,736.70	10,741,736.70	-
Goodwill	1,235,994,451.48	1,235,994,451.48	-
Long-term unamortized expenses	19,979,692.84	19,979,692.84	-
Deferred income tax assets	15,222,949.45	18,417,775.56	3,194,826.11
Other non-current assets	192,891,698.08	192,891,698.08	-
Total non-current assets	6,203,738,631.48	6,048,822,751.31	-154,915,880.17
Total assets	9,240,147,372.47	9,202,043,357.86	-38,104,014.61

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(3) *The implementation information on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format to the opening amounts of relevant items of financial statements of the current year (Continued)*

1) Consolidated Balance Sheet *(Continued)*

Item	31 December 2017	1 January 2018	Adjustment
Current liabilities:			
Short-term borrowings	1,872,637,100.25	1,872,637,100.25	-
Borrowings from the central bank			
Deposits from customers and interbank			
Deposit funds			
Held for trading financial liabilities	N/A		
Financial liabilities at fair value through profit and loss of the period		N/A	
Derivative financial liabilities			
Notes payable and accounts payable	705,134,001.34	705,134,001.34	-
Receipts in advance	139,360,367.89	1,198,245.67	-138,162,122.22
Contract liabilities	N/A	138,162,122.22	138,162,122.22
Funds from sales of financial assets with repurchase agreement			
Handling charges and commissions payable			
Employee benefits payable	62,977,562.92	62,977,562.92	-
Tax payable	61,811,293.24	61,811,293.24	-
Other payables	314,712,466.87	314,712,466.87	-
Including: Interest payable	891,381.67	891,381.67	
Dividend payable	6,593,410.01	6,593,410.01	
Reinsurance accounts payable			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Liabilities held for sale			
Non-current liabilities maturing within one year	6,131,610.36	6,131,610.36	-
Other current liabilities	7,384,032.79	7,384,032.79	-
Total current liabilities	3,170,148,435.66	3,170,148,435.66	

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(3) *The implementation information on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format to the opening amounts of relevant items of financial statements of the current year (Continued)*

1) Consolidated Balance Sheet *(Continued)*

Item	31 December 2017	1 January 2018	Adjustment
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	292,554,335.54	292,554,335.54	-
Bonds payable	1,289,727,036.55	1,269,727,036.55	-20,000,000.00
Including: Preferred shares			
Perpetual bond			
Long-term accounts payables	1,691,598.24	3,766,857.73	2,075,259.49
Special accounts payable	2,075,259.49		-2,075,259.49
Long-term employee benefits payables			
Estimated liabilities			
Deferred income	155,897,737.22	155,897,737.22	-
Deferred income tax liabilities	3,391,543.77	3,391,543.77	-
Other non-current liabilities	2,813,900.00	2,813,900.00	-
Total non-current liabilities	1,748,151,410.81	1,728,151,410.81	-20,000,000.00
Total liabilities	4,918,299,846.47	4,898,299,846.47	-20,000,000.00
Owners' equity:			
Share capital	888,237,102.40	888,237,102.40	-
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve	505,827,372.67	505,827,372.67	
Less: Treasury share	124,677,510.00	124,677,510.00	
Other comprehensive income	3,509,701.20	3,509,701.20	
Special reserves	3,128,442.22	3,128,442.22	
Surplus reserves	199,255,721.44	199,255,721.44	
Provision for normal risks	4,114,125.00	4,114,125.00	
Exchange differences on			
translating foreign operations	-944,934.97	-944,934.97	
Undistributed profits	2,250,645,463.83	2,232,541,449.22	-18,104,014.61
Net profit attributable to shareholders			
of the parent company	3,729,095,483.79	3,710,991,469.18	-18,104,014.61
Profit and loss attributable to			
minority interests	592,752,042.21	592,752,042.21	
Total owners' equity	4,321,847,526.00	4,303,743,511.39	-18,104,014.61
Total Liabilities And Owners' Equity	9,240,147,372.47	9,202,043,357.86	-38,104,014.61

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(3) *The implementation information on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format to the opening amounts of relevant items of financial statements of the current year (Continued)*

2) Consolidated Balance Sheet of the Parent Company

Item	31 December 2017	1 January 2018	Adjustment
Current assets:			
Monetary fund	607,297,838.44	607,297,838.44	-
Held for trading financial assets	N/A	13,431,700.00	13,431,700.00
Financial assets at fair value through profit and loss of the period		N/A	
Derivative financial assets			
Notes receivable and accounts receivable	447,388,665.22	425,882,653.70	-21,506,011.52
Including: Notes receivable	14,810,711.01	14,810,711.01	-
Accounts receivable	432,577,954.21	411,071,942.69	-21,506,011.52
Prepayments	1,956,403.07	1,956,403.07	-
Other accounts receivable	2,327,471,266.90	2,298,873,144.55	-28,598,122.35
Including: Interest receivable	-	-	
Dividend receivable	16,200,000.00	16,200,000.00	
Inventories	8,740,989.27	8,740,989.27	
Contract assets	N/A	148,542,161.36	148,542,161.36
Assets held for sale	-	-	
Non-current asset due within one year	11,084,380.33	11,084,380.33	
Other current assets	3,730,707.65	3,730,707.65	
Loans			
Total current assets	3,407,670,250.88	3,519,539,978.36	111,869,727.48

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(3) *The implementation information on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format to the opening amounts of relevant items of financial statements of the current year (Continued)*

2) Consolidated Balance Sheet of the Parent Company *(Continued)*

Item	31 December 2017	1 January 2018	Adjustment
Non-current assets:			
Debt investment	N/A	-	-
Available-for-sale financial assets	13,431,700.00	N/A	-13,431,700.00
Other debt investment	N/A	-	-
Held-to-maturity investment	-	N/A	-
Long-term accounts receivable	188,432,039.02	63,753,032.74	-124,679,006.28
Long-term equity investment	3,467,505,161.25	3,467,505,161.25	
Other equity instruments investment	N/A	-	
Other non-current financial assets	N/A	-	
Investment properties	66,388,962.20	66,388,962.20	
Fixed assets	85,011,672.14	85,011,672.14	
Construction in progress	47,309,507.04	47,309,507.04	
Productive biological assets			
Oil and gas assets			
Intangible assets	92,204,257.50	92,204,257.50	
Development expenditure	9,251,952.73	9,251,952.73	
Goodwill			
Long-term unamortized expenses			
Deferred income tax assets	5,260,893.44	9,197,040.26	3,936,146.82
Other non-current assets	50,371,988.64	50,371,988.64	-
Total non-current assets	4,025,168,133.96	3,890,993,574.50	-134,174,559.46
Total assets	7,432,838,384.84	7,410,533,552.86	-22,304,831.98

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(3) *The implementation information on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format to the opening amounts of relevant items of financial statements of the current year (Continued)*

2) Consolidated Balance Sheet of the Parent Company *(Continued)*

Item	31 December 2017	1 January 2018	Adjustment
Current liabilities:			
Short-term borrowings	1,774,778,100.25	1,774,778,100.25	-
Held for trading financial liabilities	N/A		-
Financial liabilities at fair value through profit and loss of the period		N/A	-
Derivative financial liabilities			-
Notes payable and accounts payable	412,790,496.44	412,790,496.44	-
Receipts in advance	3,857,674.41	-	-3,857,674.41
Contract liabilities	N/A	3,857,674.41	3,857,674.41
Employee benefits payable	15,539,254.77	15,539,254.77	
Tax payable	8,351,912.50	8,351,912.50	
Other payables	1,147,709,846.35	1,147,709,846.35	
Including: Interest payable	373,379.68	373,379.68	
Dividend payable	2,428,210.01	2,428,210.01	
Liabilities held for sale			
Non-current liabilities maturing within one year	4,500,000.00	4,500,000.00	
Other current liabilities	472,749.72	472,749.72	-
Total current liabilities	3,368,000,034.44	3,368,000,034.44	

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(3) *The implementation information on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format to the opening amounts of relevant items of financial statements of the current year (Continued)*

2) Consolidated Balance Sheet of the Parent Company *(Continued)*

Item	31 December 2017	1 January 2018	Adjustment
Non-current liabilities:			
Long-term borrowings	40,000,000.00	40,000,000.00	
Bonds payable	979,345,699.52	979,345,699.52	
Including: Preferred shares			
Perpetual bond			
Long-term accounts payables			
Long-term employee benefits payables			
Estimated liabilities			
Deferred income	22,267,204.96	22,267,204.96	
Deferred income tax liabilities	3,296,425.39	3,296,425.39	
Other non-current liabilities	2,813,900.00	2,813,900.00	
Total non-current liabilities	1,047,723,229.87	1,047,723,229.87	
Total liabilities	4,415,723,264.31	4,415,723,264.31	
Owners' equity:			
Share capital	888,237,102.40	888,237,102.40	
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve	603,069,037.48	603,069,037.48	
Less: Treasury share	124,677,510.00	124,677,510.00	
Other comprehensive income	3,509,701.20	3,509,701.20	
Special reserves			
Surplus reserves	182,744,446.34	182,744,446.34	
Undistributed profits	1,464,232,343.11	1,441,927,511.13	-22,304,831.98
Total owners' equity	3,017,115,120.53	2,994,810,288.55	-22,304,831.98
Total Liabilities And Owners' Equity	7,432,838,384.84	7,410,533,552.86	-22,304,831.98

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(4) *The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format*

1) **New Revenue Standard**

On 1 January 2018, the effects of the implementation of New Revenue Standard on the consolidated balance sheet of the Company and the balance sheet of the parent company are as follows:

The Company (consolidated)

Item	The carrying value presented under the original revenue standard as at 31 December 2017	Reclassification <i>(Note)</i>	The re-measurement effects on the implementation of New Financial Instrument Standards	The carrying value presented under the New Revenue Standard as at 1 January 2018
Contract assets	-	148,637,997.32	-95,835.96	148,542,161.36
Contract liabilities	-	138,162,122.22		138,162,122.22
Receipts in advance	139,360,367.89	-138,162,122.22		1,198,245.67
Notes receivable and accounts receivable	781,002,940.96	-23,958,991.04	8,163,408.58	765,207,358.50
Long-term accounts receivable	194,929,785.02	-124,679,006.28		70,250,778.74

Note 1: Due to the implementation of the New Revenue Standard, the Company reclassifies the related receipts in advance for sales of goods or provision of disposal services to contract liabilities.

Note 2: Due to the implementation of the New Revenue Standard, the Company reclassifies the contract income related to environmental engineering construction and provision of labor services which were completed but not settled or of which all performance obligations were not completed at the beginning of the period, for which the unconditional collection rights were not satisfied, from "accounts receivable" and "long-term accounts receivable" to "contract assets" or "other non-current assets", according to the relationship between the performance of performance obligations and the payments from customers.

Note 3: The Company's initial implementation of the New Revenue Standard has no impact on the opening retained earnings of 2018.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

34. Changes of significant accounting policies and accounting estimates (Continued)

(4) *The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format (Continued)*

1) *New Revenue Standard (Continued)*

The parent company

Item	The carrying value presented under the original revenue standard as at 31 December 2017	Reclassification (Note)	The re-measurement effects on the implementation of New Financial Instrument Standards	The carrying value presented under the New Revenue Standard as at 1 January 2018
Contract assets	–	148,637,997.32	-95,835.96	148,542,161.36
Contract liabilities	–	3,857,674.41		3,857,674.41
Receipts in advance	3,857,674.41	-3,857,674.41		–
Notes receivable and accounts receivable	447,388,665.22	-23,958,991.04	2,452,979.52	425,882,653.70
Long-term accounts receivable	188,432,039.02	-124,679,006.28		63,753,032.74

Note 1: Due to the implementation of the New Revenue Standard, the parent company reclassifies the related receipts in advance for sales of goods or provision of disposal services to contract liabilities.

Note 2: Due to the implementation of the New Revenue Standard, the parent company reclassifies the contract income related to environmental engineering construction and provision of labor services which were completed but not settled or of which all performance obligations were not completed at the beginning of the period, for which the unconditional collection rights were not satisfied, from "accounts receivable" and "long-term accounts receivable" to "contract assets" or "other non-current assets", according to the relationship between the performance of performance obligations and the payments from customers.

Note 3: The parent company's initial implementation of the New Revenue Standard has no impact on the opening retained earnings of 2018.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(4) *The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format (Continued)*

2) New Financial Instrument Standards

On 1 January 2018, the effects of the implementation of New Financial Instrument Standards on the consolidated balance sheet of the Company and the balance sheet of the parent company are as follows:

The Company (consolidated)

Item	The carrying value presented under the original financial instrument standards as at 31 December 2017	Total effects on the implementation of New Revenue Standard	The implementation of New Financial Instrument Standards Reclassification	Re-measurement <i>(Note 1)</i>	The carrying value presented under the New Financial Instrument Standards as at 1 January 2018
Available-for-sale financial assets <i>(Note 2)</i>	13,431,700.00		-13,431,700.00		
Held for trading financial assets			13,431,700.00		13,431,700.00
Notes receivable and accounts receivable	781,002,940.96	-23,958,991.04		8,163,408.58	765,207,358.50
Other accounts receivable	296,097,793.32			-29,366,413.34	266,731,379.98
Held-to-maturity investment <i>(Note 3)</i>	20,000,000.00		-20,000,000.00		-
Bonds payable	1,289,727,036.55		-20,000,000.00		1,269,727,036.55
Long-term accounts payables	1,691,598.24		2,075,259.49		3,766,857.73
Special accounts payable	2,075,259.49		-2,075,259.49		
Contract assets	-	148,637,997.32		-95,835.96	148,542,161.36
Long-term accounts receivable	194,929,785.02	-124,679,006.28			70,250,778.74
Other non-current assets	192,891,698.08				192,891,698.08
Undistributed profits <i>(Note 4)</i>	2,250,645,463.83			-18,104,014.61	2,232,541,449.22
Deferred income tax assets <i>(Note 4)</i>	15,222,949.45			3,194,826.11	18,417,775.56

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(4) *The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format (Continued)*

2) *New Financial Instrument Standards (Continued)*

Note 1: According to the requirements of the New Financial Instrument Standards, since 1 January 2018, the Company's financial assets impairment measurement has been changed from the "incurred loss model" to the "expected credit loss model".

Note 2: As at 31 December 2017, the Company held unlisted equity investment at cost with the carrying value of RMB13,431,700. After the implementation of the New Financial Instrument Standards, as such equity investments fail to meet the contractual cash flow characteristics of principal plus interest, on 1 January 2018, the Company reclassified such equity investments from "available-for-sale financial assets" to "financial assets at fair value through profit and loss of the period" and presented it as "held for trading financial assets".

Note 3: As at 31 December 2017, the Company held substandard assets supporting securities without expected yield with the carrying value of RMB20,000,000. After the implementation of the New Financial Instrument Standards, on 1 January 2018, the Company offset such financial asset with "bonds payable – GF Hengjin – special assets supporting securities" and presented its net value.

Note 4: Due to the implementation of the New Financial Instrument Standards, the Company carried out impairment measurement on financial assets according to the expected credit loss model and adjusted the retained earnings at the beginning of 2018 by RMB-18,104,014.61. The Company also adjusted the deferred income tax assets by RMB3,194,826.11 accordingly.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

34. Changes of significant accounting policies and accounting estimates (Continued)

(4) The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format (Continued)

2) New Financial Instrument Standards (Continued)

The parent company

Item	The carrying value presented under the original financial instrument standards as at 31 December 2017	Total effects on the implementation of New Revenue Standard	The implementation of New Financial Instrument Standards		The carrying value presented under the New Financial Instrument Standards as at 1 January 2018
			Reclassification	Re-measurement (Note 1)	
Available-for-sale financial assets (Note 2)	13,431,700.00		-13,431,700.00		-
Held for trading financial assets	-		13,431,700.00		13,431,700.00
Notes receivable and accounts receivable	447,388,665.22	-23,958,991.04		2,452,979.52	425,882,653.70
Other accounts receivable	2,327,471,266.90			-28,598,122.35	2,298,873,144.55
Contract assets	-	148,637,997.32		-95,835.96	148,542,161.36
Long-term accounts receivable	188,432,039.02	-124,679,006.28			63,753,032.74
Other non-current assets	50,371,988.64	-			50,371,988.64
Undistributed profits (Note 3)	1,464,232,343.11			-22,304,831.98	1,441,927,511.13
Deferred income tax assets (Note 3)	5,260,893.44			3,936,146.82	9,197,040.26

Note 1: According to the requirements of the New Financial Instrument Standards, since 1 January 2018, the parent company's financial assets impairment measurement has been changed from the "incurred loss model" to the "expected credit loss model".

Note 2: As at 31 December 2017, the Company held unlisted equity investment at cost with the carrying value of RMB13,431,700. After the implementation of the New Financial Instrument Standards, as such equity investments fail to meet the contractual cash flow characteristics of principal plus interest, on 1 January 2018, the Company reclassified such equity investments from "available-for-sale financial assets" to "financial assets at fair value through profit and loss of the period" and presented it as "held for trading financial assets".

Note 3: Due to the implementation of the New Financial Instrument Standards, the Company carried out impairment measurement on financial assets according to the expected credit loss model and adjusted the retained earnings at the beginning of 2018 by RMB-22,304,831.98. The Company also adjusted the deferred income tax assets by RMB3,936,146.82 accordingly.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(4) *The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format (Continued)*

3) New Financial Statements Format

The effects of the retrospective restatement of the financial statements due to changes of New Financial Statements Format on the consolidated balance sheet of the Company and the balance sheet of the parent company on 31 December 2017 are as follows:

The Company (consolidated)

A: Balance sheet

Item	The carrying value presented before the changes of accounting policies as at		The carrying value presented after the changes of accounting policies as at	
	31 December 2017	Reclassification	1 January 2018	
Notes receivable	86,366,871.17	-86,366,871.17	-	
Accounts receivable	694,636,069.79	-694,636,069.79	-	
Notes receivable and accounts receivable	-	757,043,949.92	757,043,949.92	
Contract assets	-	23,958,991.04	23,958,991.04	
Interest receivable	-	-	-	
Dividend receivable	-	-	-	
Other accounts receivable	296,097,793.32	-	296,097,793.32	
Notes payable	-	-	-	
Accounts payable	705,134,001.34	-705,134,001.34	-	
Notes payable and accounts payable	-	705,134,001.34	705,134,001.34	
Interest payable	891,381.67	-891,381.67	-	
Dividend payable	6,593,410.01	-6,593,410.01	-	
Other payables	314,712,466.87	7,484,791.68	322,197,258.55	
Long-term accounts payables	1,691,598.24	2,075,259.49	3,766,857.73	
Special accounts payable	2,075,259.49	-2,075,259.49	-	

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(4) *The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format (Continued)*

3) New Financial Statements Format *(Continued)*

The effects of the retrospective restatement of the financial statements due to changes of New Financial Statements Format on the consolidated balance sheet of the Company and the balance sheet of the parent company on 31 December 2017 are as follows:
(Continued)

The Company (consolidated) *(Continued)*

B: Income statement

Item	Before adjustment Year 2017	After adjustment Year 2017
Administrative expenses	415,278,552.29	350,582,285.47
Research and development expenses		64,696,266.82

The parent company

A: Balance sheet

Item	The carrying value presented before the changes of accounting policies as at 31 December 2017	Reclassification	The carrying value presented after the changes of accounting policies as at 1 January 2018
Notes receivable	14,810,711.01	-14,810,711.01	-
Accounts receivable	432,577,954.21	-432,577,954.21	-
Notes receivable and accounts receivable		423,429,674.18	423,429,674.18
Contract assets		23,958,991.04	23,958,991.04
Interest receivable	-	-	-
Dividend receivable	16,200,000.00	-16,200,000.00	-
Other accounts receivable	2,311,271,266.90	16,200,000.00	2,327,471,266.90
Notes payable	-	-	-
Accounts payable	412,790,496.44	-412,790,496.44	-
Notes payable and accounts payable		412,790,496.44	412,790,496.44
Interest payable	373,379.68	-373,379.68	-
Dividend payable	2,428,210.01	-2,428,210.01	-
Other payables	1,144,908,256.66	2,801,589.69	1,147,709,846.35

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

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

(4) *The adjustment instructions on the initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format (Continued)*

3) New Financial Statements Format *(Continued)*

The effects of the retrospective restatement of the financial statements due to changes of New Financial Statements Format on the consolidated balance sheet of the Company and the balance sheet of the parent company on 31 December 2017 are as follows:
(Continued)

The parent company *(Continued)*

B: Income statement

Item	Before adjustment Year 2017	After adjustment Year 2017
Administrative expenses	100,096,795.70	92,421,320.92
Research and development expenses		7,675,474.78

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

For the year of 2018, the Company has no matter of correction of previous errors that need to be disclosed.

V. TAX

1. Major taxes and tax rates

Type	Basis of calculation	Tax rate
PRC Enterprise Income Tax	Assessable income	25%
Value Added Tax	Balance of sales tax after VAT or sales amount	17%, 16%, 11%, 10%, 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 at charged at the rate of 16.5% on the estimated assessable profits.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

No.	Name of taxable entities	Actual income tax rate for the year	Notes
1	The Company	15%	2(1)a
2	Shenzhen Dongjiang Environment Recycled Resources Co., Ltd. (Resource Recycling Company)	25%	
3	Shenzhen Dongjiang Heritage Technologies Co., Ltd. (Dongjiang Heritage)	25%	
4	Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. (Longgang Dongjiang)	15%	2(1)b
5	Yunnan Dongjiang Environmental Technologies Co., Ltd. (Yunnan Dongjiang)	25%	
6	Huizhou Dongjiang Environment Technology Co., Ltd. (Huizhou Dongjiang)	15%	2(1)c
7	Kunshan Qiandeng Three Wastes Treatment Co., Ltd. (Qiandeng Wastes Treatment)	15%	2(1)d
8	Shenzhen Huabao Technology Ltd. (Huabao Technology)	15%	2(1)e
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)f
15	Shenzhen Dongjiang Properties Service Co., Ltd. (Dongjiang Properties)	20%	2(1)g
16	Shenzhen Baoan Dongjiang Environmental Renewable Energy Ltd. (Baoan Energy)	25%	
17	Dongjiang Environmental (HK) Ltd. (Dongjiang HK)	16.50%	
18	Hong Kong Lik Shun Services Ltd. (Lik Shun Services)	16.50%	
19	Huizhou Dongjiang Logistic Ltd. (Dongjiang Transport)	25%	

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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
20	Shenzhen Dongjiang Products Trading Ltd. (Products Trading)	25%	
21	Zhuhai Qingxin Industrial Environment Ltd. (Zhuhai Qingxin)	20%	2(1)h
22	Qingyuan Xinlv Environmental Technology Ltd. (Qingyuan Xinlv)	15%	2(1)i
23	Jiaying Deda Resource Recycling Ltd. (Jiaying Deda)	15%	2(1)j
24	Jiangmen Dongjiang Environmental Technology Ltd. (Jiangmen Dongjiang)	12.50%	2(1)k
25	Dongguan Hengjian Environment Technology Co., Ltd. (Dongguan Hengjian)	–	2(1)l
26	Shenzhen Dongjiang Kaida Transport Co., Ltd. (Dongjiang Kaida)	25%	
27	Yancheng Coastal Solid Waste Disposal Co., Ltd. (Coastal Solid Waste)	15%	2(1)m
28	Nanchang Xinguan Energy Development Co., Ltd. (Nanchang Xinguan)	25%	
29	Hefei Xinguan Energy Development Co., Ltd. (Hefei Xinguan)	25%	
30	Xiamen Oasis Environmental Industrial Co., Ltd. (Xiamen Oasis Environmental)	25%	
31	Karamay Wosen Environmental Technology Co., Ltd. (Wosen Environmental)	12.50%	2(1)n
32	Jiangmen Dongjiang Fine Chemical Co., Ltd. (Jiangmen Fine Chemical)	25%	
33	Jiangxi Dongjiang Environmental Technology Co., Ltd. (Jiangxi Dongjiang)	–	2(1)o
34	Shaoxing Dongjiang Environmental Engineering Co., Ltd. (Shaoxing Dongjiang)	25%	
35	Jiangxi Kangtai Environmental Co., Ltd. (Jiangxi Kangtai)	25%	
36	Shenzhen Dongjiang Huiyuan Micro Finance Co., Ltd. (Huiyuan Micro Finance)	25%	
37	Shenzhen Hengjian Tongda Investment Management Co., Ltd. (Hengjian Tongda)	25%	
38	Dongguan Humen Water Co., Ltd. (Humen Green)	15%	2(1)p

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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
39	Hubei Tianyin Circulation Economic Development Co., Ltd. (Hubei Tianyin)	25%	
40	Hubei Tianyin Technology Co., Ltd. (Tianyin Technology)	25%	
41	Hubei Tianyin Hazardous Waste Centralized Disposal Co., Ltd. (Tianyin Hazardous Waste)	-	2(1)q
42	Hubei Tianyin Waste Vehicle Recycling and Dismantling Co., Ltd. (Tianyin Vehicle Dismantling)	25%	
43	Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd. (Zhuhai Yongxingsheng)	15%	2(1)r
44	Xiantao Luyi Environmental Technology Co., Ltd. (Luyi Environmental)	25%	
45	Jiangsu Dongjiang Environmental Services Co., Ltd. (Jiangsu Dongjiang)	-	2(1)s
46	Hengshui Ruitao Environmental Technology Co., Ltd. (Hengshui Ruitao)	12.50%	2(1)t
47	Jiangsu Dongheng Environmental Holdings Co., Ltd. (Dongheng Konggang)	25%	
48	Shenzhen Qianhai Dongjiang Environment Technology Service Co., Ltd. (Qianhai Dongjiang)	25%	
49	Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd. (Baoan Dongjiang)	15%	2(1)u
50	Zhejiang Jianglian Environmental Investment Co., Ltd. (Zhejiang Jianglian)	25%	
51	Shaoxing Huaxin Environmental Technology Co., Ltd. (Huaxin Environmental)	25%	2(1)v
52	Zhenjiang Dongjiang Environmental Technology Development Co., Ltd. (Zhenjiang Dongjiang)	20%	2(1)w
53	Weifang Dongjiang Environmental Blue Sea Environmental Protection Co., Ltd. (Weifang Blue Sea)	-	2(1)x
54	Xiamen Dongjiang Environmental Technology Co., Ltd. (Xiamen Dongjiang)	15%	2(1)y
55	Fujian Oasis Solid Waste Treatment Co., Ltd. (Fujian Oasis Solid Waste)	12.50%	2(1)z
56	Longyan Oasis Environmental Technology Co., Ltd. (Longyan Oasis Environmental)	25%	
57	Nanping Oasis Environmental Technology Co., Ltd. (Nanping Oasis Environmental)	25%	

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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
58	Sanming Oasis Environmental Technology Co., Ltd. (Sanming Oasis Environmental)	25%	
59	Nantong Dongjiang Environmental Technology Co., Ltd. (Nantong Dongjiang)	25%	
60	Jingzhou Dongjiang Environmental Technology Co., Ltd. (Jingzhou Dongjiang)	25%	
61	Huangshi Dongjiang Environmental Technology Co., Ltd. (Huangshi Dongjiang)	-	2(1)aa
62	Zhaoqing Dongsheng Environmental Technology Co., Ltd. (Zhaoqing Dongsheng)	25%	
63	Shenzhen Huateng Environment Information Technology Co., Ltd. (Huateng Environmental)	25%	
64	Xiantao Dongjiang Environmental Technology Co., Ltd. (Xiantao Dongjiang)	-	2(1)bb
65	Wandesi (Tangshan Caofeidian) Environmental Technology Co., Ltd (Tangshan Wandesi)	25%	
66	Handan Dongjiang Environmental Technology Co., Ltd. (Handan Dongjiang)	25%	
67	Mianyang Dongjiang Environmental Technology Co., Ltd. (Mianyang Dongjiang)	25%	

2. Tax incentives

(1) EIT tax incentives

- a) The Company is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate tax, and EIT reduction of 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 2016 to 2018, 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 2016 to 2018, 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.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

V. TAX (Continued)

2. Tax incentives (Continued)

(1) EIT tax incentives (Continued)

- d) Qiandeng Wastes Treatment is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction 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) 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.
- g) Dongjiang Properties is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 50% reduction of its assessable revenue and an EIT rate of 20%.
- h) Zhuhai Qingxin is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 50% reduction of its assessable revenue and an EIT rate of 20%.
- i) Qingyuan Xinlv is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 75% on research and development fees before tax.
- j) Jiaxing Deda is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 75% on research and development fees before tax.
- k) Jiangmen Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys 50% EIT reduction from 2018 to 2020.
- l) 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.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

V. TAX (Continued)

2. Tax incentives (Continued)

(1) EIT tax incentives (Continued)

- m) Coastal Solid Waste is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, and EIT reduction of 75% on research and development fees before tax.
- n) Wosen Environmental is entitled to income tax incentives on environmental protection projects that meet certain requirements, and enjoyed EIT exemption from 2015 to 2017 and 50% EIT reduction from 2018 to 2020. At the same time, it is entitled to tax incentives for new and high technology enterprises, and enjoyed EIT reduction on research and development fees before tax.
- o) Jiangxi Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021. At the same time, it is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2017 to 2019 according to policies.
- p) Humen Green is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2018 to 2020, and EIT reduction of 75% on research and development fees before tax.
- q) Tianyin Hazardous Waste is entitled to income tax incentives on environmental protection projects that meet certain requirements, and enjoyed EIT exemption from 2017 to 2019 and 50% EIT reduction from 2020 to 2022.
- r) Zhuhai Yongxingsheng is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2017 to 2019, and it enjoys full EIT exemption for revenue from engaging in incineration of hazardous wastes in line with environmental protection, energy-saving and water-saving projects, and EIT reduction of 75% on research and development fees before tax.
- s) Nantong Hui Tian Ran has changed its name to Jiangsu Dongjiang. It 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.
- t) Hengshui Ruitao is entitled to income tax incentives on environmental protection projects that meet certain requirements, and enjoys EIT exemption from 2014 to 2016 and 50% EIT reduction from 2017 to 2019.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

V. TAX (Continued)

2. Tax incentives (Continued)

(1) EIT tax incentives (Continued)

- u) Baoan Dongjiang is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2018 to 2020. At the same time, it enjoys 90% reduction of EIT tax on assessable total revenue from resources recycling business and EIT reduction of 75% on research and development fees before tax.
- v) Huaxin Environmental is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption for new incineration projects from 2017 to 2019, 50% EIT reduction for new incineration projects from 2020 to 2022, and EIT reduction of 75% on research and development fees before tax.
- w) Zhenjiang Dongjiang is a small-scale enterprise in accordance with the regulations of the Ministry of Finance, with low profitability, hence it enjoys 50% reduction of its assessable revenue and an EIT rate of 20%.
- x) Weifang Blue Sea is entitled to income tax incentives on environmental protection projects that meet certain requirements, and enjoyed EIT exemption from 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- y) Xiamen Dongjiang is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2018 to 2020, and EIT reduction of 75% on research and development fees before tax.
- z) 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.
- aa) 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.
- bb) 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.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

V. TAX *(Continued)*

2. Tax incentives *(Continued)*

(2) VAT tax incentive

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the company was entitled to the preferential tax treatment of 100% VAT refund upon collection for the income of power generation using methane from waste fermentation during the period from January to December 2018.

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the company was entitled to the preferential tax treatment of 30% VAT refund upon collection for the sales of products of comprehensive recycling during the period from January to December 2018.

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the company was entitled to the preferential tax treatment of 70% VAT refund upon collection for the waste treatment and disposal business during the period from January to December 2018.

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the Company was entitled to the preferential tax treatment of 70% VAT refund upon collection for the sewage treatment business during the period from January to December 2018.

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the Company was entitled to the preferential tax treatment of 100% VAT refund upon collection for the food waste treatment and disposal business during the period from January to December 2018.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 2018 (for the adjusted initial implementation of New Revenue Standard, New Financial Instrument Standards and New Financial Statements Format, other than the above adjusted items, the balances of other related items in the financial statements on December 31, 2017 and January 1, 2018 are the same. Please see “(iv).34(1) Changes of Significant Accounting Policies” in this note); “end of the year” means 31 December 2018; “the Year” means the period from 1 January 2018 to 31 December 2018; “last year” means 1 January 2017 to 31 December 2017. Presentation currency is Renminbi.

1. Monetary Fund

Item	Balance at the end of year	Balance at the beginning of year
Cash on hand	371,482.97	825,886.03
Bank deposits	1,028,619,809.50	1,199,805,525.53
Other monetary fund	25,077,700.00	41,798,818.87
Total	1,054,068,992.47	1,242,430,230.43
Including: total amount of other deposits overseas	4,603,346.29	4,738,841.06

As the end of the year, the restricted monetary fund of the Company were RMB25,077,700.00 (last year: RMB23,177,700.00) 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	13,431,700.00
Including: equity instrument investments	24,934,920.00	13,431,700.00
Total	24,934,920.00	13,431,700.00

After the implementation of the new financial instrument standards, the Company will reclassify the available-for-sale financial assets into held for trading financial assets from 1 January 2018.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 and accounts receivable

Item	31 December 2018	1 January 2018	31 December 2017
Notes receivable	62,108,965.02	86,366,871.17	86,366,871.17
Accounts receivable	710,055,395.90	691,525,050.61	715,484,041.65
Less: bad debt provision	19,248,464.01	12,684,563.28	20,847,971.86
Total	752,915,896.91	765,207,358.50	781,002,940.96

3.1 Notes receivable

(1) Types of notes receivable

Item	31 December 2018	1 January 2018	31 December 2017
Bank acceptance notes	62,032,264.42	85,666,871.17	85,666,871.17
Commercial acceptance notes	76,700.60	700,000.00	700,000.00
Less: bad debt provision	–	–	–
Total	62,108,965.02	86,366,871.17	86,366,871.17

(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

Item	Amount derecognized at the end of year	Amount not derecognized at the end of year
Bank acceptance notes	98,188,326.14	–
Total	98,188,326.14	–

(4) As at December 31, 2018, 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.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 and accounts receivable (Continued)

3.2 Accounts receivable

Item	31 December 2018	1 January 2018	31 December 2017
Accounts receivable	710,055,395.90	691,525,050.61	715,484,041.65
Less: bad debt provision	19,248,464.01	12,684,563.28	20,847,971.86
Net amount	690,806,931.89	678,840,487.33	694,636,069.79

Note 1: Due to the implementation of the New Revenue Standard, the Company reclassifies the contract income related to environmental engineering construction and provision of labor services which were completed but not settled or of which all performance obligations were not completed at the beginning of the period, for which the unconditional collection rights were not satisfied, from "accounts receivable" to "contract assets", according to the relationship between the performance of performance obligations and the payments from customers. The amount of reclassification is RMB23,958,991.04.

Note 2: According to the requirements of the New Financial Instrument Standards, since 1 January 2018, the Company's financial assets impairment measurement has been changed from the "incurred loss model" to the "expected credit loss model". The Group will make connection and adjustment as required by the New Financial Instrument Standard. For the shortfall between the carrying amount of the financial instrument and the carrying amount at the adoption date of the New Financial Instrument Standard, RMB8,163,408.58 of adjusted provision for bad debts is decreased.

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

Group classification	Accounts receivable	Balance at the end of year	
		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
Total	710,055,395.90		19,248,464.01

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 and accounts receivable (Continued)

3.2 Accounts receivable (Continued)

- (1) 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	9,062,500.44	70.99	6,433,057.62
Accounts receivable from government	226,702,076.00	–	–
Accounts receivable from related companies	138,365,174.28	–	–
Accounts receivable from general customers or others:	317,395,299.89	1.97	6,251,505.66
Within 1 year	295,329,536.98	0.40	1,181,318.15
1-2 years	12,170,419.38	6.10	742,395.58
2-3 years	6,451,392.35	13.70	883,840.75
Over 3 years	3,443,951.18	100.00	3,443,951.18
Total	691,525,050.61		12,684,563.28

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 and accounts receivable (Continued)

3.2 Accounts receivable (Continued)

(2) 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.	1,158,069.35	1,158,069.35	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 shareholders
Xiamen Zailuyuan Waste Materials Recycling Co., Ltd.	1,110,959.56	-	-	Recovered or compensated the shareholders
Fujian Bangde Synthetic Leather Group Co., Ltd.	381,927.00	381,927.00	100.00	Contract breach, unable 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
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
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

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1 January 2018 to 31 December 2018

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

3. Notes receivable and accounts receivable (Continued)

3.2 Accounts receivable (Continued)

(2) 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 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
Total	8,704,407.47	6,074,964.65		

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

Age	Amount at the end of year	Amount at the beginning of year
Within 1 year	193,643,387.79	191,143,953.69
1-2 years	68,649,394.06	78,288,644.59
2-3 years	70,827,330.85	95,634,652.00
Over 3 years	94,476,582.65	–
Net amount	427,596,695.35	365,067,250.28

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.

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

3. Notes receivable and accounts receivable (Continued)

3.2 Accounts receivable (Continued)

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

Category	31 December 2017	The effects of New Financial Instrument Standards	The balances presented under the New Revenue Standard as at 1 January 2018	Changes in the current year			31 December 2018
				Provided	Reversed	Written off	
Bad debts provision for accounts receivable	20,847,971.86	-8,163,408.58	12,684,563.28	7,692,571.36	-	1,128,670.63	19,248,464.01

(5) Accounts receivable written off during the year

Item	Amount written off
Accounts receivable written off	1,128,670.63

Including significant accounts receivables written off:

Name of entity	Nature of accounts receivable	Amount written off	Reason for write-off	Write-off procedure implemented	Whether arisen from related party transaction
Hainan Zhenghong Technology Development Co., Ltd.	Payments for goods	540,000.00	Irrecoverable	Report to the chief executive officer's office	No
Hubei Chishun Chemical Co., Ltd.	Treatment fees	181,321.00	Irrecoverable	Report to the board of directors of the subsidiary	No
Kunshan Yijie Technology Electronics Co., Ltd.	Wastewater disposal	102,860.00	Irrecoverable	Report to the board of directors of the subsidiary	No
Kunshan Xinli Electronic Technology Co., Ltd.	Environmental engineering and services	95,339.87	Irrecoverable	Report to the board of directors of the subsidiary	No
Total	-	919,520.87			

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

3. Notes receivable and accounts receivable (Continued)

3.2 Accounts receivable (Continued)

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

Name	Balance at the end of year	Age	Proportion to total accounts receivable at the end of year (%)	Balance of bad debt provision at the end of year
No. 1	250,224,557.80	Within 1 year, 1-2 years, 2-3 years, over 3 years	35.24	-
No. 2	51,997,893.52	Within 1 year, 2-3 years	7.32	-
No. 3	14,940,050.00	Within 1 year	2.10	119,520.40
No. 4	13,454,439.88	Within 1 year, 1-2 years	1.89	-
No. 5	10,771,637.07	Within 1 year	1.52	-
Total	341,388,578.27		48.07	119,520.40

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

4. 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	30,145,840.49	69.85	32,388,990.14	65.77
1-2 years	2,582,352.84	5.98	8,186,055.46	16.62
2-3 years	4,422,311.83	10.25	2,349,073.19	4.77
Over 3 years	6,004,887.03	13.92	6,321,527.23	12.84
Total	43,155,392.19	-	49,245,646.02	-

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

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

Name	Balance at the end of year	Age	Proportion to the total prepayment at the end of year (%)
No. 1	5,428,916.97	Over 3 years	12.58
No. 2	4,959,082.80	Within 1 year	11.49
No. 3	3,400,000.00	2-3 years	7.88
No. 4	3,004,464.73	Within 1 year	6.96
No. 5	2,642,567.20	Within 1 year	6.12
Total	19,435,031.70		45.03

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

5. Other receivables

Item	31 December 2018	1 January 2018	31 December 2017
Other receivables	415,034,413.33	312,448,196.63	312,448,196.63
Dividend receivable	–	–	–
Interest receivable	–	–	–
Less: Provision for bad debts	80,410,509.61	45,716,816.65	16,350,403.31
Total	334,623,903.72	266,731,379.98	296,097,793.32

Note 1: According to the requirements of the New Financial Instrument Standards, since 1 January 2018, the Company's financial assets impairment measurement has been changed from the "incurred loss model" to the "expected credit loss model". The Company will make connection and adjustment as required by the New Financial Instrument Standard. For the shortfall between the carrying amount of the financial instrument and the carrying amount at the adoption date of the New Financial Instrument Standard, RMB29,366,413.34 of adjusted provision for bad debts is increased.

(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	137,218,300.00	137,218,300.00
Guarantee deposits, provisions and others	116,025,636.00	95,395,885.04
Payment on behalf of third parties	61,004,074.15	54,993,004.76
Government grants	59,436,951.52	3,285,533.35
Humen Green PPP Project capital	41,349,451.66	21,555,473.48
Total	415,034,413.33	312,448,196.63

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

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

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

5. 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	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 and reserve fund receivable	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
Total	415,034,413.33		80,410,509.61

Group classification	Balance at the beginning of year		
	Other receivables	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	6,422,243.36	93.19	5,985,054.60
Accounts receivable from government	3,535,470.95	-	-
Accounts receivable from related companies	3,176,568.73	-	-
Deposits, security deposit and reserve fund receivable	142,613,219.90	-	-
Accounts receivable from general customers or others:	156,700,693.69	25.36	39,731,762.05
Within 1 year	43,126,326.33	9.60	4,140,127.33
1-2 years	110,834,624.33	29.70	32,917,883.43
2-3 years	130,161.22	49.30	64,169.48
Over 3 years	2,609,581.81	100.00	2,609,581.81
Total	312,448,196.63		45,716,816.65

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

5. Other receivables (Continued)

(3) Amounts tested individually for expected credit losses

Name	Book balance	Balance at the end of year		
		Bad debt provision	Proportion of provisions (%)	Reason of provisions
Dongjiang Renewable Resources LTD	1,314,300.00	1,314,300.00	100.00	Amount irrecoverable
Shijiazhuang Renhe Machinery Equipment Co., Ltd.	617,500.00	617,500.00	100.00	Amount irrecoverable
CB (Holding) Company	432,546.97	432,546.97	100.00	Amount irrecoverable
Wujiang Baorui Environmental Protection Machinery Equipment Co., Ltd.	400,000.00	400,000.00	100.00	Amount irrecoverable
Jiangmen Zhongyang Circuit Technology Co., Ltd.	213,492.48	213,492.48	100.00	Amount irrecoverable
Zhejiang Heze Dulin Architectural Planning and Design Co., Ltd. Wuhan Branch	200,000.00	200,000.00	100.00	Amount irrecoverable
Sataram China Limited	124,236.37	124,236.37	100.00	Amount irrecoverable
Others	511,829.43	511,829.43	100.00	Amount irrecoverable
Amounts from lost natural persons	4,200,860.86	4,200,860.86	100.00	Amount irrecoverable
Total	8,014,766.11	8,014,766.11	100.00	

Details of bad debts provision for other receivables

Category	31 December 2017	The effects of New Financial Instrument Standards	The balances presented under the New Revenue Standard as at		Changes in the current year			31 December 2018
			1 January 2018	Provided	Reversed	Written off		
Bad debts provision for other receivables	16,350,403.31	29,366,413.34	45,716,816.65	35,204,894.17	-	511,201.21	80,410,509.61	

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

5. Other receivables *(Continued)*

(4) Other receivables written off during the year

Item	Amount written off
Other receivables written off	511,201.21

Including significant other receivables written off:

Name of entity	Nature of other receivables	Amount written off	Reason for write-off	Write-off procedure implemented	Whether arisen from related party transaction
Yang Zhiyu	Others	178,443.69	Irrecoverable	Report to the board of directors of the subsidiary	No
Sanming Electric Power Bureau of Fujian Electric Power Co., Ltd.	Others	62,000.00	Irrecoverable	Report to the board of directors of the subsidiary	No
Sanming Branch of Fuzhou Guiguan Power Development Co., Ltd.	Others	50,000.00	Irrecoverable	Report to the board of directors of the subsidiary	No
Total	—	290,443.69	—	—	—

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

5. Other receivables (Continued)

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

Name of entity	Nature	Balance at the end of year	Age	Proportion of total other receivables at the end of year (%)	Provision of bad debt at the end of year
Sound (Tianjin) Renewable Resources Investment Holdings Co., Ltd.	Considerations of equity transfer and current accounts with former subsidiaries	137,218,300.00	1-2 years, 2-3 years	33.06	62,407,021.90
Heshan City Finance Bureau	Government grant	50,140,000.00	Within 1 year	12.08	–
GF Hengjin – Guangdong Rising Asset – Dongjiang Environmental Humen Green PPP Project	Assets-backed Project in relation to the GF Hengjin – Guangdong Rising Assets – Dongjiang Environmental Humen Green PPP Project	41,349,451.66	Within 1 year	9.96	–
Jiangling County People's Government	Payment on behalf of third parties	18,491,600.00	Over 3 years	4.46	–
Dongguan Fengye Solid Waste Treatment Co., Ltd.	Borrowing	8,339,278.88	Within 1 year	2.01	–
Total	–	255,538,630.54	–	61.57	62,407,021.90

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

5. Other receivables (Continued)

(6) Account receivables related to government grants

Name of entity	Projects receiving grants	Balance at the end of the year		Time	Receiving Expected	
		Amount	Age		Amount	Basis
Heshan City Finance Bureau	Guangdong Province Industrial Co-construction Financial Support Overlay Award Grant Fund	50,140,000.00	Within 1 year	Received in February 2019	50,140,000.00	Yuejingxin Park Letter [2018] No. 55, Jiangjingxin Park [2018] No. 25
Fengcheng Finance Bureau	VAT Refund upon collection	3,868,498.20	Within 1 year	Received in February 2019	3,868,498.20	Cai Shui [2015] No. 78
State Coffers Shenzhen Depots	VAT Refund upon collection	2,856,500.38	Within 1 year	Received in January 2019	2,856,500.38	Cai Shui [2015] No. 78
Fengli Taxation Bureau of Rudong County Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	1,046,015.40	Within 1 year	Received in January 2019	1,046,015.40	Cai Shui [2015] No. 78
Baijiantan District of Karamay City Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	772,782.72	Within 1 year	Received in January 2019	772,782.72	Cai Shui [2015] No. 78
Dongguan Department of Finance Treasury Payment Center	VAT Refund upon collection	445,406.57	Within 1 year	Received in February 2019	445,406.57	Cai Shui [2015] No. 78
Huangshi City State Taxation Bureau	VAT Refund upon collection	169,305.18	Within 1 year	Expected to receive in June 2019	169,305.18	Cai Shui [2015] No. 78
Qiandeng Taxation Bureau of Kunshan Taxation Bureau under the State Administration of Taxation	VAT Refund upon collection	107,737.40	Within 1 year	Received in February 2019	107,737.40	Cai Shui [2015] No. 78
Xiantao City State Taxation Bureau	VAT Refund upon collection	30,705.67	Within 1 year	Received part of the amount in February 2019, the remaining amount expected to receive in April	30,705.67	Cai Shui [2015] No. 78
Total	–	59,436,951.52	–	–	59,436,951.52	–

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

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

6. 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	6,234,686.22	-	6,234,686.22	16,544,404.60	-	16,544,404.60
Raw material	209,304,253.80	242,719.11	209,061,534.69	218,115,431.68	242,719.11	217,872,712.57
Work-in-progress	2,855,848.28	-	2,855,848.28	3,041,593.55	-	3,041,593.55
Finished goods	69,509,205.09	220,428.07	69,288,777.02	64,578,691.09	-	64,578,691.09
Low-valued consumables	12,085,021.70	-	12,085,021.70	10,550,788.71	-	10,550,788.71
Semi-finished goods	-	-	-	-	-	-
Contract performance cost	-	-	-	-	-	-
Engineering construction	180,304.87	-	180,304.87	-	-	-
Total	300,169,319.96	463,147.18	299,706,172.78	312,830,909.63	242,719.11	312,588,190.52

(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	-	-	-	-	242,719.11
Finished goods	-	220,428.07	-	-	-	220,428.07
Total	242,719.11	220,428.07	-	-	-	463,147.18

(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

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

7. Loans

(1) Group classification

Item	Amount at the end 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
Total	374,090,000.00	–	1,462,000.00

Item	Amount at the beginning of year		
	Amount	Expected credit loss rate (%)	Provision for loans loss
Normal type	254,980,000.00	0.00	–
Total	254,980,000.00	–	–

Loan balance at the end of the year means the balance of various types of small-scale credit loans distributed by Huiyuan Micro Finance, a subsidiary of the Company, 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) The loan principal actually written off during this year was RMB1,760,801.00.

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

8. 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	70,574,233.50	-	70,574,233.50	114,060,889.95	-	114,060,889.95
Water treatment projects	26,822,627.41	1,692,548.59	25,130,078.82	34,577,107.37	95,835.96	34,481,271.41
Total	97,396,860.91	1,692,548.59	95,704,312.32	148,637,997.32	95,835.96	148,542,161.36

Note: Due to the implementation of the New Revenue Standard, the Company reclassifies the contract income related to environmental engineering construction and provision of labor services which were completed but not settled or of which all performance obligations were not completed at the beginning of the period, for which the unconditional collection rights were not satisfied, from "accounts receivable" to "contract assets", according to the relationship between the performance of performance obligations and the payments from customers.

(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	1,596,712.63	-	-	Calculated according to the expected credit loss model
Total	1,596,712.63	-	-	

9. 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	2,965,177.96	11,084,380.33	Construction fee
Total	2,965,177.96	11,084,380.33	

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

10. Other current assets

Item	Balance at the end of year	Balance at the beginning of year
Discounted amortization	–	1,082,606.25
Input tax deductible	100,803,232.04	82,538,487.11
Prepayment of corporate income tax	3,457,880.89	5,203,893.80
Others	609,014.08	154,572.25
Prepaid VAT – non-local projects	2,484,433.78	–
Total	107,354,560.79	88,979,559.41

11. Long-term accounts receivable

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

Item	31 December 2018	1 January 2018	31 December 2017
Receivables for rendering of services to be recovered by installments	64,701,272.89	81,335,159.07	206,014,165.35
Less: Amount due within 1 year and showed as non-current assets due within one year (Note VI.10)	2,965,177.96	11,084,380.33	11,084,380.33
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	48,736,094.93	70,250,778.74	194,929,785.02

Note: Due to the implementation of the New Revenue Standard, the Company reclassifies the contract income related to environmental engineering construction and provision of labor services which were completed but not settled or of which all performance obligations were not completed at the beginning of the period, for which the unconditional collection rights were not satisfied, from “long-term accounts receivable” to “contract assets”, according to the relationship between the performance of performance obligations and the payments from customers.

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

11. Long-term accounts receivable (Continued)

(2) Details of provision for bad debts on individual basis

Item	Balance at the end of year			Reason of provisions
	Book balance	Bad debt provision	Proportion of provisions (%)	
Xinfeng Zhaotai Investment Co., Ltd.	18,292,438.42	13,000,000.00	71.07	Xinfeng Zhaotai has filed for bankruptcy and the expected credit loss was calculated based on the expected liquidation rate

(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	34,281,850.86	–	34,281,850.86	55.53
Water treatment projects	27,454,244.07	13,000,000.00	14,454,244.07	44.47
Total	61,736,094.93	13,000,000.00	48,736,094.93	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.

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

12. Long-term equity investments

Investee	Balance at the beginning of year	Impairment provision at the beginning of year	Movement during the Year								Balance at the end of year	Impairment provision at the end of year	
			Additional investments	Decrease in investments	Gain and loss of investment recognized under equity approach	Adjustments to other comprehensive income	Movement in other equity interests	Declaration or payment of cash dividend or profit	Impairment provision	Others			
I. Joint venture													
Dongjiang Veolia	68,153,384.30	-	-	-	18,358,144.78	-	-	-	-	-	-	86,511,529.08	-
II. Associates													
Shenzhen Resource	25,896,630.32	-	-	-	-2,167,859.84	-	-	3,920,000.00	-	-	-	19,808,770.48	-
Shenzhen Micronutrients	14,104,361.91	529,649.00	-	1,383,469.85	-450,910.52	-	-	12,269,981.54	-529,649.00	-	-	-	-
Chaoyue Dongchuang	555,296.42	-	-	-	154,055.66	-	-	-	-	-	-	709,352.08	-
Fujian Dongjiang	40,641,321.66	-	-	-	179,127.22	-	-	-	-	-300,204.70	-	40,520,244.18	-
Foshan Fulong	47,718,892.49	-	14,223,678.60	-	799,756.75	-	-	-	-	-1,773,648.80	-	60,968,679.04	-
Dongguan Fengye	6,853,005.01	-	-	-	-720,394.63	-	-	-	-	-	-	6,132,610.38	-
Jieyang Qucheng	-	-	52,139,164.00	-	-1,322,483.26	-	-	-	-	-	-	50,816,680.74	-
Jiangsu Suquan	39,916,776.93	-	-	-	-1,923,587.57	-	-	-	-	-	-	37,993,189.36	-
Total	243,839,669.04	529,649.00	66,362,842.60	1,383,469.85	12,905,848.59	-	-	16,189,981.54	-529,649.00	-2,073,853.50	-	303,461,055.34	-

Note: Heritage Dongjiang Micronutrients Additives (Shenzhen) Co., Limited has completed the procedures of writing off registration in November 2018.

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

13. Investment properties

(1) *Investment properties measured at fair value*

Item	Buildings and constructions	Land use rights	Total
I. Balance at the beginning of year	89,685,173.20	–	89,685,173.20
II. Movement of the year	262,182,957.93	71,730,800.00	333,913,757.93
Add: Acquisition			
Transfer from inventory/fixed assets/work in progress	257,137,338.92	71,730,800.00	328,868,138.92
Addition from business combination			
Less: Disposal			
Other transfer			
Add: Change in fair value	5,045,619.01		5,045,619.01
III. Balance at the end of year	351,868,131.13	71,730,800.00	423,598,931.13

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

(2) 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)

14. 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	994,446,582.89	1,011,735,591.28	78,060,890.28	134,798,466.43	239,655,498.12	2,458,697,029.00
2. Increase during the year	583,187,313.75	302,648,482.56	22,243,050.70	14,683,864.87	180,207,759.21	1,102,970,471.09
(1) Acquisition	3,950,449.96	48,428,436.32	13,600,311.93	10,570,678.55	21,011,293.11	97,561,169.87
(2) Transfer from work-in-progress	570,274,614.55	254,149,447.92	6,898,739.67	3,472,331.47	155,865,452.26	990,660,585.87
(3) Addition from business combination	-	-	-	-	-	-
(4) Others (group adjustment etc.)	8,962,249.24	70,598.32	1,743,999.10	640,854.85	3,331,013.84	14,748,715.35
3. Decrease during the year	259,915,362.34	26,770,666.17	5,164,586.72	28,959,237.38	4,961,060.82	325,770,913.43
(1) Disposal or retirement	9,608,376.80	17,147,439.22	5,009,015.31	28,934,367.03	3,185,818.50	63,885,016.86
(2) Decrease from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	250,306,985.54	9,623,226.95	155,571.41	24,870.35	1,775,242.32	261,885,896.57
4. Balance at the end of year	1,317,718,534.30	1,287,613,407.67	95,139,354.26	120,523,093.92	414,902,196.51	3,235,896,586.66
II. Accumulated depreciation						
1. Balance at the beginning of year	181,413,988.08	393,584,886.93	39,351,842.15	91,256,053.89	91,409,205.62	797,015,976.67
2. Increase during the year	53,119,052.94	109,089,079.73	11,992,494.12	16,051,406.81	42,030,357.74	232,282,391.34
(1) Provision	52,395,188.54	108,709,333.76	11,155,148.79	15,900,837.94	39,744,280.18	227,904,789.21
(2) Addition from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	723,864.40	379,745.97	837,345.33	150,568.87	2,286,077.56	4,377,602.13
3. Decrease during the year	8,685,731.52	20,640,115.50	4,193,054.08	26,162,158.09	1,514,135.00	61,195,194.19
(1) Disposal or retirement	3,302,896.11	14,915,748.80	4,105,718.69	26,162,158.09	877,855.13	49,364,376.82
(2) Decrease from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	5,382,835.41	5,724,366.70	87,335.39	-	636,279.87	11,830,817.37
4. Balance at the end of year	225,847,309.50	482,033,851.16	47,151,282.19	81,145,302.61	131,925,428.36	968,103,173.82

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

14. 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	2,391,397.98	-	278,301.68	57,860.93	12,140,164.43
2. Increase during the year	-	2,138,570.85	-	-	-	2,138,570.85
(1) Provision	-	2,138,570.85	-	-	-	2,138,570.85
(2) Addition from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	-	-	-	-	-	-
3. Decrease during the year	-	28,232.82	-	4,999.50	3,561.84	36,794.16
(1) Disposal or retirement	-	28,232.82	-	4,999.50	3,561.84	36,794.16
(2) Decrease from business combination	-	-	-	-	-	-
(3) Others (group adjustment etc.)	-	-	-	-	-	-
4. Balance at the end of year	9,412,603.84	4,501,736.01	-	273,302.18	54,299.09	14,241,941.12
IV. Book value						
1. Book value at the end of year	1,082,458,620.96	801,077,820.50	47,988,072.07	39,104,489.13	282,922,469.06	2,253,551,471.72
2. Book value at the beginning of year	803,619,990.97	615,759,306.37	38,709,048.13	43,264,110.86	148,188,431.57	1,649,540,887.90

Depreciation and amortization of fixed assets recognized as profit or loss during the year was RMB227,904,789.21 (last year: RMB194,526,993.19).

Addition to fixed assets during the year includes transfer from work in progress of RMB990,660,585.87.

Loss from disposal of fixed assets during the year was RMB229,066.65.

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

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1 January 2018 to 31 December 2018

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

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

14. Fixed assets (Continued)

(3) Fixed assets held under financial lease

Year end	Original book value	Accumulated depreciation	Impairment provision	Book value
Transportation facilities	8,411,924.16	6,373,686.85	–	2,038,237.31
Total	8,411,924.16	6,373,686.85	–	2,038,237.31

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

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

(5) Fixed assets without property rights certificates

The fixed assets included buildings with book value RMB216,771,408.68 (Amount at the beginning of the year: RMB332,846,830.73), their application of the property rights has not processed or is in process. In the light of the assets below are conducted according to related legal agreements, directors of the Company believed that the transfer of property rights would not result in substantive legal obstacles or affect the Company's normal operation to those buildings, no significant implications to the Company's normal operations, and impairment provision of fixed assets is not necessary, with no significant additional costs will be generated.

Item	Book value of 2018 year (net)	Reason for not obtaining proper ownership certificates
Office building and workshop of Coastal Solid Waste, a subsidiary	33,875,574.78	Application in progress
Six-storey office building of Shaoguan Recycling Resource, a subsidiary	12,427,432.75	Application in progress
Environmental protection workshop, factory and complex building of Xiamen Dongjiang, a subsidiary	20,113,121.11	Application in progress
Incineration plant and warehouse of Fujian Oasis, a subsidiary	8,607,614.12	Application in progress
Factory and dormitory of Baoan Dongjiang, a subsidiary	22,254,511.75	Application in progress
Factory of Zhejiang Jianglian, a subsidiary	5,448,064.45	Application in progress
Phase II factory of Zhejiang Jianglian, a subsidiary	3,349,355.94	Application in progress
Workshop of physical and chemical treatment of Hengshui Ruitao, a subsidiary	1,082,793.28	Application in progress

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

14. Fixed assets (Continued)

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

Item	Book value of 2018 year (net)	Reason for not obtaining proper ownership certificates
Office building of Qingyuan Xinlv, a subsidiary	1,588,960.58	Application in progress
Dormitory and kitchen of Qingyuan Xinlv, a subsidiary	1,182,290.79	Application in progress
Factory of Qingyuan Xinlv, a subsidiary	833,482.04	Application in progress
Former warehouse of new ash of Rudong Daheng, a subsidiary	1,331,311.46	Application in progress
Factory of Jiangxi Dongjiang, a subsidiary	10,357,931.82	Application in progress
Office building of Jiangxi Dongjiang, a subsidiary	3,448,241.91	Application in progress
Canteen and dormitory of Jiangxi Dongjiang, a subsidiary	2,728,648.22	Application in progress
Shift building, research and development building, process workshop and others of Xiantao Luyi, a subsidiary	42,482,795.33	Application in progress
Office building of Dongguan Hengjian, a subsidiary	9,590,779.00	Application in progress
Factory and warehouse of Dongguan Hengjian, a subsidiary	36,068,499.35	Application in progress
Total	216,771,408.68	

15. Construction in progress

Item	Balance at the end of year	Balance at the beginning of year
Construction in progress	1,253,654,558.40	1,605,701,931.03
Engineering material	—	—
Total	1,253,654,558.40	1,605,701,931.03

(1) Impairment provision of construction in progress during the year

Item	Provision amount during the year	Reason of provision
Weifang Dongjiang project (Weifang Blue Sea)	2,781,152.67	Some assets are idle in construction projects
Total	2,781,152.67	—

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

15. Construction in progress (Continued)

(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
Weifang Dongjiang project (Weifang Blue Sea)	252,372,207.64	2,781,152.67	249,591,054.97	160,908,867.23	-	160,908,867.23
Property construction phase II (Xiamen Oasis Environmental)	124,565,775.41	-	124,565,775.41	155,047,703.95	-	155,047,703.95
Recycling project (Shaoguan Recycling Resource)	117,618,796.36	-	117,618,796.36	39,423,008.06	-	39,423,008.06
Wandesi project (Tangshan Wandesi)	88,981,003.48	-	88,981,003.48	3,656,260.71	-	3,656,260.71
Fujian Oasis rotary kiln project (Fujian Oasis)	88,794,650.59	-	88,794,650.59	24,240,758.33	-	24,240,758.33
Nantong Dongjiang project construction (Nantong Dongjiang)	74,640,500.39	-	74,640,500.39	6,124,267.55	-	6,124,267.55
Xiantao environmental protection project (Luyi Environmental)	70,913,856.60	-	70,913,856.60	86,589,924.30	-	86,589,924.30
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	64,593,652.25	-	64,593,652.25	45,019,210.35	-	45,019,210.35
Shaoguan Recycling Resource hazardous waste landfill project (Shaoguan Recycling Resource BOT)	59,912,249.12	-	59,912,249.12	19,980,836.12	-	19,980,836.12
Wastewater treatment project (Shaoguan Recycling Resource)	55,337,095.16	-	55,337,095.16	28,166,866.01	-	28,166,866.01
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Recycling Resource)	49,032,136.40	-	49,032,136.40	189,629,898.28	-	189,629,898.28
Xiamen Dongjiang construction project (Xiamen Dongjiang)	31,066,083.18	-	31,066,083.18	2,171,410.74	-	2,171,410.74
Plasma pilot project (Longgang Dongjiang)	30,192,661.33	-	30,192,661.33	29,249,814.72	-	29,249,814.72
Plant and road construction project phase III (Coastal Solid Waste)	27,694,080.82	-	27,694,080.82	57,936,678.63	-	57,936,678.63
Dongguan Hengjian renovation project (Dongguan Hengjian)	15,201,993.60	-	15,201,993.60	63,773,699.28	-	63,773,699.28
Base technical renovation project (Huizhou Dongjiang)	8,443,924.45	-	8,443,924.45	8,881,987.53	-	8,881,987.53
Technical renovation project (Qingyuan Xinlv)	8,354,682.12	-	8,354,682.12	2,885,038.12	-	2,885,038.12
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	6,440,474.59	-	6,440,474.59	154,309,652.37	-	154,309,652.37
Jiangmen project (Jiangmen Dongjiang)	5,441,976.14	-	5,441,976.14	3,331,644.83	-	3,331,644.83
Base technical renovation project (Baoan Dongjiang)	5,418,626.10	-	5,418,626.10	4,791,961.21	-	4,791,961.21

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

15. 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
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	5,186,718.23	-	5,186,718.23	32,177,742.41	-	32,177,742.41
Fengcheng Dongjiang Environmental industry base detoxification project (Jiangxi Dongjiang)	3,862,148.53	-	3,862,148.53	42,673,686.40	-	42,673,686.40
Fengcheng Dongjiang Environmental industry base recycling (Jiangxi Dongjiang)	3,067,736.52	-	3,067,736.52	11,473,473.38	-	11,473,473.38
Luohu Xiaping kitchen waste project (Headquarter)	917,812.24	-	917,812.24	4,715,223.95	-	4,715,223.95
Incineration plant (Shaoguan Recycling Resource)	843,717.95	-	843,717.95	57,558,366.63	-	57,558,366.63
Hengshui project (Hengshui Ruitao)	396,076.96	-	396,076.96	67,817,629.35	-	67,817,629.35
Tianyin car dismantling project (Tianyin car dismantling)	-	-	-	36,414,333.10	-	36,414,333.10
Tianyin office, factory and greening project (Hubei Tianyin)	-	-	-	97,568,738.17	-	97,568,738.17
Dongheng Konggang project (Dongheng Konggang)	-	-	-	120,242,887.99	-	120,242,887.99
Other small projects in total	57,145,074.91	-	57,145,074.91	48,940,361.33	-	48,940,361.33
Total	1,256,435,711.07	2,781,152.67	1,253,654,558.40	1,605,701,931.03	-	1,605,701,931.03

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

15. Construction in progress (Continued)

(3) Movement of major construction in progress

Name	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	
Weifang Dongjiang project (Weifang Blue Sea)	160,908,867.23	98,896,833.55	2,231,764.48	5,201,728.66	252,372,207.64
Recycling project (Shaoguan Recycling Resource)	39,423,008.06	101,624,571.22	23,428,782.92	-	117,618,796.36
Wandesi project (Tangshan Wandesi)	3,656,260.71	85,324,742.77	-	-	88,981,003.48
Fujian Oasis rotary kiln project (Fujian Oasis)	24,240,758.33	66,055,809.17	1,501,916.91	-	88,794,650.59
Nantong Dongjiang project construction (Nantong Dongjiang)	6,124,267.55	68,516,232.84	-	-	74,640,500.39
Xiantao environmental protection project (Luyi Environmental)	86,589,924.30	41,647,378.68	57,323,446.38	-	70,913,856.60
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	45,019,210.35	19,574,441.90	-	-	64,593,652.25
Shaoguan Recycling Resource hazardous waste landfill project (Shaoguan Recycling Resource BOT)	19,980,836.12	39,931,413.00	-	-	59,912,249.12
Wastewater treatment project (Shaoguan Recycling Resource)	28,166,866.01	27,170,229.15	-	-	55,337,095.16
Xiamen Dongjiang construction project (Xiamen Dongjiang)	2,171,410.74	29,147,758.20	253,085.76	-	31,066,083.18
Plant and road construction project phase III (Coastal Solid Waste)	57,936,678.63	27,294,559.81	55,726,323.05	1,810,834.57	27,694,080.82
Dongguan Hengjian renovation project (Dongguan Hengjian)	63,773,699.28	44,796,887.09	92,741,060.49	627,532.28	15,201,993.60
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	154,309,652.37	16,054,682.72	162,466,780.84	1,457,079.66	6,440,474.59
Jiangmen project (Jiangmen Dongjiang)	3,331,644.83	15,521,003.44	10,832,120.51	2,578,551.62	5,441,976.14
Base technical renovation project (Baolan Dongjiang)	4,791,961.21	9,930,114.06	9,303,449.17	-	5,418,626.10
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	32,177,742.41	14,638,522.96	40,212,012.54	1,417,534.60	5,186,718.23
Fengcheng Dongjiang Environmental industry base detoxification project (Jiangxi Dongjiang)	42,673,686.40	33,214,339.57	72,025,877.44	-	3,862,148.53
Luohu Xiaping kitchen waste project (Headquarter)	4,715,223.95	12,505,921.88	-	16,303,333.59	917,812.24

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

15. Construction in progress (Continued)

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

Name	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	
Incineration plant (Shaoguan Recycling Resource)	57,558,366.63	47,985,120.70	104,699,769.38	-	843,717.95
Hengshui project (Hengshui Ruitao)	67,817,629.35	16,419,293.88	83,840,846.27	-	396,076.96
Dongheng Konggang project (Dongheng Konggang)	120,242,887.99	9,915,654.59	130,158,542.58	-	-
Total	1,025,610,582.45	826,165,511.18	846,745,778.72	29,396,594.98	975,633,719.93

Name	Budget	Proportion of accumulated expenditure injected to budget	Progress	Accumulated capitalised interest	Including:		Source of capital
					Interest capitalised for the year	Interest capitalisation rate for the year	
Weifang Dongjiang project (Weifang Blue Sea)	365,180,000.00	71.48%	71.48%	14,193,257.77	11,205,441.70	5.57%	Borrowing, own funds
Recycling project (Shaoguan Recycling Resource)	176,832,000.00	79.76%	79.76%	-	-	-	
Wandesi project (Tangshan Wandesi)	252,350,000.00	35.26%	35.26%	-	-	-	
Fujian Oasis rotary kiln project (Fujian Oasis)	192,242,700.00	47.18%	47.18%	-	-	-	
Nantong Dongjiang project construction (Nantong Dongjiang)	230,995,100.00	32.31%	32.31%	-	-	-	
Xiantao environmental protection project (Luyi Environmental)	475,000,000.00	27.00%	27.00%	12,230,042.69	6,089,871.78	5.00%	Borrowing, own funds
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	70,000,000.00	92.27%	92.27%	-	-	-	
Shaoguan Recycling Resource hazardous waste landfill project (Shaoguan Recycling Resource BOT)	150,000,000.00	39.94%	39.94%	-	-	-	

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

15. 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
Wastewater treatment project (Shaoguan Recycling Resource)	65,000,000.00	85.13%	85.13%	1,321,616.39	1,321,616.39	5.50%	Borrowing, own funds
Xiamen Dongjiang construction project (Xiamen Dongjiang)	80,000,000.00	44.30%	44.30%	-	-	-	Borrowing, own funds
Plant and road construction project phase III (Coastal Solid Waste)	265,099,500.00	56.90%	56.90%	9,240,540.42	4,798,360.72	4.92%	Borrowing, own funds
Dongguan Hengjian renovation project (Dongguan Hengjian)	130,000,000.00	83.52%	83.52%	2,132,194.80	-	-	Borrowing, own funds
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	301,984,923.42	81.87%	81.87%	22,152,839.94	2,652,691.62	5.05%	Borrowing, own funds
Jiangmen project (Jiangmen Dongjiang)	300,000,000.00	76.14%	76.14%	12,257,513.26	-	-	Borrowing, own funds
Base technical renovation project (Baoan Dongjiang)	78,020,000.00	94.83%	94.83%	-	-	-	Borrowing, own funds
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	150,000,000.00	75.81%	75.81%	3,038,833.88	539,117.28	5.22%	Borrowing, own funds
Fengcheng Dongjiang Environmental industry base detoxification project (Jiangxi Dongjiang)	321,952,000.00	70.24%	70.24%	8,532,587.69	1,871,577.40	5.50%	Borrowing, own funds
Luohu Xiaping kitchen waste project (Headquarter)	111,158,800.00	87.43%	87.43%	-	-	-	-
Incineration plant (Shaoguan Recycling Resource)	110,000,000.00	95.95%	95.95%	-	-	-	-
Hengshui project (Hengshui Ruitao)	107,000,000.00	82.78%	82.78%	2,346,810.97	1,832,583.87	5.23%	Borrowing, own funds
Dongheng Konggang project (Dongheng Konggang)	200,000,000.00	90.33%	90.33%	3,732,040.32	-	-	Borrowing, own funds
Total	4,132,815,023.42	-	-	91,178,278.13	30,311,260.76	-	-

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

16. 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	452,112,044.81	2,011,891.76	22,166,670.78	824,202,133.39	1,300,492,740.74
2. Increase during the year	15,731,186.03	-	4,763,067.59	114,552,783.03	135,047,036.65
(1) Acquisition	15,731,186.03	-	324,515.40	114,384,679.63	130,440,381.06
(2) In-house research and development	-	-	-	-	-
(3) Addition from business combination	-	-	4,438,552.19	168,103.40	4,606,655.59
(4) Increase in category changes and others	79,124,832.53	-	100.00	15,604,619.31	94,729,551.84
3. Decrease during the year	79,124,832.53	-	100.00	15,604,619.31	94,729,551.84
(1) Disposal	16,250,000.00	-	-	1,739,611.77	17,989,611.77
(2) Decrease from business combination	-	-	-	-	-
(3) Decrease in category changes and others	62,874,832.53	-	100.00	13,865,007.54	76,739,940.07
4. Balance at the end of year	388,718,398.31	2,011,891.76	26,929,638.37	923,150,297.11	1,340,810,225.55
II. Accumulated amortisation					
1. Balance at the beginning of year	42,912,030.29	1,070,403.18	4,464,990.58	312,279,600.76	360,727,024.81
2. Increase during the year	9,340,028.78	219,004.23	2,978,729.84	75,088,554.31	87,626,317.16
(1) Provision	9,340,028.78	219,004.23	2,978,729.84	75,088,554.31	87,626,317.16
(2) Addition from business combination	-	-	-	-	-
(3) Increase in category changes and others	-	-	-	-	-
3. Decrease during the year	7,573,209.97	-	100.00	2,620,428.27	10,193,738.24
(1) Disposal	758,333.24	-	-	946,779.99	1,705,113.23
(2) Decrease from business combination	-	-	-	-	-
(3) Decrease in category changes and others	6,814,876.73	-	100.00	1,673,648.28	8,488,625.01
4. Balance at the end of year	44,678,849.10	1,289,407.41	7,443,620.42	384,747,726.80	438,159,603.73

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

16. 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	344,039,549.21	722,484.35	19,486,017.95	510,945,460.12	875,193,511.63
2. Book value at the beginning of year	409,200,014.52	941,488.58	17,701,680.20	484,465,422.44	912,308,605.74

Amortization of intangible assets recognized as profit and loss during the year was RMB87,626,317.16 (Amount of last year: RMB61,256,415.78).

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

16. Intangible assets (Continued)

(2) Land use rights without property rights certificates

The intangible assets included land use rights with book value of RMB2,493,357.16 (amount at the beginning of the year: RMB2,554,858.00) and the application of the land use rights is in process. In the light of the assets below are acquired according to related legal agreements, the Directors of the Company believed that there is no substantive legal obstacle in the transfer of land use rights or affecting the normal use of the land use rights by the Company, no significant impact on the Company's normal operations, and that impairment provision of intangible assets is not required and no significant additional costs will be incurred.

Item	Book value	Reason for not obtaining proper ownership certificate
Qingyuan Xinlv, a subsidiary	2,493,357.16	In progress

(3) Impairment provision of intangible assets

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

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

Longgang Dongjiang BOT operating rights refers to the hazardous waste landfill with a concession period of 22 years from February 2009 under the BOT agreement; Hunan Dongjiang refers to the household waste landfill with a concession period of 31 years from 1 January 2008 to 31 December 2038 under the BOT agreement. As the above mentioned hazardous waste and household waste filled up much faster than the expected, such landfills will be saturated before expiration of the concession period. Therefore, with regard to the total volume handled by these two companies since establishment (i.e. completed landfill volume), the Company calculated the cost per unit based on the construction cost of the landfills and total landfill volume, and calculated the amortized BOT operating rights at the end of 2014, the excess of which when compare with the actual amortized amount (carrying value) results in the amortization cost. As at the end of 2014, the Directors are of the opinion that such excess of carrying value of RMB27,532,216.34 should be fully provided for impairment. 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)

17. 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	
Research on diffusion dialysis technology in nitric acid recycling	5,235,164.47	1,587,248.87	-	-	-	-	6,822,413.34
Technology research and development on cascade recycling and reuse acid etching solution	3,170,089.23	869,882.40	-	-	-	-	4,039,971.63
Technology and demonstration project on the governance of Wujingang river basin through Industry-University-Research	912,909.14	185,828.31	-	-	4,064.38	-	1,094,673.07
0163 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	-	-	-	-	2,206,630.26
Sewage treatment integrated equipment	-	1,476,437.66	-	-	-	-	1,476,437.66
National Water Special Project 3 – Comprehensive integration and demonstration of typical regional water quality improvement technologies in the Wujingang river basin	-	629,337.05	-	-	339,668.79	-	289,668.26
Other projects	1,423,573.86	992,780.18	-	-	485,067.09	-	1,931,286.95
Total	10,741,736.70	7,948,144.73	-	-	828,800.26	-	17,861,081.17

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

18. Goodwill

(1) Original value of goodwill

Name of investee	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
		From business combination	Disposal	
Shaoguan Recycling Resource	30,831,658.44	–	–	30,831,658.44
Chengdu Treatment Centre	2,045,010.07	–	–	2,045,010.07
Lik Shun Services	3,052,019.14	–	–	3,052,019.14
Zhuhai Qingxin	13,100,912.02	–	–	13,100,912.02
Qingyuan Xinlv	17,538,809.93	–	–	17,538,809.93
Jiaxing Deda	9,097,974.10	–	–	9,097,974.10
Dongguan Hengjian	59,796,611.11	–	–	59,796,611.11
Coastal Solid Waste	25,662,811.29	–	–	25,662,811.29
Nanchang Xinguan	20,271,219.13	–	–	20,271,219.13
Hefei Xinguan	6,873,379.12	–	–	6,873,379.12
Xiamen Oasis Environmental	180,159,548.44	–	–	180,159,548.44
Wosen Environmental	14,369,932.91	–	–	14,369,932.91
Jiangxi Kangtai	5,131,308.16	–	–	5,131,308.16
Hengjian Tongda	136,773,774.37	–	–	136,773,774.37
Hubei Tianyin	54,255,302.08	–	–	54,255,302.08
Zhuhai Yongxingsheng	141,616,697.35	–	–	141,616,697.35
Green Environmental	10,800,000.00	–	–	10,800,000.00
Weifang Blue Sea	52,000,000.00	–	–	52,000,000.00
Hengshui Ruitao	44,065,339.97	–	–	44,065,339.97
Zhejiang Jianglian	39,770,465.88	–	–	39,770,465.88
Huaxin Environmental *1	69,183,492.34	–	–	69,183,492.34
Jiangsu Dongjiang *2	223,359,256.95	–	–	223,359,256.95
Dongheng Konggang	12,232,241.72	–	–	12,232,241.72
Huateng Environmental	16,677,905.10	–	–	16,677,905.10
Caofeidian	100,456,186.50	–	–	100,456,186.50
Total	1,289,121,856.12	–	–	1,289,121,856.12

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

*2. During the year, the results of Rudong Daheng were incorporated into the results of Jiangsu Dongjiang.

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

18. Goodwill *(Continued)*

(2) *Impairment provision of goodwill*

Name of investee	Balance at the beginning of year	Increase during the year Provision	Decrease during the year Disposal	Balance at the end of year
Shaoguan Recycling Resource	30,831,658.44	-	-	30,831,658.44
Chengdu Treatment Centre	2,045,010.07	-	-	2,045,010.07
Lik Shun Services	3,052,019.14	-	-	3,052,019.14
Xiamen Oasis Environmental	6,600,000.00	-	-	6,600,000.00
Hubei Tianyin	10,598,716.99	17,725,524.43	-	28,324,241.42
Jiangxi Kangtai	-	5,131,308.16	-	5,131,308.16
Total	53,127,404.64	22,856,832.59	-	75,984,237.23

(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.

(4) *Recognition method of goodwill impairment test process, parameters and goodwill impairment loss*

The Company engaged Beijing YaChao Asset Appraisal Co.,Ltd. to evaluate the recoverable amount of the asset group or asset portfolio which contain goodwill. The recoverable amount is determined based on the present value of the estimated future cash flow. The provision for goodwill impairment for the year is RMB22,856,800.

The asset portfolio which contains goodwill of Jiangxi Kangtai was disposed and the future cash flow of the project is 0. The goodwill impairment is fully provided during the year.

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.

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

18. Goodwill (Continued)

(4) Recognition method of goodwill impairment test process, parameters and goodwill impairment loss (Continued)

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 12% to 14% 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, the provision for goodwill impairment of Hubei Tianyin was RMB17,725,524.43, based on the difference between the carrying value of the asset portfolios containing goodwill and the recoverable amount of the asset portfolios containing goodwill.

19. 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	12,261,522.24	27,414,158.64	4,983,837.57	2,952,862.64	31,738,980.67
Facility improvement fees	2,871,790.04	6,597,108.33	2,361,043.21	-	7,107,855.16
Others	4,846,380.56	5,320,206.40	1,701,827.71	2,861,233.97	5,603,525.28
Total	19,979,692.84	39,331,473.37	9,046,708.49	5,814,096.61	44,450,361.11

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

20. Deferred income tax assets and deferred income tax liabilities

20.1 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	145,647,199.91	17,625,503.14	46,838,215.48	9,523,045.58
Difference of fixed assets depreciation	1,991,707.51	473,144.82	2,922,245.28	588,959.85
Changes in fair value of financial assets at fair value through profit and loss of the period	-	-	-	-
Deferred income	24,317,633.37	3,790,199.22	26,228,063.49	4,141,630.41
Unrealised profit and loss on intragroup sales	3,090,418.14	463,562.72	2,481,175.96	426,821.24
Loss compensation	-	-	564,052.84	141,013.21
Accrued expenses	21,657,242.67	3,248,586.39	-	-
Long-term unamortized expenses	1,604,166.63	401,041.66	1,605,916.63	401,479.16
Changes in accounting policy	-	-	21,298,840.72	3,194,826.11
Total	198,308,368.23	26,002,037.95	101,938,510.40	18,417,775.56

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

20. Deferred income tax assets and deferred income tax liabilities (Continued)

20.1 Deferred income tax assets (Continued)

- 2) The effects of the implementation of New Financial Instrument Standard on the deferred income tax assets

Group	31 December 2017	The effects the implementation of New Financial Instrument Standards	The balance	Changes during the year	31 December 2018
			presented under the New Financial Instrument Standards as at 1 January 2018		
Deferred income tax assets	15,222,949.45	3,194,826.11	18,417,775.56	7,584,262.39	26,002,037.95

20.2 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	57,036,593.77	11,435,559.96	22,356,642.79	3,391,543.77
Change in fair value of held-for-trading financial assets	11,503,220.00	1,725,483.00	–	–
The difference of fixed assets depreciation	4,791,946.84	1,197,986.71	–	–
Total	73,331,760.61	14,359,029.67	22,356,642.79	3,391,543.77

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

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

20.3 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	33,273,097.52	31,685,792.53
Deductible losses	250,057,698.67	180,760,893.52
Total	283,330,796.19	212,446,686.05

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.

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
2018	–	11,769,638.93	
2019	24,105,016.96	24,116,994.16	
2020	29,465,906.96	29,032,123.31	
2021	53,466,541.19	56,765,869.63	
2022	59,208,296.91	59,076,267.49	
2023	83,811,936.65	–	
Total	250,057,698.67	180,760,893.52	

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

21. Other non-current assets

Item	Balance at the end of year	Balance at the beginning of year
Payment for construction or equipment	179,253,629.70	192,891,698.08
Equity-based payment for acquisitions	17,500,000.00	–
Total	196,753,629.70	192,891,698.08

22. 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	39,745,000.00	29,500,000.00
Guaranteed borrowings	144,351,571.16	68,359,000.00
Credit borrowings	1,650,000,000.00	1,774,778,100.25
Total	1,834,096,571.16	1,872,637,100.25

Pledged borrowings: as at the end of the year, short-term borrowings of RMB39,700,000.00 was secured by pledge of 11 buildings of Xiamen Oasis Environmental of book value of RMB96,245,900.00.

Guaranteed borrowings: guaranteed borrowings at the end of the year was guarantee provided by the Company in favour of Xiamen Oasis, Jiangxi Dongjiang and Lik Shun Services.

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

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

23. Notes payable and accounts payable

Category	Balance at the end of year	Balance at the beginning of year
Notes payable	150,000,000.00	–
Accounts payable	558,358,310.28	705,134,001.34
Total	708,358,310.28	705,134,001.34

23.1 Notes payable

Types of notes payable	Balance at the end of year	Balance at the beginning of year
Bank acceptance notes	150,000,000.00	–
Commercial acceptance notes	–	–
Total	150,000,000.00	–

(1) Aging of notes payable

Age	Balance at the end of year	Balance at the beginning of year
0-90 days	50,000,000.00	–
91-180 days	100,000,000.00	–
181-365 days	–	–
Total	150,000,000.00	–

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

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

23. Notes payable and accounts payable (Continued)

23.2 Accounts payable

(1) Accounts payable

Item	Balance at the end of year	Balance at the beginning of year
Raw material	162,892,387.97	344,840,864.01
Construction fees	186,494,372.70	189,697,017.86
Treatment fee	118,524,203.69	100,110,521.18
Equipment	47,695,800.98	37,464,737.25
Others	42,751,544.94	33,020,861.04
Total	558,358,310.28	705,134,001.34

(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.	15,824,500.00	Not yet due
Weigang Environment Technology Limited	7,162,539.13	Not yet due
Fujian Zhuoyue Hongchang Construction Materials and Equipment Co., Ltd.	2,010,000.00	The equipment is not qualified and the last payment has not been paid.
Xin Zhongtian Environment Protection Co., Ltd.	1,194,307.47	Not yet due
Huizhou Tonghu Qiaochang Construction Project Co., Ltd. (惠州潼湖橋場建築工程公司)	712,950.00	Warranty
LIDA Environmental Engineering Limited	705,100.00	Not yet due
Jinglu Electronics (Kunshan) Co., Ltd.	588,411.06	Not yet due
Zhejiang Qimingxing Environmental Protection Engineering Co., Ltd.	530,000.00	Not yet due
Total	28,727,807.66	—

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

23. Notes payable and accounts payable *(Continued)*

23.2 Accounts payable *(Continued)*

(3) Aging of accounts payable

Age	Balance at the end of year	Balance at the beginning of year
0-90 days	313,200,928.43	421,403,487.51
91-180 days	90,682,256.12	63,573,698.55
181-365 days	25,632,419.50	167,105,439.40
1-2 years	116,777,796.55	40,404,553.62
2-3 years	5,779,253.72	7,100,234.47
Over 3 years	6,285,655.96	5,546,587.79
Total	558,358,310.28	705,134,001.34

24. Receipts in advance

(1) Receipts in advance

Item	31 December 2018	1 January 2018	31 December 2017
Payments for goods	–	–	25,113,899.48
Treatment fees	–	–	113,934,610.51
Others	2,986,660.00	1,198,245.67	311,857.90
Total	2,986,660.00	1,198,245.67	139,360,367.89

Note: Due to the implementation of the New Revenue Standard, as at 1 January 2018, the Company reclassifies the related receipts in advance for sales of goods or provision of disposal services to contract liabilities.

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

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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)*

25. Contractual liabilities

Item	31 December 2018	1 January 2018	31 December 2017
Service fees	143,251,027.11	111,766,009.40	–
Payments for goods	7,353,831.87	25,113,899.48	–
Construction fees	1,363,679.11	1,282,213.34	–
Total	151,968,538.09	138,162,122.22	–

26. 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	62,895,757.43	578,363,692.98	559,359,084.18	81,900,366.23
Post-employment benefit – defined contribution schemes	81,805.49	34,179,129.75	34,141,713.39	119,221.85
Termination benefits	–	3,753,649.45	3,019,270.45	734,379.00
Other benefits due within one year	–	–	–	–
Total	62,977,562.92	616,296,472.18	596,520,068.02	82,753,967.08

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

26. 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	60,127,057.65	505,784,402.22	487,283,956.44	78,627,503.43
Staff welfare	1,019,406.18	37,717,569.43	37,973,431.36	763,544.25
Social Insurance	21,121.76	14,240,403.55	14,201,099.19	60,426.12
Including: Medical insurance	17,365.97	11,660,701.18	11,623,676.78	54,390.37
Injury Insurance	1,668.48	1,367,522.49	1,367,466.66	1,724.31
Maternity	2,087.31	1,212,179.88	1,209,955.75	4,311.44
Housing provident fund	74,725.09	13,703,527.75	13,773,289.40	4,963.44
Union operation cost and employee education fund	1,653,446.75	6,030,043.07	5,367,623.44	2,315,866.38
Others	–	887,746.96	759,684.35	128,062.61
Total	62,895,757.43	578,363,692.98	559,359,084.18	81,900,366.23

(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	79,840.45	32,909,164.62	32,871,626.64	117,378.43
Unemployment insurance	1,965.04	951,720.78	951,842.40	1,843.42
Mandatory provident fund	–	318,244.35	318,244.35	–
Total	81,805.49	34,179,129.75	34,141,713.39	119,221.85

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

27. Tax payable

Item	Balance at the end of year	Balance at the beginning of year
VAT	30,743,794.37	29,563,602.75
EIT	38,786,885.99	21,639,690.00
Individual income tax	2,254,773.91	1,761,966.92
Urban maintenance and construction tax	1,889,014.75	2,010,844.44
Education surcharge	1,519,660.84	1,496,721.28
Land use tax	2,218,751.50	2,691,384.73
Property tax	3,677,741.84	2,571,057.95
Stamp duty	78,701.41	40,577.14
Others	72,886.95	35,448.03
Total	81,242,211.56	61,811,293.24

28. Other payables

Item	Balance at the end of year	Balance at the beginning of year
Interest payable	2,106,252.25	891,381.67
Dividend payable	3,260,310.01	6,593,410.01
Other payables	207,576,588.33	307,227,675.19
Total	212,943,150.59	314,712,466.87

28.1 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	564,740.81	613,359.21
Interest payable of short-term borrowings	1,541,511.44	278,022.46
Total	2,106,252.25	891,381.67

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

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

28. Other payables (Continued)

28.2 Dividend payable

Item	Balance at the end of year	Balance at the beginning of year
Dividend of ordinary shares	3,260,310.01	6,593,410.01
Total	3,260,310.01	6,593,410.01

28.3 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	124,677,510.00
Equity-based payment for acquisitions	30,362,606.04	92,373,978.64
Guaranteed deposits	20,832,531.13	15,746,253.97
Provisions	957,878.02	1,533,260.91
Receipts on behalf of third parties	6,802,180.18	5,399,921.40
Others	80,814,426.21	67,496,750.27
Total	207,576,588.33	307,227,675.19

(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
Jiangsu Yadong Construction Development Group Co., Ltd.	8,060,000.00	The equity agreement has not been fulfilled
Sichuan Xingli Wheel Co., Ltd.	4,400,000.00	These subsidiaries have ceased operation, hence it is uncertain whether payment is required
Hebei Lichen Environmental Protection Technology Co., Ltd.	1,837,500.00	The equity agreement has not been fulfilled
Total	45,648,000.00	—

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

29. 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	81,400,000.00	4,500,000.00
Long-term payables due within 1 year	655,900.35	1,631,610.36
Long-term bonds payable due within 1 year	358,921,775.00	–
Total	440,977,675.35	6,131,610.36

30. Other current liabilities

Item	Balance at the end of year	Balance at the beginning of year
Deferred income of government grants related to assets carry over within 1 year	8,681,676.76	7,384,032.79
Total	8,681,676.76	7,384,032.79

(1) Government grants

Government grant item	Balance at the beginning of year	Amount of new subsidies during the year	Amount of non-operating income/ other income during the year	Other changes	Balance at the end of year	Related to assets/income
Special funds for 2014 provincial circular economy development	97,484.41	–	97,484.41	97,484.41	97,484.41	Related to assets
Compensation for demolition	383,464.99	–	383,464.99	383,464.99	383,464.99	Related to assets
Land return fund and farmland occupied tax, deed tax return	650,481.96	–	589,531.98	345,732.02	406,682.00	Related to assets
Economy recycling and energy saving and emission reduction special funds/RO membrane	86,000.03	–	86,000.04	86,000.00	85,999.99	Related to assets
Project appropriation from Human Settlements and Environment Commission of Shenzhen Municipal	399,999.94	–	399,999.96	400,000.00	399,999.98	Related to assets

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

30. Other current liabilities (Continued)

(1) Government grants (Continued)

Government grant item	Balance at the beginning of year	Amount of new subsidies during the year	Amount of non-operating other income during the year	Other changes	Balance at the end of year	Related to assets/income
Special funds of Shenzhen government for energy-saving and emission – reduction projects	80,000.03	–	80,000.00	80,000.00	80,000.03	Related to assets
2017 special fund reward for special project of Guangdong industrial and informatization (supporting enterprise technology transformation)	–	–	–	615,555.56	615,555.56	Related to assets
Resource saving and environment protection engineering funding of Renewable Energy	849,999.96	–	849,999.96	849,999.96	849,999.96	Related to assets
Resource saving and environment protection engineering funding of Renewable Energy	–	–	–	219,999.96	219,999.96	Related to assets
2013 support enterprise development funds	260,000.00	–	260,000.00	260,000.00	260,000.00	Related to assets
Amortization of the land return fund and special fund subsidy level	562,440.52	–	562,440.52	562,440.52	562,440.52	Related to assets
Land return fund and farmland occupied tax, deed tax return	125,172.00	–	125,172.00	125,172.00	125,172.00	Related to assets
Food Waste Project	116,666.64	–	116,666.64	304,496.52	304,496.52	Related to assets
Demonstration Base (Special funds for environmental protection projects)	356,083.08	–	356,083.08	356,083.08	356,083.08	Related to assets
Other resource exploration electricity information (Kitchen waste biological treatment system industrialization project)	–	–	–	416,666.64	416,666.64	Related to assets
Industrial park development subsidy funds	546,780.60	–	546,780.60	546,780.60	546,780.60	Related to assets
Clinical waste treatment plant project subsidy	400,664.15	–	400,664.15	348,808.28	348,808.28	Related to assets
Xiang'an District Xinyi Town People's Government subsidy in September 2012	64,000.00	–	64,000.00	46,500.00	46,500.00	Related to assets
Xiang'an District Xinyi Town People's Government subsidy in January 2013	70,000.00	–	70,000.00	87,500.00	87,500.00	Related to assets

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

30. Other current liabilities (Continued)

(1) Government grants (Continued)

Government grant item	Balance at the beginning of year	Amount of new subsidies during the year	Amount of non-operating income/ other income during the year	Other changes	Balance at the end of year	Related to assets/income
Waste electrical appliances and electronic product recycle treatment plant renovation and expansion project	419,505.04	-	419,505.04	392,752.80	392,752.80	Related to assets
Recycling system building project of Resource Recycling	316,394.76	-	316,394.76	316,394.76	316,394.76	Related to assets
Special construction funds from NDRC	900,000.00	-	900,000.00	900,000.00	900,000.00	Related to assets
Special funds for project package with rewards rather than subsidies in respect of hazardous waste treatment of Longyan Oasis	157,894.68	-	157,894.68	157,894.68	157,894.68	Related to assets
Longyan Oasis environmental protection project subsidy	25,000.00	-	25,000.00	25,000.00	25,000.00	Related to assets
Incentives for deep emission reduction of major pollution sources	216,000.00	-	216,000.00	396,000.00	396,000.00	Related to assets
Special funds for environmental protection projects in Shenzhen	300,000.00	-	300,000.00	300,000.00	300,000.00	Related to assets
Total	7,384,032.79	-	7,323,082.81	8,620,726.78	8,681,676.76	

Note: "Other changes" were transferred from the reclassification of deferred income.

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

31. Long-term borrowings

(1) *Categories of long-term borrowings*

Categories of borrowings	Amount at the end of year	Amount at the beginning of year
Secured borrowings	–	4,500,000.00
Pledged borrowings	392,066,886.00	157,343,150.00
Guaranteed borrowings	125,131,501.82	135,211,185.54
Total	517,198,387.82	297,054,335.54

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

Categories of borrowings	Amount at the end of year	Amount at the beginning of year
Secured borrowings	–	4,500,000.00
Pledged borrowings	392,066,886.00	157,343,150.00
Guaranteed borrowings	125,131,501.82	135,211,185.54
Total	517,198,387.82	297,054,335.54
The carrying value of the above borrowings are payable as follows:		
Within 1 year	81,400,000.00	4,500,000.00
After 1 year from the balance sheet date but within 2 years	21,500,000.00	3,000,000.00
After 2 years from the balance sheet date but within 5 years	346,298,387.82	229,711,185.54
After 5 years from the balance sheet date	68,000,000.00	59,843,150.00
Less: Amounts due within one year shown under current liabilities	81,400,000.00	4,500,000.00
Amounts shown under current liabilities	435,798,387.82	292,554,335.54

Interest rate for long-term bank borrowings was 4.75%-5.70%, with weighted average rate of 5.49% (2017: interest rate for long-term borrowings was 4.75%-6.60%, with weighted average rate of 5.23%).

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 RMB96,750,153.28 held by Hubei Tianyin; property and land with a temporary consideration of RMB100,314,082.97 held by Zhuhai Yongxingsheng; buildings with an appraised value of RMB96,245,900.00 held by Xiamen Oasis Environmental; and land with a temporary consideration of RMB25,070,000.00 held by Weifang Blue Sea.

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)

32. Bond payables

(1) Categories of bond payables

Item	31 December 2018	1 January 2018	31 December 2017
2014 Corporate Bond (first tranche) of Dongjiang Environmental Company Limited	358,921,775.00	358,013,680.70	358,013,680.70
2017 Green Bond of Dongjiang Environmental Company Limited	623,134,140.84	621,332,018.82	621,332,018.82
Asset-backed Project in relation to the GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project	279,673,814.68	290,381,337.03	310,381,337.03
Total	1,261,729,730.52	1,269,727,036.55	1,289,727,036.55
The carrying value of the above bonds are repayable as follows:			
Within 1 year	358,921,775.00	–	–
After 1 year from the balance sheet date but within 2 years	641,043,067.75	358,013,680.70	358,013,680.70
After 2 years from the balance sheet date but within 5 years	49,497,653.24	649,799,183.35	649,799,183.35
After 5 years from the balance sheet date	212,267,234.53	261,914,172.50	281,914,172.50
Less: Amount of bonds due within one year shown under current liabilities	358,921,775.00	–	–
Amount of bonds shown under current liabilities	902,807,955.52	1,269,727,036.55	1,289,727,036.55

As at 31 December 2017, the Company held substandard assets supporting securities without expected yield with the carrying value of RMB20,000,000. After the implementation of the New Financial Instrument Standards, on 1 January 2018, the Company offset such financial asset with “bonds payable – GF Hengjin – special assets supporting securities” and presented its net value.

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

32. Bond payables (Continued)

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

Name of bond	Total carrying amount	Issue date	Term of bond	Amount issued	Balance at the beginning of year	Issued during the year	Interest provision based on carrying amount	Premium/ discounts amortization	Repayment during the year	Payment of underwriting fee	Other changes	Balance at the end of year
Corporate Bond	350,000,000.00	2014-8-1	5 year	350,000,000.00	358,013,680.70	-	22,749,999.96	908,094.34	22,750,000.00	-	358,921,775.00	-
Green Bond	600,000,000.00	2017-3-10	3 year	600,000,000.00	621,332,018.82	-	29,400,000.00	1,802,122.02	29,400,000.00	-	-	623,134,140.84
Humen Green 01	41,000,000.00	2017-3-15	3 year	41,000,000.00	28,467,164.53	-	1,154,006.99	2,695,189.83	14,407,434.44	-	-	17,908,926.91
Humen Green 02	49,000,000.00	2017-3-15	6 year	49,000,000.00	49,525,896.30	-	2,033,500.00	-	2,061,743.06	-	-	49,497,653.24
Humen Green 03	58,000,000.00	2017-3-15	9 year	58,000,000.00	58,628,608.80	-	2,407,000.00	-	2,440,430.56	-	-	58,595,178.24
Humen Green 04	69,000,000.00	2017-3-15	12 year	69,000,000.00	69,787,463.52	-	2,863,500.00	-	2,903,270.83	-	-	69,747,692.69
Humen Green 05	83,000,000.00	2017-3-15	15 year	83,000,000.00	83,972,203.88	-	3,444,500.00	-	3,492,340.28	-	-	83,924,363.60
Total	1,250,000,000.00			1,250,000,000.00	1,269,727,036.55	-	64,052,506.95	5,405,406.19	77,455,219.17	-	358,921,775.00	902,807,955.52

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;

In 2017, the Company issued 3-year bonds with total carrying value of RMB600 million at the rate of 4.9% per annum, with interest payable on 31 December of each year, and principal repayable upon expiry. The actual net subscription payment received by the Company was approximately RMB596,263,136.82, with actual interest rate of 5.04%;

Humen Green, a subsidiary, set up GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project on 15 March 2017, which includes senior asset-backed securities (senior 01 tranche-senior 05 tranche) and subordinated asset-backed securities. Senior asset-backed securities were fully subscribed for by China Minsheng Banking Corp., Ltd. and the subordinated asset-backed securities were fully subscribed for by Humen Green. The actual amount of funds received for the Project by Humen Green was RMB320 million. The breakdown of the asset-backed securities is as follows: The issuing size of Humen Green 01 was RMB41 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2020, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of Humen Green 02 was RMB49 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2023, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of Humen Green 03 was RMB58 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2026, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of Humen Green 04 was RMB69 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2029, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; the issuing size of Humen Green 05 was RMB83 million with expected rate of return of 4.15% and they were expected to mature on 21 March 2032, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%.

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

33. Long-term payables

Item	31 December 2018	1 January 2018
Long-term payables	894,116.01	1,691,598.24
Special accounts payable	4,435,135.17	2,075,259.49
Total	5,329,251.18	3,766,857.73

33.1 Long-term payables by nature of amounts

Nature of amounts	Balance at the end of year	Balance at the beginning of year
Financial lease payables	1,550,016.36	3,323,208.60
Less: amount due within 1 year (note VI.29)	655,900.35	1,631,610.36
Amount due after 1 year	894,116.01	1,691,598.24
Total	894,116.01	1,691,598.24

(1) Breakdown of financial lease payables

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

Name	Balance at the end of year		Amount at the beginning of year	
	Foreign currency (HKD) (exchange rate: 0.8762)	Amount in RMB	Foreign currency (HKD) (exchange rate: 0.8359)	Amount in RMB
China Merchants Bank Financial Leasing Co., Ltd.	-	-	-	-
China Construction Bank (Asia) Corporation Limited	-	-	1,142,959.15	955,399.55
The Bank of East Asia, Limited	-	-	-	-
Wing Hang Bank Limited	-	-	-	-
OCBC Wing Hang Bank Limited	1,769,021.18	1,550,016.36	2,832,646.31	2,367,809.05
Total	1,769,021.18	1,550,016.36	3,975,605.46	3,323,208.60

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

33. Long-term payables (Continued)

33.1 Long-term payables by nature of amounts (Continued)

- (2) The Company subsequently calculates these long-term payables using the actual interest rate approach based on amortized costs.
- (3) As at the end of the year, minimum lease payment under financial lease falls due as follows:

Item	Balance at the end of year	Amount at the beginning of year
Within 1 year	693,232.20	1,751,648.43
1-2 year(s)	504,949.77	855,478.45
2-3 years	414,916.62	524,694.43
Over 3 years	35,362.19	411,576.34
Sub-total	1,648,460.78	3,543,397.65
Less: unrecognized finance cost	98,444.42	220,189.05
Total	1,550,016.36	3,323,208.60

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

33.2 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	2,075,259.49	4,275,000.00	1,915,124.32	4,435,135.17	Demolition payments received by a subsidiary, Baoan Dongjiang
Total	2,075,259.49	4,275,000.00	1,915,124.32	4,435,135.17	-

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

34. 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	155,897,737.22	42,752,500.00	22,656,520.39	175,993,716.83	
Total	155,897,737.22	42,752,500.00	22,656,520.39	175,993,716.83	-

(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
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
Land return fund and farmland occupied tax, deed tax return	30,205,833.61	-	-	-	11,661,766.84	406,682.00	18,137,384.77	Related to assets
Special funds for Shenzhen Environmental Protection Project	5,000,000.00	-	-	-	-	-	5,000,000.00	Related to assets
Special funds for circular economy and energy saving and emission reduction/RO membrane	121,833.18	-	-	0.04	-	86,000.00	35,833.14	Related to assets
Special funds for Shenzhen Environmental Protection Project	1,600,000.23	-	-	-	-	400,000.00	1,200,000.23	Related to assets
Special funds from Shenzhen government for energy-saving and emission-reduction projects	319,999.86	-	-	-	-	80,000.00	239,999.86	Related to assets
2017 special fund reward for special project of Guangdong industrial and informatization (supporting enterprise technology transformation)	-	5,540,000.00	-	359,074.07	-	615,555.56	4,565,370.37	Related to assets
Funds for resource conservation and environmental protection project of Renewable Energy	1,495,833.66	-	-	-	-	849,999.96	645,833.70	Related to assets
End gas denitration system of generating units of Xiaping Power Plant of Shenzhen Dongjiang Environment Recycled Resources Co., Ltd.	2,200,000.00	-	-	219,999.96	-	219,999.96	1,760,000.08	Related to assets

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

34. 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		Amount of written-down cost during the year	Other changes	Balance at the end of year	Related to assets/income
			in non-operating income during the year	Amount included in other income during the year				
Special funds for 2013 enterprise development support	368,333.33	-	-	-	-	260,000.00	108,333.33	Related to assets
Land return fund and farmland occupied tax, deed tax return	24,914,181.39	-	-	-	-	562,440.52	24,351,740.87	Related to assets
Land return fund and farmland occupied tax, deed tax return	5,601,447.00	-	-	-	-	125,172.00	5,476,275.00	Related to assets
Special funds for central environmental protection projects	5,786,350.20	-	-	-	-	356,083.08	5,430,267.12	Related to assets
Other resource exploration electricity information (Xiaping kitchen waste)	5,000,000.00	-	-	833,333.28	-	416,666.64	3,750,000.08	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	-	-	-	-	-	870,000.00	Related to assets
Hazardous waste liquid and waste water treatment technology engineering laboratory project in Shenzhen	4,934,188.04	-	-	-	-	-	4,934,188.04	Related to assets
Research and development on cascade recycling and reuse technology of waste acid etching solution – Special project	1,500,000.00	-	-	-	-	-	1,500,000.00	Related to assets
Integration and demonstration project of sludge reduction, nitrogen and phosphorus recycling, methane production and technology enhancement in municipal sewage treatment	1,600,000.00	-	-	-	-	-	1,600,000.00	Related to assets
Food Waste Project of Shenzhen Environmental Hygiene Management Office	1,166,666.72	1,900,000.00	-	21,700.88	-	304,496.52	2,740,469.32	Related to assets
Rural water supply and drainage model optimization system based on ecological and health risk control	90,000.00	100,000.00	-	-	-	-	190,000.00	Related to assets
The safest water-supply technology and application demonstration in the mode of fetching handy water to purify	50,000.00	22,500.00	-	-	-	-	72,500.00	Related to assets

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

34. Deferred income (Continued)

(2) Government-funded projects (Continued)

Government-funded projects	Balance at	Amount included			Amount of	Other changes	Balance at the	Related to
	the beginning	Increase of grants	in non-operating	Amount included	written-down cost		end of year	
	of year	during the year	income during	in other income	during the year			
			the year	during the year	during the year			
Integration solution and control technology system for rural water supply and drainage	50,000.00	20,000.00	-	-	-	-	70,000.00	Related to assets
Research on application of nanotechnology in control on heavy metal pollution in the industrial cluster	1,140,000.00	-	-	-	-	-	1,140,000.00	Related to assets
General project: anaerobic digestion of sludge and safe operation technology and equipment in southern cities	80,000.00	-	-	-	-	-	80,000.00	Related to assets
Special subsidies for Northern Guangdong sewage treatment	5,000,000.00	-	-	-	-	-	5,000,000.00	Related to assets
Northern Guangdong agent construction project	4,636,000.00	-	-	-	-	-	4,636,000.00	Related to assets
Subsidies for industrial park development	19,547,445.22	-	-	-	-	546,780.60	19,000,664.62	Related to assets
Clinical waste treatment plant project	953,591.98	-	-	-	-	348,808.28	604,783.70	Related to assets
Subsidies for Xiang'an District Xinxu Town	514,666.67	-	-	-	-	134,000.00	380,666.67	Related to assets
Waste electrical appliances recycle treatment plant renovation and expansion project	1,091,751.37	-	-	-	-	392,752.80	698,998.57	Related to assets
Construction funds for recycling system of Resource Recycling	1,796,678.40	-	-	-	-	316,394.76	1,480,283.64	Related to assets
City Mineral Project Subsidy of Xiamen Oasis	-	24,000,000.00	-	-	-	-	24,000,000.00	Related to assets
Special construction funds from NDRC	3,075,000.00	-	-	-	-	900,000.00	2,175,000.00	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	-	-	-	-	157,894.68	171,052.75	Related to assets
Longyan Oasis environmental protection project subsidy	50,000.00	-	-	-	-	25,000.00	25,000.00	Related to assets
Special funds for hazardous waste prevention and treatment	-	300,000.00	-	-	-	-	300,000.00	Related to assets
Awards for deep emission reduction of key pollution sources	1,188,000.00	1,080,000.00	-	75,000.00	-	396,000.00	1,797,000.00	Related to assets

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

34. 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		Amount of written-down cost during the year	Other changes	Balance at the end of year	Related to assets/income
			in non-operating income during the year	Amount included in other income during the year				
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
Special fund for Shenzhen environmental projects	625,000.00	-	-	-	-	300,000.00	325,000.00	Related to assets
Technical renovation project funds	-	30,000.00	-	-	-	-	30,000.00	Related to assets
New landfill site project	-	2,910,000.00	-	171,185.93	-	-	2,738,814.07	Related to assets
Dongheng Konggang Industrial Park Technology Supporting Funds	15,000,000.00	-	-	-	-	-	15,000,000.00	Related to assets
Subsidies for rainwater biofiltration technology research and development project	1,000,000.00	-	-	-	-	-	1,000,000.00	Related to assets
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
Tsinghua project special funds	632,782.63	-	-	632,782.63	-	-	-	Related to assets
Total	155,897,737.22	42,752,500.00	-	2,313,076.79	11,661,766.84	8,681,676.76	175,993,716.83	

Note: For "Other changes", except for the decrease of RMB60,949.98 in land return fund and farmland occupied tax, deed tax return due to certain lands returned to the government, the remaining was transferred to other current liabilities (see note VI.30).

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

35. Other non-current liabilities

Item	Amount at the end of year	Amount at the beginning of year
863 Project	–	2,813,900.00
Total	–	2,813,900.00

36. 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 (+, -)					Sub-total	Balance at the end of year
		Issue of new shares	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	

- 1) Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants” considered and passed at the 7th meeting of the sixth session of the Board and the 5th meeting of the sixth session of the board of supervisors of the Company on 23 November 2017, the Company repurchased and cancelled 10,000 restricted shares granted but not yet unlocked from 1 former incentive participants who ceased to be qualified as they had resigned for personal reasons and completed the relevant procedures for leaving office.
- 2) Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants” considered and passed at the 7th meeting of the sixth session of the Board of the Company on 23 November 2017, the Company repurchased and cancelled 840,000 restricted shares granted but not yet unlocked from 11 former incentive participants who ceased to be qualified as they had terminated the labour contacts with the Company and completed the relevant procedures for leaving office.
- 3) Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants of 2016 Restricted Share Incentive Scheme” considered and passed at the 9th meeting of the sixth session of the Board and the 7th meeting of the sixth session of the board of supervisors on 7 February 2018, the Company repurchased and cancelled 287,000 restricted shares granted but not yet unlocked from 6 former incentive participants who ceased to be qualified as they had terminated the labour contacts with the Company and completed the relevant procedures for leaving office.

The procedures of repurchase and cancellation for the above 1,137,000 shares were completed at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 19 April 2018.

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

36. Share capital (Continued)

During last 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	887,152,102.40	1,380,000.00	-	-	-295,000.00	1,085,000.00	888,237,102.40

37. 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	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
Total	505,827,372.67	1,569,952.36	8,744,730.00	498,652,595.03

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 who had left office, increase in other capital reserve was attributable to equity-based incentive fees of RMB-1,281,200, and other capital reserves of RMB2,851,200 arising from the acquisition of minority shares and capital increase.

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	478,007,350.37	9,784,200.00	2,114,940.00	485,676,610.37
Other capital reserves	40,908,353.55	22,372,195.14	43,129,786.39	20,150,762.30
Total	518,915,703.92	32,156,395.14	45,244,726.39	505,827,372.67

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

38. 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	124,677,510.00	–	56,904,680.00	67,772,830.00
Total	124,677,510.00	–	56,904,680.00	67,772,830.00

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

During the last year

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

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

39. 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	2,564,766.23	23,776,176.15	-	-	14,362,814.47	9,413,361.68	16,927,580.70
Including: exchange difference on translation of financial statement in foreign currency	-944,934.97	242,771.95	-	-	242,771.95	-	-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	3,509,701.20	23,533,404.20	-	-	14,120,042.52	9,413,361.68	17,629,743.72
Total	2,564,766.23	23,776,176.15	-	-	14,362,814.47	9,413,361.68	16,927,580.70

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

40. 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	3,128,442.22	7,096,637.41	4,664,075.35	5,561,004.28
Total	3,128,442.22	7,096,637.41	4,664,075.35	5,561,004.28

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	1,912,526.46	3,124,876.10	1,908,960.34	3,128,442.22
Total	1,912,526.46	3,124,876.10	1,908,960.34	3,128,442.22

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.

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

41. 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	199,255,721.44	3,660,211.93	-	202,915,933.37
Total	199,255,721.44	3,660,211.93	-	202,915,933.37

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	190,854,508.48	8,401,212.96	-	199,255,721.44
Total	190,854,508.48	8,401,212.96	-	199,255,721.44

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.

42. 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	4,114,125.00	1.5
Total	5,611,350.00	4,114,125.00	

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

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

43. Unallocated profit

Item	During the year	During the last year
Amount at the end of last year	2,250,645,463.83	1,892,980,408.00
Add: Effects of changes in accounting policies *1	-18,104,014.61	–
Amount at the beginning of the year	2,232,541,449.22	1,892,980,408.00
Add: Net profit attributable to shareholders of the parent company during the year	407,917,006.14	473,375,978.13
Less: Withdrawal of statutory surplus reserve *2	3,660,211.93	8,401,212.96
Withdrawal of any surplus reserve	–	–
Appropriation to general risk provision	1,497,225.00	–
Dividend payable of ordinary shares	142,364,623.42	107,309,709.34
Bonus of ordinary shares converted to equity	–	–
Amount at the end of the year	2,492,936,395.01	2,250,645,463.83

*1: For the effects of changes in accounting policies, please see Note IV.34 Changes in significant accounting policies and accounting estimates.

*2: 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 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.

(b) For the year ended 31 December 2017

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

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

44. 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	92,388,054.31	77,400,897.76
Qingdeng Wastes Treatment	49.00	54,010,547.85	57,792,315.86
Hunan Dongjiang	5.00	817,828.56	780,673.27
Qingyuan Xinlv	37.50	38,851,648.41	41,910,646.71
Jiaying Deda	49.00	36,473,543.27	33,944,525.95
Coastal Solid Waste	25.00	17,074,542.85	17,399,527.16
Xiamen Oasis Environmental	40.00	97,661,604.96	87,527,967.30
Xiamen Dongjiang	40.00	78,718,351.11	70,259,014.61
Wosen Environmental	17.18	14,104,899.14	10,532,501.93
Shaoxing Dongjiang	48.00	-206,517.25	-208,693.90
Jiangxi Kangtai	49.00	3,841,178.33	4,825,269.13
Green Environmental	45.00	21,868,046.00	24,092,797.79
Hubei Tianyin	40.00	8,234,012.72	11,911,973.82
Zhuhai Yongxingsheng	20.00	37,491,890.04	27,479,049.20
Humen Green	10.00	11,917,990.10	10,147,579.80
Hengshui Ruitao	15.00	7,420,077.81	7,473,673.50
Jiangsu Dongheng Environmental	43.75	24,453,076.55	27,623,380.45
Zhejiang Jianglian	40.00	50,524,181.00	34,105,410.40
Zhenjiang Dongjiang	40.00	765,825.07	738,340.37
Weifang Blue Sea	30.00	16,715,630.58	17,900,366.56
Huangshi Dongjiang	30.00	1,263,828.84	189,792.64
Tangshan Wandesi	20.00	25,836,368.48	9,836,368.48
Mianyang Dongjiang	49.00	2,045,375.85	-
Handan Dongjiang	40.00	1,956,463.85	-
Dongjiang Heritage	0.00	-	19,088,663.42
Total		644,228,448.43	592,752,042.21

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

45. Net current assets

Item	Amount at the end of year	Amount at the beginning of year
Current assets	3,088,057,329.14	3,153,220,606.55
Less: current liabilities	3,524,008,760.87	3,170,148,435.66
Net current assets	-435,951,431.73	-16,927,829.11

46. Total assets less current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Total assets	9,744,457,681.11	9,202,043,357.86
Less: current liabilities	3,524,008,760.87	3,170,148,435.66
Total assets less current liabilities	6,220,448,920.24	6,031,894,922.20

47. Borrowings

Borrowings of the Company are summarized as follows:

Item	Amount at the end of year	Amount at the beginning of year
Short-term bank borrowings	1,834,096,571.16	1,872,637,100.25
Long-term borrowings	517,198,387.82	297,054,335.54
Bonds payable	1,261,729,730.52	1,269,727,036.55
Obligations under finance lease	1,550,016.36	3,323,208.60
Total	3,614,574,705.86	3,442,741,680.94

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

47. Borrowings (Continued)

(1) Analysis of borrowings

Item	Amount at the end of year	Amount at the beginning of year
Bank borrowings		
– repayable within 1 year	1,915,496,571.16	1,877,137,100.25
– repayable after 1 year	435,798,387.82	292,554,335.54
Sub-total	2,351,294,958.98	2,169,691,435.79
Other borrowings		
– repayable within 1 year	359,577,675.35	1,631,610.36
– repayable after 1 year	903,702,071.53	1,271,418,634.79
Sub-total	1,263,279,746.88	1,273,050,245.15
Total	3,614,574,705.86	3,442,741,680.94

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).

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

47. Borrowings (Continued)

(2) Analysis of maturity of borrowings

Bank borrowings:

Item	Amount at the end of year	Amount at the beginning of year
On demand or within 1 year	1,915,496,571.16	1,877,137,100.25
1-2 years	21,500,000.00	3,000,000.00
2-5 years	346,298,387.82	229,711,185.54
Over 5 years	68,000,000.00	59,843,150.00
Total	2,351,294,958.98	2,169,691,435.79

Other borrowings:

Item	Amount at the end of year	Amount at the beginning of year
On demand or within 1 year	359,577,675.35	1,631,610.36
1-2 years	894,116.01	1,691,598.24
2-5 years	902,807,955.52	1,269,727,036.55
Total	1,263,279,746.88	1,273,050,245.15

48. 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	3,284,080,652.02	2,125,240,410.09	3,099,658,647.44	1,987,509,300.10
Other businesses	-	-	-	-
Total	3,284,080,652.02	2,125,240,410.09	3,099,658,647.44	1,987,509,300.10

Revenue from main businesses (turnover of the Company) represents the net amounts received and receivables for sale of goods and rendering of services by the Company to outside customers, less trade discounts during the year.

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

48. 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	1,228,371,673.60	916,901,986.38	1,181,528,804.30	859,206,068.70
Industrial waste treatment and disposal	1,286,740,266.05	677,077,283.04	1,167,436,763.04	610,084,304.10
Municipal waste treatment and disposal	262,002,747.67	228,705,399.43	192,959,514.67	168,293,339.43
Renewable energy utilization	91,446,521.00	62,642,226.05	92,982,463.50	58,960,461.94
Environmental engineering and services	173,303,221.53	124,032,702.17	279,820,620.98	207,858,164.67
Trading and others	104,516,046.14	25,853,277.11	127,619,567.07	35,692,798.26
Dismantling household appliances	137,700,176.03	90,027,535.91	57,310,913.88	47,414,163.00
Total	3,284,080,652.02	2,125,240,410.09	3,099,658,647.44	1,987,509,300.10

(3) Percentage of purchase from the largest supplier is 2.70%, where percentage of purchase from the five largest suppliers is 9.45%; Percentage of turnover or sales of the largest customers is 6.20%, where percentage of turnover or sales of the five largest customers is 18.11%.

(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.

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

48. Operating revenue and operating costs *(Continued)*

(4) *Information related to performance obligations (Continued)*

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 contracts. 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 2018, the amount of revenue corresponding to the contracted performance obligations of the Company which had not been fulfilled or fully fulfilled was RMB163,309,858.98.

49. Gross profit

Item	Amount of the year	Amount of last year
Operating revenue	3,284,080,652.02	3,099,658,647.44
Less: operating costs	2,125,240,410.09	1,987,509,300.10
Gross profit	1,158,840,241.93	1,112,149,347.34

50. Sales tax and levies

Item	Amount of the year	Amount of last year
Urban maintenance and construction tax	13,845,904.03	13,751,763.17
Education surcharge	10,905,449.87	10,937,229.41
Land use tax	7,880,759.28	7,423,026.88
Property tax	9,704,383.71	7,835,930.14
Stamp duty	1,786,807.29	1,659,167.11
Others	960,789.94	379,234.69
Total	45,084,094.12	41,986,351.40

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

51. Selling expenses

Item	Amount of the year	Amount of last year
Total	98,523,251.47	68,630,471.74
Including:		
Salaries	50,820,171.95	29,804,459.40
Vehicle costs	3,074,018.82	5,124,094.40
Entertainment expenses	8,693,266.67	6,565,392.76
Transportation expenses	4,595,546.94	2,067,580.34
Traveling expenses	1,460,209.32	2,633,163.49
Staff welfare	2,375,601.27	1,960,506.24
Promotion and marketing fee	2,042,334.47	1,753,244.17

52. Administrative expenses

Item	Amount of the year	Amount of last year
Total	374,454,834.60	350,582,285.47
Including:		
Salaries	151,195,230.16	129,215,459.79
Depreciation expenses	49,624,559.07	36,909,620.47
Entertainment expenses	17,902,629.89	19,714,690.19
Staff welfare	16,717,268.53	16,473,243.29
Office expenses	13,921,600.28	8,979,862.08
Vehicle costs	8,668,552.72	10,520,725.80
Social insurance expenses	13,836,511.44	11,319,105.64

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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. 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	3,148,233.53	662,735.82
– Audit service fee for internal control	542,495.79	165,094.34
– Other service fee	346,389.92	431,390.00
Total	4,037,119.24	1,259,220.16

53. Research and development expenses

Item	Amount of the year	Amount of last year
Research and development of waste liquid and wastewater treatment and disposal	31,428,993.98	13,863,350.12
Incineration plant process technology	8,856,915.83	4,484,282.40
COD degradation and metal removal experiment project	5,799,479.55	–
Research and development on dismantling technology of used household appliances	5,445,798.78	5,581,537.67
Research on optimization design of feeding system	3,991,825.45	877,370.89
Research on detection methods	3,909,376.65	1,726,047.44
VOCs purification experiment project	3,624,674.72	–
Hazardous waste operations management system 1.0 project	2,821,700.40	–
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 project 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 project on environmental treatment methods for emulsions	1,072,949.06	2,021,726.51

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

53. Research and development expenses (Continued)

Item	Amount of the year	Amount of last year
Research and application project of CVD dust treatment method	1,024,804.82	–
Research project on moisture content of flue gas	901,466.92	–
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	203,058.86
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	674,000.00
Research project on harmless disposal of high concentration inorganic waste acid	710,899.29	486,934.59
Sludge reduction research project	654,185.29	404,735.69
New quenching atomization system project	625,923.09	–
Design and construction project of hazardous waste kiln skin	532,234.08	–
Industry-university research project and special project	442,202.63	–
Process research project for harmless and resourceful etching solution	254,498.91	5,536,069.08
Optimization research project of air compressor cooling system in dust area	–	783,000.00
Research project of copper sulfate production purification system	–	1,682,241.29
Research project of high temperature flue ash reduction treatment technology for two combustion chambers	–	504,200.00
Research project on environmental treatment methods of hydrogen fluoride ammonia	–	955,324.67
Research and development project of waste nitric acid membrane recycling process	–	1,427,220.28
Research project on electroplating grade copper sulfate	–	4,165,223.70
Research project for TBCC process	–	3,497,503.20
High-purity copper sulfate industrialization project	–	500,091.61
Project of recovering nitric acid from retreating water of circuit board factory	–	3,383,415.04
Research project of copper sulfate automatic weighing and packaging system	–	1,643,672.47
Research project on evaporator system	–	6,270,204.75
Other (less than RMB500,000)	4,885,684.85	4,025,056.56
Total	91,549,223.31	64,696,266.82

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

54. Finance costs

(1) Breakdown of finance costs

Item	Amount of the year	Amount of last year
Interest expenses	136,104,319.99	105,424,157.53
Less: interest income	8,522,617.55	7,472,584.20
Add: exchange losses	1,181,450.11	-491,322.24
Add: other expenses	5,360,726.34	1,216,459.41
Total	134,123,878.89	98,676,710.50

(2) Breakdown of interest expenses

Item	Amount of the year	Amount of last year
Interests on bank borrowings and overdrafts	124,898,212.47	108,372,421.55
Bond interests calculated based on actual interest rates	54,860,216.32	48,666,812.75
Finance lease charge	125,186.80	199,870.14
Sub-total	179,883,615.59	157,239,104.44
Less: capitalized interests	43,779,295.60	51,814,946.91
Total	136,104,319.99	105,424,157.53

General borrowing cost capitalized during the year is calculated by applying a capitalization rate of 5.27% (last year: 5.21%).

(3) Breakdown of interest income

Item	Amount of the year	Amount of last year
Interest income from bank deposits	8,522,617.55	7,472,584.20
Total	8,522,617.55	7,472,584.20

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

55. Impairment loss of assets

Item	Amount of the year	Amount of last year
Provisions for bad debts	–	11,430,278.10
Impairment loss on inventories and contract performance costs	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	22,856,832.59	–
Total	27,996,984.18	11,430,278.10

56. Credit impairment loss

Item	Amount of the year	Amount of last year
Provisions for bad debts of notes receivable and accounts receivable	7,692,571.36	–
Provisions for bad debts of other accounts receivable	35,204,894.17	–
Provisions for bad debts of debt investment	–	–
Provisions for bad debts of other debt investment	–	–
Provisions for bad debts of long-term accounts receivable	13,000,000.00	–
Provisions for bad debts of contract assets	1,596,712.63	–
Provisions for bad debts of loans	3,222,801.00	–
Total	60,716,979.16	–

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

57. Other income

Sources that generate other income	Amount of the year	Amount of last year
Value Added Tax refunds immediately after payment 2017 Pearl River Delta and Guangdong Northwest Industry Joint Financial Support Fund Project Reward Program	114,819,176.83	110,137,172.44
Deferred income or other current liabilities transferred Special projects related to science and technology innovation	65,140,000.00	–
863 Project	9,636,159.60	8,704,342.67
High-tech enterprise related subsidies	4,602,000.00	2,620,000.00
Other taxes and fees	2,813,900.00	–
Industrial and commercial electricity cost reduction subsidy	2,791,800.00	300,000.00
Enterprise Development Support Fund	2,151,031.30	291,501.32
Dongguan Science and Technology Bureau Guangdong Finance Supplement Fund	1,297,514.57	–
Research and development incentives and grants	936,400.00	–
Social security related subsidies	871,000.00	–
Notice on the issuance of 2017 provincial enterprise research and development provincial financial subsidy project program	721,300.00	–
Government subsidies related to asset securitization	643,391.15	618,594.34
Other (less than RMB100,000)	612,200.00	–
Provincial Industrial Enterprise Technology in 2018	500,000.00	–
Socialized informationization special subsidy	432,902.00	340,274.83
2017 Dongguan City Enterprise Growth and Cultivation Special Fund Professional Service Subsidy Project	409,500.00	–
2017 annual incubation program funds	301,800.00	80,000.00
Four above business awards	300,000.00	–
On the support of Pearl River Delta and Guangdong Northwest Industry Joint Financial Support Fund Project Reward Program	210,000.00	–
Subsidies for investment of productive technical equipment	100,000.00	–
Special fund of incentive (other than subsidies) for hazardous waste management in Longyan Oasis	–	411,000.00
National provincial supporting funds plan	–	100,000.00
Typical demonstration project funds of Energy-saving and Emission Reduction Fiscal Policy Comprehensive Demonstration City of Shaoguan	–	920,000.00
Subsidy funds	–	2,851,900.00
EFT 2015 project related to technical transformation	–	674,800.00
	–	597,700.00
Total	209,390,075.45	128,647,285.60

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

57. Other income *(Continued)*

Pursuant to the "Notice on the Revision of the Format for Issuing 2018 General Enterprise Financial Statements" (Cai Kuai [2018] No.15) issued by the Ministry of Finance of the PRC on 15 June 2018, due to the changes of the accounting content, the Company transferred sporadic government subsidies related to daily operations from "non-operating income" to "other income" and retrospectively adjusted the 2017 financial statements.

Amount charged to non-recurring profit or loss during the year was RMB94,570,898.62 (last year: RMB23,191,759.79).

58. Investment income

Item	Amount of the year	Amount of last year
Income from long-term equity investments under equity approach	12,905,848.59	22,434,846.72
Investment income from disposal of long-term equity investments	353,230.97	346,083.90
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period	–	1,736.68
Interest income of available-for-sale financial assets during the holding period	–	562,500.00
Investment income from financial products	–	344,469.69
Total	13,259,079.56	23,689,636.99

Investment income generated from unlisted investments during the year amounted to RMB13,259,079.56 respectively.

59. 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	5,045,619.01	380,473.53
Total	16,548,839.01	380,473.53

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

60. Disposal gain on asset (Loss represented in "-" signs)

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	61,388.93	-4,600,814.83	61,388.93
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	61,388.93	-4,600,814.83	61,388.93
Including: Gain on disposal of fixed assets	-229,066.65	-4,600,814.83	-229,066.65
Gain on disposal of intangible assets	290,455.58		290,455.58
Non-monetary assets exchange gains			
Gain on disposal of non-current assets in debt restructuring			
Total	61,388.93	-4,600,814.83	61,388.93

Note: Amount charged to non-recurring profit or loss during the year was RMB61,388.93 (last year: RMB-4,600,814.83).

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

61. Non-operating income

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Donations		26,475.12	
Government grants		–	
Inventory profit	87,132.32	40,652.80	87,132.32
Other	3,728,826.23	4,614,518.71	3,728,826.23
Total	3,815,958.55	4,681,646.63	3,815,958.55

Amount charged to non-recurring profit or loss during the year was RMB3,815,958.55 (last year: RMB4,681,646.63).

62. 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	1,130,311.95	1,263,500.00	1,130,311.95
Inventory loss		85.14	
Total losses on spoilage and obsolescence of non-current assets	3,733,476.83		3,733,476.83
Others	6,283,371.18	5,108,482.43	6,283,371.18
Total	11,147,159.96	6,372,067.57	11,147,159.96

Note:

The amount charged to non-recurring profit or loss during the year was RMB11,147,159.96 (last year: RMB6,372,067.57).

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

63. Income tax expenses

(1) *Income tax expenses*

Item	Amount of the year	Amount of last year
Current income tax – EIT of the PRC	85,025,520.91	66,373,580.21
–The PRC	85,025,520.91	66,373,580.21
–Hong Kong		–
Overprovision (underprovision) of income tax in the previous year	2,717,591.64	-2,880,708.26
–The PRC	2,717,591.64	-2,880,708.26
Deferred income tax	-3,541,092.30	5,724,222.28
Total	84,202,020.25	69,217,094.23

(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	558,319,177.74	622,573,143.66
Income tax expenses calculated at statutory/applicable tax rates	83,747,876.66	93,385,971.55
Effect of different tax rate applicable to subsidiaries	38,538,531.29	35,621,992.16
Effect of overprovision (underprovision) of income tax in the previous year	2,717,591.64	-2,880,708.26
Effect of non-taxable income	-14,034,784.59	-40,441,299.78
Effect of non-deductible costs, expenses and losses	116,150.74	7,092,764.11
Effect of utilization of unrecognized deductible losses of deferred income tax assets in the previous period	-2,239,424.23	-2,797,834.85
Effect of deductible temporary difference or deductible loss of unrecognized deferred income tax assets of the year	9,590,089.83	16,311,702.50
Effect of additional research and development expenditure deduction	-2,809,684.87	-8,331,543.65
Effect of special tax exemption	-33,112,943.10	-28,743,949.55
Changes of balance of deferred income tax asset/liability at the beginning of year caused by tax rate changed	1,688,616.88	–
Other adjustments		–
Income tax expenses	84,202,020.25	69,217,094.23

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

64. Depreciation and amortization

Depreciation/amortization recognized under the income statement of the year was RMB324,577,814.86 (last year: RMB259,277,549.55).

65. Operating lease expenses

Operating lease expenses of the year was RMB23,970,292.60 (last year: RMB16,917,963.07), including rental expenses of industrial equipment and machineries of RMB4,873,430.90 (last year: RMB3,713,675.93).

66. Rental income

The rental income from lands and buildings (net of government rent, rates and other expenditure) for the year was RMB15,738,179.08 (last year: RMB12,538,300.90).

67. 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	407,917,006.14	473,375,978.13
Consolidated net profit attributable to ordinary shareholders of the parent company (net of non-recurring profit or loss)	323,431,535.09	463,523,482.67
Weighted average number of issued ordinary shares of the parent company	874,060,435.33	865,497,102.00
Basic earnings per share (RMB/share)	0.47	0.55
Basic earnings per share (RMB/share) (net of non-recurring profit or loss)	0.37	0.54

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

67. 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	873,282,102.00	860,157,102.00
Adjustment from transfer of capital reserve to share		
Number of shares increased for unlocking of restricted shares (the first batch)	790,000.00	8,010,000.00
Number of months starting from the next month of the unlocking restricted shares (first batch) to the end of the reporting period	11	8
Number of shares increased for unlocking of restricted shares (the second batch)	650,000.00	5,115,000.00
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	5,340,000.00
Number of issued ordinary shares at the end of year	874,060,435.33	865,497,102.00

(2) Diluted earnings per share

Basic earnings per share was same as the diluted earnings per share for the two years ended 31 December 2018 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)*

68. Other comprehensive income

Item	Amount of the year	Amount of last year
Exchange difference on translation of financial statements in foreign currency	-702,163.02	-944,934.97
The excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value	17,629,743.72	3,509,701.20
Less: net amount of disposal of overseas operations charged to profit or loss of the period		
Total (Basic earnings per share was same as the diluted earnings per share for the two years ended 31 December 2018 as there were no diluting events during both years.)	16,927,580.70	2,564,766.23

For details, please refer to "Other comprehensive income" under Note VI.39.

69. 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 (2017: RMB0.00)	-	-
Final dividend proposed after the balance sheet date of RMB0.14 per share (2017: RMB0.161)	123,097,394.28	142,823,116.42
Total	123,097,394.28	142,823,116.42

The Board recommends the payment of a cash dividend of RMB1.40 (inclusive of tax) for every 10 share of the Company (2017: RMB1.61 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 28 March 2019, with the total amount of cash dividend to be paid amounting to RMB123,097,394.28. 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)*

70. 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	69,612,279.88	12,672,828.38
Interest income	8,314,869.60	7,472,584.20
Current accounts with other companies and individuals		29,614,030.83
Total	77,927,149.48	49,759,443.41

2) Other cash payments relating to operating activities

Item	Amount of the year	Amount of last year
Other expenses	36,966,023.32	31,186,535.91
Entertainment expenses	26,851,683.78	26,280,082.95
Research and development expenses	23,516,218.04	17,420,824.97
Current accounts with other companies and individuals	18,375,519.37	28,081,799.75
Office expenses	14,495,760.76	10,263,031.11
Intermediate brokerage fee	9,082,083.34	7,807,890.41
Securities service fees	8,921,312.68	6,640,347.77
Traveling expenses	7,521,994.25	9,002,840.92
Maintenance fee	6,903,925.82	5,483,066.42
Security expenses	6,661,382.09	5,415,952.32
Rent	6,432,714.23	5,046,201.42
Transportation expenses	5,105,568.77	22,202,802.33
Utilities	4,595,546.94	6,008,858.17
Consultation fee	2,476,586.18	2,496,605.76
Promotion and marketing expenses	2,042,334.47	1,753,244.17
Total	179,948,654.04	185,090,084.38

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1 January 2018 to 31 December 2018

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

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

70. 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		95,417,393.75
Cash at the beginning of acquisition of Huateng and Wandesi		3,852,409.19
Net cash received upon the deregistration of subsidiaries	1,383,469.85	–
Total	1,383,469.85	99,269,802.94

4) Other cash payments relating to investing activities

Item	Amount of the year	Amount of last year
Deposits for equity transfer	–	48,000,000.00
Senior bonds of Humen Green	–	23,080,000.00
Total	–	71,080,000.00

5) Other cash receipts relating to financing activities

Item	Amount of the year	Amount of last year
Subscription margin for non-public issue of shares		–
Guaranteed deposits	3,850,000.00	12,788,950.44
Total	3,850,000.00	12,788,950.44

6) Other cash payments relating financing activities

Item	Amount of the year	Amount of last year
Payment for repurchase of shares	426,790.00	9,791,900.00
Other handling charges	19,044.75	1,125,288.00
Total	445,834.75	10,917,188.00

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1 January 2018 to 31 December 2018

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

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

70. Items under the cash flow statement (Continued)

(2) Supplementary information of consolidated cash flow statement

Item	Amount of the year	Amount of last year
1. Net profit adjusted as cash flow of operating activities:		
Net Profit	474,117,157.49	553,356,049.43
Add: Impairment loss for assets	27,996,984.18	
Credit impairment loss	60,716,979.16	11,430,278.10
Depreciation of fixed assets	227,904,789.21	194,526,993.19
Consumption of oil and gas assets	–	–
Depreciation of productive biological assets	–	–
Amortization of intangible assets	87,626,317.16	61,256,415.78
Amortization of long-term unamortized expenses	9,046,708.49	3,494,140.58
Amortization of unamortized expenses	–	–
Accrued expenses	–	–
Loss from disposal of fixed assets, intangible assets and other long term assets (gain represented in "-" sign)	-61,388.93	4,600,814.83
Loss on written off of disposal fixed assets (gain represented in "-" sign)	3,733,476.83	–
Gain/loss of changes in fair value (gain represented in "-" sign)	-16,548,839.01	-380,473.53
Finance costs (gain represented in "-" sign)	136,104,319.99	105,424,157.53
Investment loss (gain represented in "-" sign)	-13,259,079.56	-23,689,636.99
Decrease in deferred income tax assets (increase represented in "-" sign)	-7,584,262.39	5,342,296.97
Increase in deferred income tax liabilities (decrease represented in "-" sign)	10,967,485.90	385,678.69
Decrease in inventories (increase represented in "-" sign)	12,661,589.67	-45,336,891.53
Decrease in operating receivables (increase represented in "-" sign)	-139,012,467.84	-241,420,944.70
Increase in operating payables (decrease represented in "-" sign)	23,248,844.32	42,407,427.53
Others	–	–
Net cash flow generated from operating activities	897,658,614.67	671,396,305.88

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

70. 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
2. Significant non-cash investing and financing transactions:		
Debts transferred to capital	–	–
Convertible corporate bonds due within 1 year	–	–
Fixed assets under finance lease	–	–
3. Net changes in cash and cash equivalents:		
Cash balance at the end of the period	1,028,991,292.47	1,221,930,230.43
Less: cash balance at the beginning of the period	1,221,930,230.43	1,139,658,566.94
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	-192,938,937.96	82,271,663.49

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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

70. 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	–	158,562,500.00
2. Cash and cash equivalents paid for acquisition of subsidiaries and other operating units	–	127,340,000.00
Less: cash and cash equivalents held by subsidiaries and other operating units	–	25,192,480.35
3. Net cash paid for acquisition of subsidiaries and other operating units	–	102,147,519.65
4. Net assets of subsidiaries acquired	–	51,523,761.22
Current assets	–	25,608,896.20
Non-current assets	–	25,976,915.22
Current liabilities	–	62,050.20
Non-current liabilities	–	–
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	–	–

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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)*

70. Items under the cash flow statement *(Continued)*

(4) *Cash and cash equivalents*

Item	Amount of the year	Amount of last year
Cash	1,028,991,292.47	1,221,930,230.43
Including: Cash on hand	371,482.97	825,886.03
Bank deposits readily available for payments	1,028,619,809.50	1,199,805,525.53
Other monetary fund readily available for payments	–	21,298,818.87
Central bank deposits readily available for payments	–	–
Deposits in other banks	–	–
Call loans to banks	–	–
Cash equivalents	–	–
Including: bond investments due within 3 months	–	–
Balance of cash and cash equivalents at the end of the period	1,028,991,292.47	1,221,930,230.43
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.

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

71. Restricted assets in respect of ownership or use rights

Item	Book value at the end of year	Reason for restriction
Monetary fund	25,077,700.00	Fulfillment and bank acceptances margin
Construction-in-progress	34,938,993.17	Pledged borrowings of Xiamen Oasis
Fixed assets	150,742,548.33	Pledged borrowings of Hubei Tianyin and Zhuhai Yongxingsheng; Pledge made by Xiamen Oasis
Intangible assets	57,753,208.62	Pledged borrowings of Hubei Tianyin, Zhuhai Yongxingsheng and Coastal Solid Waste; Pledge made by Weifang Dongjiang and Hengshui Ruitao
Other receivables	41,349,451.66	Account of Humen Green managed by GF Securities Asset Management (Guangdong) Co., Ltd., which was used for the repayment of principal and interests of bonds
Investment properties	50,277,200.00	Pledged borrowings of Xiamen Oasis
Accounts receivable	6,170,588.00	PPP project of utilizing the income right of sewage treatment of Humen Ningzhou sewage treatment plant and Humen Haidao sewage treatment plant, which are constructed and operated by Humen Green, as the underlying assets to issue bonds

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

72. 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			25,129,840.02
Including: Hong Kong Dollars	5,254,272.30	0.8762	4,603,793.39
US Dollars	2,990,739.98	6.8632	20,526,046.63
Accounts receivable – HKD	1,584,830.00	0.8762	1,388,628.05
Other receivables – HKD	7,267,971.17	0.8762	6,368,196.34
Short-term borrowings – HKD	8,000,000.00	0.8762	7,009,600.00
Accounts payable – HKD	313,959.04	0.8762	275,090.91
Employee benefits payables – HKD	279,350.00	0.8762	244,766.47
Other payables – HKD	604,489.49	0.8762	529,653.69
Prepayments – HKD	405,764.34	0.8762	355,530.71
Contract liabilities – US Dollars	109,318.34	6.8632	750,273.63
Non-current liabilities due within 1 year – HKD	748,573.78	0.8762	655,900.35
Long-term payables – HKD	1,020,447.40	0.8762	894,116.01

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VII. CHANGES IN CONSOLIDATION SCOPE

1. Disposal of subsidiaries

The Company's subsidiary Shenzhen Dongjiang Environment Recycled Resources Co., Ltd. was deregistered during the year; the Company's subsidiary Rudong Daheng Hazardous Waste Treatment Co., Ltd. was consolidated into Jiangsu Dongjiang Environmental Service Co., Ltd. as a whole.

2. Changes in consolidation scope due to other reasons

Company name	Equity acquisition method	Acquisition date	Capital contribution	Capital contribution ratio (%)
Mianyang Dongjiang	Newly established subsidiary	10 January 2018	2,550,000.00	51.00
Handan Dongjiang	Newly established subsidiary	19 July 2018	3,000,000.00	60.00

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Group

Name of subsidiaries	Company		Unified social credit code	Major place of operation	Place of registration	Registered capital		Business nature	Proportion of shareholding (%)		Acquisition method
	type	Legal person				(RMB'0,000)			Direct	Indirect	
Resource Recycling	LLC	Zhang Kai	91440300755694530Q	Shenzhen	Shenzhen	100.00		Industrial	100.00		Wholly-owned
Dongjiang Heritage	LLC	Gao Ren Fu	91440300755672809L	Shenzhen	Shenzhen	2,500.00		Industrial	100.00		Wholly-owned
Longgang Dongjiang	LLC	Deng Wei Liang	914403007504983972	Shenzhen	Shenzhen	10,000.00		Industrial	54.00		Wholly-owned
Yunnan Dongjiang	LLC	Chen Fang	91530102560058446N	Kunming	Kunming	1,000.00		Industrial	100.00		Wholly-owned
Huizhou Dongjiang	LLC	Zeng Yu	91441300738594407X	Huizhou	Huizhou	500.00		Industrial	100.00		Wholly-owned
Qiandeng Wastes Treatment	LLC	Liao He Ping	91320583762827004C	Kunshan	Kunshan	3,000.00		Industrial	51.00		Wholly-owned
Huabao Technology	LLC	Gu Yuan Hui	91440300783926298G	Shenzhen	Shenzhen	1,000.00		Services	100.00		Combination not under common control
Jiangxi Huabao	LLC	Yao He Chuan	91360981MA35XUF47E	Yichun	Yichun	1,000.00		Services		100.00	Wholly-owned
Qingdao Dongjiang	LLC	Ma Hong Jun	91370222675268718B	Qingdao	Qingdao	1,500.00		Industrial	100.00		Wholly-owned
Hunan Dongjiang	LLC	Luo Bu Sheng	914305006685850459	Shaoyang	Shaoyang	1,000.00		Industrial	95.00		Wholly-owned
Chengdu Treatment Centre	LLC	Li Yong Peng	91510100728085895U	Chengdu	Chengdu	1,000.00		Industrial	100.00		Wholly-owned
Renewable Energy	LLC	Liu An	914403007865604042	Shenzhen	Shenzhen	9,032.45		Industrial	100.00		Wholly-owned
Nanchang Xinguan	LLC	Ma Hong Jun	913601087814528186	Nanchang	Nanchang	1,000.00		Industrial		100.00	Combination not under common control

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Structure of the Group (Continued)

Name of subsidiaries	Company		Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of shareholding (%)		Acquisition method
	type	Legal person						Direct	Indirect	
Hefei Xinguan	LLC	Ma Hong Jun	91340122796420595F	Hefei	Hefei	1,000.00	Industrial		100.00	Combination not under common control
Shaoguan Dongjiang	LLC	Huang Bo	91440200782025746P	Shaoguan	Shaoguan	500.00	Industrial	100.00		Wholly-owned
Shaoguan Recycling Resource	LLC	Huang Bo	9144022979299871X2	Shaoguan	Shaoguan	20,873.35	Industrial	100.00		Combination not under common control
Dongjiang Properties	LLC	Huang Shu Wan	91440300699086185K	Shenzhen	Shenzhen	100.00	Services	100.00		Wholly-owned
Baoan Energy	LLC	Ma Hong Jun	91440300674839742Q	Shenzhen	Shenzhen	1,000.00	Industrial	100.00		Wholly-owned
Dongjiang HK	LLC	N/A	N/A	Hong Kong	Hong Kong	HKD2,470.00	Services	100.00		– Wholly-owned
Lik Shun Services	LLC	N/A	N/A	Hong Kong	Hong Kong	HKD1,000.00	Services		– 100.00	Combination not under common control
Nantong Dongjiang	LLC	Lv Jiang	91320623MA1MUTMU7E	Rudong County	Rudong County	USD2,000.00	Services		100.00	Wholly-owned
Dongjiang Transport	LLC	Ma Guo Hong	91441300688636380C	Huizhou	Huizhou	3,400.00	Services	100.00		Wholly-owned
Products Trading	LLC	Zeng Yu Wei	914403005827118052	Shenzhen	Shenzhen	200.00	Trading	100.00		Wholly-owned
Zhuhai Qingxin	LLC	Wen Wei	91440400732179587R	Zhuhai	Zhuhai	900.00	Industrial	100.00		Combination not under common control
Qingyuan Xinlv	LLC	Cheng Long Ying	91441803MA4UTUXA36	Qingyuan	Qingyuan	5,216.00	Industrial	62.50		Combination not under common control
Jiaxing Deda	LLC	Ge Zhao Wei	91330421254836027Y	Jiashan County	Jiashan County	4,200.00	Industrial	51.00		Combination not under common control
Jiangmen Dongjiang	LLC	Chen Chang Fu	91440784056831604R	Jiangmen	Jiangmen	5,000.00	Industrial	100.00		Wholly-owned
Dongguan Hengjian	LLC	Qin Ke Hua	914419007829645409	Dongguan	Dongguan	3,900.00	Industrial	100.00		Combination not under common control
Dongjiang Kaida	LLC	Ma Guo Hong	91440300306164059L	Shenzhen	Shenzhen	100.00	Services	100.00		Wholly-owned
Coastal Solid Waste	LLC	Zhou Lin	91320922750000210G	Yancheng	Yancheng	870.00	Industrial	75.00		Combination not under common control
Xiamen Oasis Environmental	LLC	Li Kai Yan	913502007054598748	Xiamen	Xiamen	3,500.00	Industrial	60.00		Combination not under common control
Xiamen Dongjiang	LLC	Li Kai Yan	91350200MA2XRMY2R	Xiamen	Xiamen	1,000.00	Industrial	60.00		By way of demerger
Fujian Oasis Solid Waste Disposal	LLC	Ji Ren Wang	91350700591740421Y	Nanping	Nanping	2,000.00	Industrial		60.00	Indirectly owned through subsidiary

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Structure of the Group (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of shareholding (%)		Acquisition method
								Direct	Indirect	
Longyan Oasis Environmental Technology	LLC	Huang Huan Hua	91350800777548892H	Longyan	Longyan	300.00	Industrial		60.00	Indirectly owned through subsidiary
Nanping Oasis Environmental Technology	LLC	Lan Jun	91350700777506879J	Nanping	Nanping	500.00	Industrial		60.00	Indirectly owned through subsidiary
Sanming Oasis Environmental Technology	LLC	Ji Ren Jin	913504007661523311	Sanming	Sanming	400.00	Industrial		54.00	Indirectly owned through subsidiary
Wosen Environmental Technology	LLC	Wen Yuan	91650204057725598E	Kelamayi	Kelamayi	5,000.00	Industrial	82.82		Combination not under common control
Jiangmen Fine Chemistry	LLC	Chen Chang Fu	914407843148389654	Jiangmen	Jiangmen	3,000.00	Industrial		100.00	Wholly-owned
Jiangxi Dongjiang	LLC	Zhao Guo Quan	913609813147107422	Fengcheng	Fengcheng	5,000.00	Industrial	100.00		Wholly-owned
Shaoxing Dongjiang	LLC	Yan Wen Jian	913306003077281947	Shaoxing	Shaoxing	200.00	Industrial	52.00		Wholly-owned
Jiangxi Kangtai	LLC	Xie Heng Hua	91360405662009186U	Jiujiang	Jiujiang	2,081.63	Industrial	51.00		Combination not under common control
Huiyuan Micro Finance	LLC	Huang Wei Ming	91440300326399963T	Shenzhen	Shenzhen	30,000.00	Financial	100.00		Wholly-owned
Hengjian Tongda	LLC	Wu Wen Jian	9144030032622379XY	Shenzhen	Shenzhen	1,000.00	Industrial	100.00		Combination not under common control
Humen Green	LLC	Wu Wen Jian	91441900789434892W	Dongguan	Dongguan	5,800.00	Industrial		90.00	Indirectly owned through subsidiary
Hubei Tianyin	LLC	Lin Yuan Fu	914210245942289253	Jingzhou	Jingzhou	4,875.50	Industrial	60.00		Combination not under common control
Tianyin Technology	LLC	Lin Yuan Fu	9142102459423855XH	Jingzhou	Jingzhou	2,000.00	Industrial		60.00	Indirectly owned through subsidiary
Tianyin Hazardous	LLC	Lin Yuan Fu	91421024058128760H	Jingzhou	Jingzhou	2,000.00	Industrial		60.00	Indirectly owned through subsidiary
Tianyin Vehicle Dismantle	LLC	Lin Yuan Fu	9142102409586322XD	Jingzhou	Jingzhou	1,000.00	Industrial		60.00	Indirectly owned through subsidiary
Zhuai Yongxingsheng	LLC	Wen Wei	914404007122356683	Zhuai	Zhuai	4,500.00	Industrial	80.00		Combination not under common control

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) Structure of the Group (Continued)

Name of subsidiaries	Company		Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of shareholding (%)		Acquisition method
	type	Legal person						Direct	Indirect	
Green Environmental	LLC	Han Yan	9142900458545869X8	Xiantao	Xiantao	3,444.00	Industrial	55.00		Combination not under common control
Jiangsu Dongjiang	LLC	Lu Jiang	913206233139399241	Rudong County	Rudong County	6,000.00	Industrial	100.00		Combination not under common control
Hengshui Ruitao	LLC	Duan Chun Fa	91131102078790102Q	Hengshui	Hengshui	4,000.00	Industrial	85.00		Combination not under common control
Jiangsu Dongheng Environmental	LLC	Ren Ren	913211835810772678	Jurong	Jurong	4,571.887	Industrial	56.25		Combination not under common control
Qianhai Dongjiang	LLC	Wang Shi	91440300319760853N	Shenzhen	Shenzhen	5,000.00	Services	100.00		Wholly-owned
Baoan Dongjiang	LLC	Cheng Long ying	914403003594785297	Shenzhen	Shenzhen	6,000.00	Industrial	100.00		Wholly-owned
Zhejiang Jianglian	LLC	Hong Chun Qiang	91330621329938926E	Shaoxing	Shaoxing	7,500.00	Financial	60.00		Combination not under common control
Huaxin Environmental	LLC	Hong Chun Qiang	913306217772014427	Shaoxing	Shaoxing	3,000.00	Industrial		60.00	Indirectly owned through subsidiary
Zhenjiang Dongjiang	LLC	Hu Jiu Kun	91321183MA1MK96R1B	Jurong	Jurong	200.00	Services	60.00		Wholly-owned
Weifang Blue Sea	LLC	Duan Chun Fa	91370786MA3BYD8Y26	Changyi	Changyi	4,000.00	Industrial	70.00		Combination not under common control
Jingzhou Dongjiang	LLC	Liu Hai Long	91421024MA48DEQ061	Jiangling County	Jiangling County	1,000.00	Industrial	100.00		Wholly-owned
Huangshi Dongjiang	LLC	He De Qiang	91420222MA48E9L73W	Yangxin County	Yangxin County	1,000.00	Industrial	70.00		Wholly-owned
Zhaoqing Dongsheng	LLC	Cheng Longying	91441284MA4W42H92W	Zhaoqing	Zhaoqing	5,000.00	Trading	100.00		Wholly-owned
Huateng Environment	LLC	Huang Shu Wan	9144030031937352X6	Shenzhen	Shenzhen	2,000.00	Services	100.00		Combination not under common control
Tangshan Wandesi	LLC	Jiang Jin Ming	91130230070827302U	Tangshan	Tangshan	13,300.00	Services	80.00		Combination not under common control
Xiantao Dongjiang	LLC	Liu Hai Long	91429004MA491YHC76	Xiantao	Xiantao	1,000.00	Services	100.00		Wholly-owned
Mianyang Dongjiang	LLC	Fu Xiao Jun	91510703MA67725A1H	Mianyang	Mianyang	10,000.00	Industrial	51.00		Wholly-owned
Handan Dongjiang	LLC	Ma Wen Su	91130426MA0CHRY00M	Handan	Handan	500.00	Industrial	60.00		Wholly-owned

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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)*

(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%	14,987,156.54	–	92,388,054.31
Qiandeng Wastes Treatment	49.00%	25,618,231.99	29,400,000.00	54,010,547.85
Qingyuan Xinlv	37.50%	2,566,001.70	5,625,000.00	38,851,648.41
Jiaxing Deda	49.00%	3,999,017.32	1,470,000.00	36,473,543.27
Xiamen Oasis Environmental	40.00%	8,959,221.91	–	97,661,604.96
Xiamen Dongjiang	40.00%	8,459,336.50	–	78,718,351.11
Hubei Tianyin	40.00%	-10,863,411.53	–	8,234,012.72
Zhuhai Yongxingsheng	20.00%	10,012,840.84	–	37,491,890.04
Hengshui Ruitao	15.00%	-53,595.69	–	7,420,077.81
Jiangsu Dongheng Environmental	43.75%	-4,399,381.98	–	24,453,076.55

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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)

(3) Key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Balance at the end of year		Balance at the end of year			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Longgang Dongjiang	120,208,310.78	104,969,349.32	225,177,660.10	16,587,284.10	6,475,833.23	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
Jiaying Deda	45,200,722.57	66,399,550.00	111,600,272.57	32,282,213.06	4,882,256.90	37,164,469.96
Xiamen Oasis Environmental	288,211,622.33	204,148,855.84	492,360,478.17	220,727,183.56	27,479,282.21	248,206,465.77
Xiamen Dongjiang	49,446,580.91	263,129,901.41	312,576,482.32	103,794,789.18	12,878,503.12	116,673,292.30
Hubei Tianyin	61,060,908.98	501,044,962.92	562,105,871.90	419,459,230.76	122,061,609.33	541,520,840.09
Zhuhai Yongxingsheng	69,454,193.35	217,989,144.53	287,443,337.88	76,570,367.32	23,413,520.37	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

Name of subsidiaries	Amount at the beginning of year		Amount at the beginning of year			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Longgang Dongjiang	98,105,044.50	113,234,138.94	211,339,183.44	35,622,244.70	7,041,833.27	42,664,077.97
Qiandeng Wastes Treatment	131,055,656.03	28,967,348.87	160,023,004.90	38,730,562.55	632,782.63	39,363,345.18
Qingyuan Xinlv	112,596,407.98	36,937,730.13	149,534,138.11	37,772,413.53	-	37,772,413.53
Jiaying Deda	48,555,061.78	71,924,994.69	120,480,056.47	44,842,307.39	6,363,206.30	51,205,513.69
Xiamen Oasis Environmental	213,481,220.88	194,086,164.59	407,567,385.47	178,359,037.45	10,388,429.77	188,747,467.22
Xiamen Dongjiang	84,709,819.39	159,676,199.74	244,386,019.13	63,524,741.44	6,035,206.08	69,559,947.52
Hubei Tianyin	69,771,565.13	497,336,124.11	567,107,689.24	386,237,959.35	151,089,795.33	537,327,754.68
Zhuhai Yongxingsheng	52,155,826.17	209,625,987.91	261,781,814.08	104,543,418.10	19,843,150.00	124,386,568.10
Hengshui Ruitao	12,505,354.00	98,049,419.29	110,554,773.29	60,730,283.22	-	60,730,283.22
Jiangsu Dongheng Environmental	15,974,144.83	212,040,191.20	228,014,336.03	148,780,062.34	16,095,118.38	164,875,180.72

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VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

1. Interests in subsidiaries *(Continued)*

(3) Key financial information of significant non-wholly owned subsidiaries (Continued)

Name of subsidiaries	Incurred during the year				Incurred 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	78,951,725.47	32,580,775.10	32,580,775.10	66,497,791.38	91,201,269.09	42,036,291.48	42,036,291.48	37,434,093.24
Qiandeng Wastes Treatment	258,881,357.24	52,282,106.10	52,282,106.10	37,566,042.12	274,930,338.67	54,407,162.28	54,407,162.28	59,476,142.10
Qingyuan Xinlv	165,795,344.38	6,842,671.20	6,842,671.20	4,312,672.29	211,094,526.09	8,356,222.33	8,356,222.33	10,204,738.73
Jiaxing Deda	100,512,062.71	8,161,259.83	8,161,259.83	10,413,749.06	105,071,487.22	11,837,575.07	11,837,575.07	5,490,669.79
Xiamen Oasis Environmental	137,700,176.03	22,398,054.78	22,398,054.78	-33,900,380.34	60,116,539.08	-899,854.84	-899,854.84	24,861,497.95
Xiamen Dongjiang	123,049,902.99	21,077,118.41	21,077,118.41	45,299,513.12	118,298,322.43	20,196,060.36	20,196,060.36	38,839,629.84
Hubei Tianyin	76,005,331.69	-27,158,528.82	-27,158,528.82	28,499,703.64	55,971,571.70	3,886,880.71	3,886,880.71	41,726,576.24
Zhuhai Yongxingsheng	199,676,870.26	50,064,204.21	50,064,204.21	25,491,119.62	141,153,551.64	36,572,381.20	36,572,381.20	48,685,731.16
Hengshui Ruitao	38,547,364.44	-357,304.60	-357,304.60	-7,453,881.20	28,472,232.83	870,334.08	870,334.08	11,950,362.44
Jiangsu Dongheng Environmental	6,499,053.30	-10,055,730.24	-10,055,730.24	17,756,917.39	8,416,284.59	-277,124.77	-277,124.77	3,636,843.27

(4) Significant restrictions on use of assets and settlement of debts of corporate

There were no significant restrictions on use of assets and settlement of debts of corporate.

2. Changes in shareholders' equity in the subsidiary without loss of control

(1) Changes in shareholders' equity in the subsidiary

On 15 August 2018, the Company, entered into an equity transfer agreement with HTA Company, to successfully acquire 38% equity interest of Shenzhen Dongjiang Heritage Technologies Co., Ltd.. The equity interest held by the Company in Shenzhen Dongjiang Heritage Technologies Co., Ltd. increased to 100%.

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

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

2. Changes in shareholders' equity in the subsidiary without loss of control *(Continued)*

(2) *Effect of changes in shareholders' equity in the subsidiary on equity*

Item	Dongjiang Heritage
Cash	17,500,000.00
Total consideration for acquisition	17,500,000.00
Less: Share of net assets of subsidiaries calculated based on acquired shareholding	19,088,663.42
Difference	-1,588,663.42
Including: Adjustment of capital reserve	1,588,663.42
Adjustment of surplus reserve	
Adjustment of undistributed profit	

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	Nature of business	Proportion of shareholding (%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
Dongjiang Veolia	Huizhou	Huizhou	Industrial	50.00	-	Equity approach
Shenzhen Resource	Shenzhen	Shenzhen	Industrial	49.00	-	Equity approach
Jieyang ALBA	Jieyang	Jieyang	Industrial	37.10	-	Equity approach
Fujian Dongjiang	Quanzhou	Quanzhou	Industrial	42.50	-	Equity approach
Foshan Fulong	Foshan	Foshan	Industrial	30.00	-	Equity approach

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VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(1) Significant joint ventures or associates *(Continued)*

1) Dongjiang Veolia

Full name: Huizhou Dongjiang Veolia Environmental services Limited (惠州東江威立雅環境服務有限公司)

Dongjiang Veolia has a registered capital of RMB60,000,000. The Company invested RMB30,822,200 and owned 51% equity interest therein. The Board of Directors of Dongjiang Veolia comprise 6 directors, 3 of them were appointed by the Company and the other 3 were appointed by the another shareholders who had one veto power in the matters (including the allocation of manpower requirement, equipment and material resources) relating to the design, construction or operating technology of the Hazardous Waste Treatment Centre. Accordingly, it is accounted for using equity method of accounting.

Pursuant to the equity transfer agreement dated 31 December 2014, 1% out of the 51% equity interest in Dongjiang Veolia originally held by the Company had been transferred to its partner, Veolia Environmental Services Hong Kong Limited. The relevant equity transfer and procedures of change in industrial and commercial registration were completed in July 2015. As of 31 December 2018, the Company holds 50% equity interest and 50% voting rights in Dongjiang Veolia.

2) Shenzhen Resource

Full name: Shenzhen Resource Environmental Technology Company Limited (深圳市萊索思環境技術有限公司)

Shenzhen Resource has a registered capital of RMB35,000,000. The Company invested RMB17,500,000 and owned 50% equity interest therein. The other 50% equity interest was owned by Shenzhen Hazardous Wastes Treatment Station Company Limited.

Pursuant to the framework agreement dated 19 August 2010, 1% out of the 50% equity interest in Shenzhen Resource originally held by the Company had been transferred to its partner, Shenzhen Hazardous Wastes Treatment Station Company Limited (hereinafter referred to as the City Hazardous Waste Treatment Station) and the composition of the Board of Directors of Shenzhen Resource would be adjusted whereby the Company has rights to nominate 3 out of 7 directors. The relevant equity transfer and procedures of change in industrial and commercial registration were completed in January 2011. As of 31 December 2018, the Company holds 49% equity interest and 42.86% voting rights in Shenzhen Resource.

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1 January 2018 to 31 December 2018

(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 2018, the Company holds 37.10% equity interest and 37.10% voting rights in ALBA Rising Green Fuel.

4) Fujian Dongjiang

Full name: Fujian Xingye Dongjiang Environmental Technology Co., Ltd. (福建興業東江環保科技有限公司)

Fujian Dongjiang has a registered capital of RMB100,000,000. The Company invested RMB42,500,000 and owned 42.50% equity interest therein. Its scope of business includes disposal and comprehensive utilization of wastes (including industrial waste and general solid waste); treatment of wastewater, waste air and noise; design, construction and operation of environmental protection facilities; production and trading of environmental materials, recycled products and environmental equipment; development, promotion and application of new environmental products and technologies (for businesses subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities). As of 31 December 2018, the Company holds 42.50% equity interest and 42.50% voting rights in Fujian Dongjiang.

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1 January 2018 to 31 December 2018

(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)*

5) Foshan Fulong

Full name: Foshan Fulong Environmental Protection Technology Co., Ltd (佛山市富龍環保科技有限公司)

Foshan Fulong has a registered capital of RMB52,587,700. The Company invested RMB48,000,000 and owned 30.00% equity interest therein. Its scope of business includes comprehensive utilization and disposal of hazardous wastes (including waste mineral oil (HW08); oil/water, hydrocarbon/water mixture or emulsion (HW09); other wastes (HW49)) and wholesaling and retailing of recycled products and base oil of the above hydrocarbon wastes; incineration disposal of hazardous wastes (including organic solvent wastes (HW06), waste mineral oil (HW08), oil/water, hydrocarbon/water mixture or emulsion (HW09), fine steam distillation residue (HW11), dyes, paint waste (HW12), organic resin waste (HW13), photographic material waste (HW16) and other wastes (HW49)); research and development as well as promotion and application of environmental protection technology; information consulting and exchange services; consultation of environmental impact assessment; research and development, maintenance, sale and installation of environmental equipment and product; design and construction of environmental protection engineering; treatment and dispose of wastewater, waste air and noise; soil restoration; technical services of environmental inspection; international and domestic trade. As of 31 December 2018, the Company holds 30.00% equity interest and 30.00% voting rights in Foshan Fulong.

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

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(2) Key financial information of significant joint ventures

Item	Balance at the end of year/ incurred during the year Dongjiang Veolia	Balance at the beginning of year/ incurred during last year Dongjiang Veolia
Current assets:	103,662,119.83	159,806,753.79
Including: cash and cash equivalent	41,425,566.87	56,511,782.76
Non-current assets	272,631,168.42	238,420,177.45
Total assets	376,293,288.25	398,226,931.24
Current liabilities:	127,445,206.74	183,474,615.02
Non-current liabilities	19,981,497.13	22,602,021.39
Total liabilities	147,426,703.87	206,076,636.41
Minority interests	24,347,051.13	25,835,671.19
Equity interests attributable to shareholders of the parent company	204,519,533.25	166,314,623.64
Share of net asset based on shareholdings	102,259,766.63	83,157,311.82
Adjustments		
– Goodwill	–	–
– Unrealized profit from intra-group transactions	–	–
– Others	–	–
Book value of investments in interest of joint venture	86,511,529.08	68,153,384.30
Fair value of investments in interest in joint venture with open market quotations	–	–
Operating revenue	299,941,207.60	297,069,674.71
Financial costs	1,435,750.72	658,538.85
Income tax expenses	6,182,964.49	1,976,930.27
Net profit	36,716,289.55	42,772,443.03
Net profit from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	36,716,289.55	42,772,443.03
Dividends received from joint venture during the year	–	12,500,000.00

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1 January 2018 to 31 December 2018

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures or associates (Continued)

(3) Key financial information of significant associates

Item	Balance at the end of year/ incurred during the year	Balance at the end of year/ incurred during the year	Balance at the beginning of year/ incurred during last year	Balance at the beginning of year/ incurred during last year
	Shenzhen Resource	Foshan Fulong	Shenzhen Resource	Foshan Fulong
Current assets:	17,670,606.97	17,742,403.13	30,166,454.90	10,246,263.56
Including: Cash and cash equivalent	13,331,167.24	4,466,493.26	18,827,370.10	3,314,621.72
Non-current assets	35,558,808.24	222,515,596.87	37,902,142.60	167,693,765.28
Total assets	53,229,415.21	240,258,000.00	68,068,597.50	177,940,028.84
Current liabilities:	10,501,385.49	98,660,542.78	12,802,937.81	140,705,489.84
Non-current liabilities	-	52,380,000.00	-	-
Total liabilities	10,501,385.49	151,040,542.78	12,802,937.81	140,705,489.84
Minority interests	-	-	-	-
Equity interests attributable to shareholders of the parent company	42,728,029.72	89,217,457.22	55,265,659.69	37,234,539.00
Share of net asset based on shareholdings	20,936,734.56	26,765,237.17	27,080,173.25	11,170,361.70
Adjustments				
- Goodwill		-		
- Unrealized profit from intra-group transactions	-	-1,773,648.80		
- Others		-		
Book value of investments in interest of joint venture	19,808,770.48	60,968,679.04	25,896,630.32	47,718,892.49
Fair value of investments in interest in joint venture with open market quotations				-
Operating revenue	31,108,093.72	49,974,301.46	34,481,299.96	17,671,660.60
Financial costs	-72,744.47	11,330.16	-80,182.10	390,539.71
Income tax expenses	-	-		
Net profit	-4,424,203.75	2,665,855.84	727,144.77	-8,206,686.58
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	-4,424,203.75	2,665,855.84	727,144.77	-8,206,686.58
Dividends received from joint venture during the year				

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures or associates (Continued)

(3) Key financial information of significant associates (Continued)

Item	Balance at the	Balance at the	Balance at the	Balance at the
	end of year/ incurred during the year	end of year/ incurred during the year	beginning of year/ incurred during last year	beginning of year/ incurred during last year
	Jieyang ALBA	Fujian Dongjiang	Jieyang ALBA	Fujian Dongjiang
Current assets:	86,914,615.97	85,026,557.14		33,698,370.10
Including: cash and cash equivalent	22,677,560.48	17,548,962.23		3,430,223.08
Non-current assets	335,822,327.02	244,787,344.67		114,834,667.58
Total assets	422,736,942.99	329,813,901.81		148,533,037.68
Current liabilities:	48,446,617.44	48,301,036.84		46,376,398.49
Non-current liabilities	259,166,985.52	185,464,749.98		6,530,000.00
Total liabilities	307,613,602.96	233,765,786.82		52,906,398.49
Minority interests	-	-		-
Equity interests attributable to shareholders of the parent company	115,123,340.03	96,048,114.99		95,626,639.19
Share of net asset based on shareholdings	42,710,759.15	40,820,448.87		40,641,321.66
Adjustments				
- Goodwill				
- Unrealized profit from intra-group transactions	-	-300,204.70		
Book value of investments in interest of joint venture	50,816,680.74	40,520,244.18	-	40,641,321.66
Fair value of investments in interest in joint venture with open market quotations				
Operating revenue	430,805.37	14,119,616.53		
Financial costs	-59,727.46	-956,393.23		-1,772,328.87
Income tax expenses	-	-		
Net profit	-9,647,642.52	421,475.80		-3,571,431.93
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	-9,647,642.52	421,475.80		-3,571,431.93
Dividends received from associates during the year	-			-

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

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(4) Summarized financial information of insignificant joint ventures and associates

Item	Balance at the end of year/ incurred during the year	Balance at the beginning of year/ incurred during last year
Associates:		
Total book value of investments	6,841,962.46	47,325,078.36
Total amounts based on shareholding		
– Net profit	-566,388.97	-1,712,401.36
– Other comprehensive income	–	–
– Total comprehensive income	-566,388.97	-1,712,401.36

(5) Significant restrictions on transfer of funds from joint ventures or associates to the Company

There were no significant restrictions on transfer of funds from joint ventures or associates to the Company.

(6) Excess loss incurred by joint ventures or associates

There was no excess loss incurred by joint ventures or associates.

(7) Unrecognized guarantee in relation to investments in joint ventures

There was no unrecognized guarantee in relation to investments in joint ventures.

(8) Contingent liabilities in relation to investments in joint ventures or associates

There were no contingent liabilities in relation to investments in joint ventures or associates.

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Company include monetary fund, notes receivables, accounts receivable, other receivables, borrowings, accounts payable, accrued staff emoluments, other payables, etc. Detailed descriptions of these financial instruments are set out in Note VI. Below are the risks associated with such financial instruments and the risk management policies adopted by the Company to mitigate such risks. The management of the Company manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Objective and policies of risk management

The Company engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Company's operating results are minimised, in order to maximise the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of the Company's risk management is to ascertain and analyse all types of risks exposures of the Company, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

(1) Market risks

1) Foreign exchange risk

The Company is mainly exposed to foreign exchange risks in connection with USD and HKD, except for certain subsidiaries of the Company which effect purchases and sales in USD and HKD, all the business activities of the remaining principal operations of the Company are settled with RMB. On 31 December 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	2,990,739.98	31.94
Monetary fund – HKD	5,254,272.30	5,669,658.54
Account receivables – HKD	1,584,830.00	3,780,354.00
Account receivables – USD		39,255.00
Prepayment – HKD	405,764.34	751,340.59
Other receivables – HKD	7,267,971.17	7,272,526.62
Inventories – HKD	78,715.58	82,351.16
Fixed assets – HKD	2,981,670.38	8,016,449.16
Short-term borrowings – HKD	8,000,000.00	10,000,000.00
Account payable – HKD	313,959.04	627,918.81
Other payable – HKD	604,489.49	15,111,961.89
Non-current liabilities due within 1 year – HKD	748,573.78	1,951,920.52
Contract liabilities – HKD	109,318.34	
Long-term payable – HKD	1,020,447.40	2,023,684.94

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 2018 to 31 December 2018

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Objective and policies of risk management *(Continued)*

(1) Market risks *(Continued)*

2) Interest rate risk

The risk that changes in interest rate lead to changes in cash flow of the financial instruments of the Company is mainly associated with floating-rate bank borrowings. The Company currently does not have a foreign currency hedging policy to hedge against its exposures. However, the management will closely monitor foreign currency risk and will consider hedging significant foreign currency risk when the risk arises.

3) Price risk

The Company other price risk is mainly concentrated on investments held for trading quoted in the stock exchange of the PRC. The management monitors the price risk exposure and will take appropriate measures should the need arise.

(2) Credit risk

On 31 December 2018, 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 2018 to 31 December 2018

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Objective and policies of risk management *(Continued)*

(2) Credit risk (Continued)

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: RMB341,388,578.27.

(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 2018, the unused credit facilities of bank borrowing of the Company was RMB3.270 billion (31 December 2017: RMB3.689 billion), including unused short-term bank borrowings facilities of the Company of RMB3.100 billion (31 December 2017: RMB3.257 billion), representing a significant change as compared to last year, mainly due to the issuance of bonds for financing in this period which results in more remaining credit of bank borrowings.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Objective and policies of risk management *(Continued)*

(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 2018:

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets					
Monetary fund	1,054,068,992.47				1,054,068,992.47
Held-for-trading financial assets	24,934,920.00				24,934,920.00
Notes receivable	62,108,965.02				62,108,965.02
Accounts receivable	710,055,395.90				710,055,395.90
Other accounts receivable	406,556,273.33	700,000.00	1,124,440.00	6,653,700.00	415,034,413.33
Loans	374,090,000.00				374,090,000.00
Non-current asset due					
within one year	2,965,177.96				2,965,177.96
Contractual assets	97,396,860.91				97,396,860.91
Long-term accounts receivable		54,317,470.93		7,418,624.00	61,736,094.93
Financial liabilities					
Short-term borrowings	1,834,096,571.16				1,834,096,571.16
Notes payable	150,000,000.00				150,000,000.00
Accounts payable	558,358,310.28				558,358,310.28
Other accounts payable	207,576,588.33				207,576,588.33
Dividend payable	3,260,310.01				3,260,310.01
Interest payable	2,106,252.25				2,106,252.25
Employee benefits payables	82,753,967.08				82,753,967.08
Non-current liabilities due					
within one year	440,977,675.35				440,977,675.35
Long-term borrowings		21,500,000.00	346,298,387.82	68,000,000.00	435,798,387.82
Bond payables		641,043,067.75	49,497,653.24	212,267,234.53	902,807,955.52
Contract liabilities	151,968,538.09				151,968,538.09
Long-term accounts payables		473,698.64	420,417.37		894,116.01

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Sensitivity analysis

The Company applies sensitivity to 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	127,106.45	127,106.45	1,669.70	1,669.70
USD	Decrease 5% against RMB	-127,106.45	-127,106.45	-1,669.70	-1,669.70
HKD	Increase 5% against RMB	157,932.12	157,932.12	-520,268.27	-520,268.27
HKD	Decrease 5% against RMB	-157,932.12	-157,932.12	520,268.27	520,268.27

(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

1 January 2018 to 31 December 2018

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Sensitivity analysis *(Continued)*

(2) Sensitivity analysis of interest rate risk *(Continued)*

The influence after tax of reasonable movements of interest rate on the current net profit and loss and equity based on the above assumptions with other variables holding constant is as follows:

Item	Change in interest rate	During the year		During last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Borrowings with floating interest rate	Increase by 1%	-3,358,601.93	-3,358,601.93	-2,271,125.52	-2,271,125.52
Borrowings with floating interest rate	Decrease by 1%	3,358,601.93	3,358,601.93	2,271,125.52	2,271,125.52

X. DISCLOSURE OF FAIR VALUE

1. Amounts of assets and liabilities measured at fair value at the end of year and levels of fair value measurement

Item	Fair value at the end of year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuous fair value measurement				
(1) Financial assets at fair value through profit and loss	-	-	-	-
Financial assets held for trading-equity instrument investments	-	24,934,920.00	-	24,934,920.00
(2) Investment properties	-	24,934,920.00	-	24,934,920.00
Leased buildings	-	423,598,931.13	-	423,598,931.13
Leased land use rights	-	351,868,131.13	-	351,868,131.13
	-	71,730,800.00	-	71,730,800.00
Total assets with continuous fair value measurement	-	448,533,851.13	-	448,533,851.13

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 10% equity interest in Shangtian Environmental Restoration Co., Ltd. held by the Company is measured at fair value. The fair value is determined based on the valuation made by Shenzhen Zunxinxing Assets Appraisal Land Real Estate Appraisal Co., Ltd. (an independent third party with no connection to the Company). The valuation uses the market approach to assess the value of all shareholders' equity.

The fair value measurement of investment property at fair value of the Company is based on the valuation made by Shenzhen Zunxinxing Assets Appraisal Land Real Estate Appraisal Co., Ltd., Nanjing Runxingbo Assets Evaluation Co., Ltd., Xiamen Chengdexing Assets and Real Estate Land Evaluation Co., Ltd. and Hubei Zhibo Assets Evaluation Office (all of them are independent third parties with no connection to the Company).

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	18.72
Subsidiaries of Guangdong Rising Assets	20,458,427.00	2.31
Total	186,526,928.00	21.03

As at 31 December 2018, Guangdong Rising Finance Holding Co., Ltd., a wholly-owned subsidiary of Guangdong Rising Assets, held 16,260,400 A Shares of the Company, representing 1.83% 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.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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)*

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
Fujian Dongjiang	Associate
Foshan Fulong	Associate
Shenzhen Micronutrients	Associate
Jiangsu Suquan	Associate
Shenzhen Resource	Associate

4. *Other related parties*

Name of other related parties	Relations with the Company
Zhongjin Lingnan	Other *1
Guangzhou Huajian	Other *2
Guangcheng Youse	Other *3

*1. Zhongjinling South is another related party directly controlled by the controlling shareholder of the Company;

*2. Guangzhou Huajian is another related party indirectly controlled by the controlling shareholder of the Company;

*3. Guangcheng Youse is another related party directly controlled by the controlling shareholder of the Company.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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	35,506,613.67	29,356,944.42
Guangzhou Huajian	Receiving services	3,349,435.71	8,272,490.05
Guangcheng Youse	Purchase goods	110,276.48	–
Total		38,966,325.86	37,629,434.47

(2) Sales of goods/providing services

Related Party	Related party transactions	Incurred during the year	Incurred during last year
Dongjiang Veolia	Providing services	83,337,905.92	74,901,872.74
Dongjiang Veolia	Sales of goods	583,529.49	840,160.59
Dongguan Fengye	Providing services	4,009,433.95	–
Zhongjin Lingnan	Providing services	16,070,342.14	–
Jiangsu Suquan	Providing services	1,102,557.06	–
Fujian Xingye	Providing services	10,090,910.00	69,955,000.00
Foshan Fulong	Providing services	23,648,648.65	47,297,297.30
Shenzhen Micronutrients	Sales of goods	–	66,220,026.55
Total		138,843,327.21	259,214,357.18

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	135,037.60

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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)*

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	Fujian Xingye	150,000,000.00	2018-3-30	2025-3-29	No
Dongjiang Environmental	Fujian Xingye	50,000,000.00	2018-7-18	2024-10-17	No

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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

Emoluments of Directors and Supervisors during the year are as follows:

Name	Fees of Directors and Supervisors	Salaries and allowances	Bonus	Retirement benefits scheme contributions	Total
Executive Directors					
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
Chen Shusheng	-	-	-	-	-
Sub-total	-	2,966,922.17	-	162,846.60	3,129,768.77
Non-executive Directors					
Liu Boren	-	-	-	-	-
Deng Qian	-	-	-	-	-
Huang Yiming	-	-	-	-	-
Lu Bei	-	-	-	-	-
Jin Yongfu	-	-	-	-	-
Sub-total	-	-	-	-	-
Independent non-executive Directors					
Wong Hin Wing	150,000.00	-	-	-	150,000.00
Qu Jiu-hui	150,000.00	-	-	-	150,000.00
Zhu Zheng Fu	150,000.00	-	-	-	150,000.00
Sub-total	450,000.00	-	-	-	450,000.00
Supervisors					
Zhang Anli	-	-	-	-	-
Huang Weiming	-	818,004.00	200,000.00	79,078.90	1,097,082.90
Li Yue	-	169,353.20	-	28,725.00	198,078.20
Shu Yixin	-	-	-	-	-
Zhao Xuechao	-	-	-	-	-
Liu An	-	-	-	-	-
Sub-total	-	987,357.20	200,000.00	107,803.90	1,295,161.10
Total	450,000.00	3,954,279.37	200,000.00	270,650.50	4,874,929.87

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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					
Liu Ren	-	1,297,876.00	250,000.00	73,762.39	1,621,638.39
Li Yong Peng	-	1,045,850.00	200,000.00	74,977.93	1,320,827.93
Zhang Kai	-	536,777.45	0.00	24,042.00	560,819.45
Chen Shusheng	-	616,002.00	700,000.00	36,008.64	1,352,010.64
Sub-total	-	3,496,505.45	1,150,000.00	208,790.96	4,855,296.41
Non-executive Directors					
Liu Boren	-	-	-	-	-
Deng Qian	-	-	-	-	-
Huang Yiming	-	-	-	-	-
Sub-total	-	-	-	-	-
Independent non-executive Directors					
Wong Hin Wing	150,000.00	-	-	-	150,000.00
Qu Jiuhui	150,000.00	-	-	-	150,000.00
Zhu Zheng Fu	150,000.00	-	-	-	150,000.00
Sub-total	450,000.00	-	-	-	450,000.00
Supervisors					
Zhang Anli	-	-	-	-	-
Huang Weiming	-	658,385.00	400,000.00	64,829.67	1,123,214.67
Li Yue	-	96,600.00	-	24,013.20	120,613.20
Shu Yixin	-	96,540.00	-	15,039.46	111,579.46
Sub-total	-	851,525.00	400,000.00	103,882.33	1,355,407.33
Total	450,000.00	4,348,030.45	1,550,000.00	312,673.29	6,660,703.74

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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: three) directors, and the other three (last year: two) employees with the highest emoluments were as follows:

Item	Amount of the year	Amount of last year
Salaries and allowance	2,645,167.00	1,622,085.00
Bonus	1,350,000.00	800,000.00
Retirement benefits scheme contribution	204,922.62	149,955.86
Total	4,200,089.62	2,572,040.86

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)	5	5
Total	5	5

(3) During the Track Record Period, none of the Directors had waived or agreed to waive any remuneration. During the Track Record Period, no remuneration was paid by the Company to any Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as a compensation for loss of office.

(4) Key management remuneration

Key management remuneration, including remuneration paid or payable to Directors, Supervisors and senior management, is as follows:

Item	Amount of the year	Amount of last year
Salaries and allowances	8,678,271.42	9,337,917.45
Cost of social insurance, housing fund and related pension cost	590,736.84	711,306.99
Bonus	200,000.00	3,650,000.00
Total	9,469,008.26	13,699,224.44

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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)*

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.

(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
Account receivable	Shenzhen Micronutrients		-	0.10	-
Account receivable	Dongjiang Veolia	10,991,668.71	-	33,456,391.75	-
Account receivable	Jiangsu Suquan	11,050,418.45	-	11,543,872.50	-
Account receivable	Foshan Fulong	42,186,218.51	-	47,297,297.30	-
Account receivable	Fujian Xingye	13,454,439.88	-	46,067,612.63	-
Account receivable	Fujian Xingye	2,550,000.00	-	-	-
Account receivable	Zhongjin Lingnan	2,303,670.73	-	-	-
Other receivable	Dongguan Fengye	8,339,278.88	-	-	-
Other receivable	Fujian Xingye	-	-	1,093,098.80	-
Other receivable	Dongjiang Veolia	-	-	2,083,469.93	-

2. Payable Items

Item	Related Party	Balance at the end of year	Balance at the beginning of year
Account payable	Dongjiang Veolia	372,742.64	11,853,491.46
Other payables	Dongjiang Veolia	20,000.00	15,000.00
Other payables	Shenzhen Resource	-	135,458.63

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 17 January 2017, the Company entered into the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. ("Rising Finance Company"), pursuant to which, Rising Finance Company will provide the Company (including its subsidiaries) with the deposit services, settlement services and other financial services as permitted by the China Banking Regulatory Commission. As at 31 December 2018, the Company has a deposit balance of RMB143,858,642.25 with Rising Finance Company and a loan balance of RMB260,000,000.00 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	5,985,000.00
Total amount of equity instruments lapsed of the Company during the year	1,137,000.00
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 Unlocking the Third Unlocking Period of Certain Reserved Restricted A Shares" considered and passed at the 8th meeting of the sixth session of the Board on 16 January 2018, 790,000 Shares held by 59 participants were unlocked. The Restricted Shares which have been unlocked commenced trading on 26 January 2018.

Pursuant to the "Resolution on Unlocking the First Unlocking Period of Reserved Portion of Restricted Shares of the Restricted A Share Incentive Scheme in 2016" considered and passed at the 24th meeting of the sixth session of the Board on 12 November 2018, 650,000 Shares held by 43 participants were unlocked. The Restricted Shares which have been unlocked commenced trading on 21 November 2018.

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

XII. SHARE-BASED PAYMENTS *(Continued)*

1. Details of share-based payments *(Continued)*

(1) Unlocking Restricted Shares (Continued)

Pursuant to the “Resolution on Unlocking the Second Unlocking Period of Reserved Portion of Restricted Shares of the Restricted A Share Incentive Scheme in 2016” considered and passed at the 25th meeting of the sixth session of the Board on 14 December 2018, 4,545,000 Shares held by 291 participants were unlocked. The Restricted Shares which have been unlocked commenced trading on 24 December 2018.

(2) Repurchase and cancellation of Restricted Shares granted but not yet unlocked held by former participants who had left office

- 1) Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants” considered and passed at the 7th meeting of the sixth session of the Board and the 5th meeting of the sixth session of the board of supervisors of the Company on 23 November 2017, the Company repurchased and cancelled 10,000 restricted shares granted but not yet unlocked from 1 former incentive participants who ceased to be qualified as they had resigned for personal reasons and completed the relevant procedures for leaving office. For details, please the relevant announcement issued by the Company.
- 2) Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants” considered and passed at the 7th meeting of the sixth session of the Board of the Company on 23 November 2017, the Company repurchased and cancelled 840,000 restricted shares granted but not yet unlocked from 11 former incentive participants who ceased to be qualified as they had terminated the labour contacts with the Company and completed the relevant procedures for leaving office. For details, please the relevant announcement issued by the Company.
- 3) Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted but Not Yet Unlocked Held by Former Incentive Participants of 2016 Restricted Share Incentive Scheme” considered and passed at the 9th meeting of the sixth session of the Board on 7 February 2018, the Company repurchased and cancelled 287,000 restricted shares granted but not yet unlocked from 6 former incentive participants who ceased to be qualified as they had terminated the labour contacts with the Company and completed the relevant procedures for leaving office.

The procedures of repurchase and cancellation for the above 1,137,000 shares were completed at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 19 April 2018.

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1 January 2018 to 31 December 2018

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

XII. SHARE-BASED PAYMENTS *(Continued)*

2. Payment of equity-settled share-based payment

Item	Details
Determination method of fair value of equity instruments as at the date of grant	Select Black-Scholes option pricing model to measure the fair value of stock options of the Company. Calculation method of the fair value of Restricted Shares: the fair value of each Restricted Share = $C - P - X * ((1 + R)^N - 1)$. Where: C is the value of a call option; P is the value of a put option; X is the grant price of Restricted Shares; R is the rate of capital gains; N is the investment period of purchase fund of Restricted Shares.
Determination basis of number of exercisable equity instruments	Estimated based on the results condition of each unlocking period
Reason for significant difference between estimation made during the year and estimation during last year	Nil
Accumulated amount of equity-settled share-based payment in capital reserve	61,999,348.69
Total expenses of equity-settled share-based payment recognized during the year	-1,281,200.00

Equity instruments exercised during the year amounted to 5,985,000 shares (last year: 13,125,000.00 shares).

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 amount remaining unsettled as at 31 December 2018 was RMB8,130,100.
- (3) Other than as disclosed above, the Company had no other significant contingent matters as of 31 December 2018.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

XIV.COMMITMENTS

1. Combination

(1) Significant commitments

- 1) Commitments of capital expenditures of the Company at the end of year
Capital expenditure commitments contracted but not yet recognized in the financial statements

Item	Amount at the end of year	Amount at the beginning of year
External investments	21,160,000.00	48,780,000.00
Work-in-progress	153,385,666.00	268,258,048.15
Purchase of equipment and machineries	73,192,584.60	106,411,606.00
Total	247,738,250.60	423,449,654.15

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	2019	
Total	172,000,000.00	150,840,000.00	21,160,000.00		

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

XIV.COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitments (Continued)

2) Significant contracts contracted and undergoing or in preparation

At the end of the year, the Company has expenditure commitments of significant contracts contracted but not yet paid totalling RMB153,385,666.00, details of which are as follows:

Name of investment	Contracted investment amount	Investment amount paid	Investment amount unpaid	Estimated investment period	Notes
Kitchen power generation project (Headquarter of Dongjiang)	4,836,036.04	4,592,036.04	244,000.00	2019	
Quanzhou Xingye project (Headquarter of Dongjiang)	60,390,000.00	41,313,479.52	19,076,520.48	2019	
Phase II of the incineration project (Hengshui Ruitao)	75,734,907.42	59,933,789.42	15,801,118.00	2019	
Comprehensive recycling project of sludge containing heavy metal (Shaoguan Green)	83,300,000.00	55,700,500.00	27,599,500.00	2019	
Phase III of 20,000 tons project (Shaoxing Huaxin)	50,572,300.00	10,114,500.00	40,457,800.00	2019	
Waste Treatment and Disposal Center Project (Tangshan Wanders)	85,367,495.07	60,988,817.54	24,378,677.53	2019	
Contract of plant construction (Weifang Dongjiang)	28,781,137.22	24,332,996.66	4,448,140.56	2019	
Physical and chemical treatment and wastewater treatment project (Xiantao Luyi)	75,469,229.71	69,248,886.94	6,220,342.77	2019	
Phase II of the incineration and improvement project (Coastal Solid Waste)	8,300,000.00	1,660,000.00	6,640,000.00	2019	
Phase III of the incineration project (Coastal Solid Waste)	25,691,362.74	22,871,796.08	2,819,566.66	2019	
Incineration project (Zhuhai Yongxingsheng)	45,000,000.00	39,300,000.00	5,700,000.00	2019	
Total	543,442,468.20	390,056,802.20	153,385,666.00		

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

XIV.COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitments (Continued)

3) Significant equipment procurement contracts contracted and undergoing or in preparation

As at the end of the year, the Company has expenditure commitments of significant equipment procurement contracts contracted but not yet paid totalling RMB73,192,584.60, details of which are as follows:

Item	Contracted amount	Paid amount	Unpaid amount	Estimated investment period	Notes
Kitchen power generation project (Headquarter of Dongjiang)	9,500,000.00	6,590,000.00	2,910,000.00	2019	
Procurement of power circuit (phase I) (Xiantao Luyi)	3,220,000.00	3,059,000.00	161,000.00	2019	
Waste packaging cleansing equipment (Coastal Solid Waste)	4,662,300.00	2,634,690.00	2,027,610.00	2019	
Treatment system of waste gas (Coastal Solid Waste)	1,390,000.00	834,000.00	556,000.00	2019	
Procurement and sales of wastewater evaporation and concentration system (Xiantao Luyi)	9,780,000.00	4,401,000.00	5,379,000.00	2019	
Procurement and sales of wastewater evaporation and concentration system (Zhuhai Yongxingsheng)	10,980,000.00	10,427,500.00	552,500.00	2019	
Incineration equipment for waste treatment and disposal center (Wandesi)	44,620,000.00	11,155,000.00	33,465,000.00	2019	
Crusher system (Coastal Solid Waste)	2,230,000.00	1,338,000.00	892,000.00	2019	
Laboratory chemical instrument and equipment supply contract (Xiantao Luyi)	1,665,641.00	1,170,256.40	495,384.60	2019	
Laboratory equipment procurement contract (Hengshui Ruitao)	1,590,000.00	1,471,000.00	119,000.00	2019	
Desulfurization tower project equipment and ancillary works (Shaoguan Dongjiang)	5,470,000.00	3,132,000.00	2,338,000.00	2019	

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1 January 2018 to 31 December 2018

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

XIV.COMMITMENTS *(Continued)*

1. Combination *(Continued)*

(1) Significant commitments *(Continued)*

- 3) Significant equipment procurement contracts contracted and undergoing or in preparation *(Continued)*

Item	Contracted amount	Paid amount	Unpaid amount	Estimated investment period	Notes
Incineration line flue gas wet scrubbing for hazardous waste project (Coastal Solid Waste)	4,000,000.00	1,200,000.00	2,800,000.00	2019	
Refined management system platform software for hazardous waste(Coastal Solid Waste)	1,140,000.00	114,000.00	1,026,000.00	2019	
Hazardous waste incineration treatment (Weifang Dongjiang)	92,473,690.00	73,950,600.00	18,523,090.00	2019	
Kiln residue slag selection iron and silver comprehensive utilization project – equipment purchase contract (Shaoguan Dongjiang)	1,010,000.00	536,000.00	474,000.00	2019	
Procurement and sales of equipment of phase I of high and low voltage transformer power distribution project (Xiantao Luyi)	1,580,000.00	1,501,000.00	79,000.00	2019	
Evaporation and concentration system (Coastal Solid Waste)	4,650,000.00	3,255,000.00	1,395,000.00	2019	
Total	199,961,631.00	126,769,046.40	73,192,584.60		

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

XIV.COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitments (Continued)

4) Leases contracted and undergoing or in preparation and financial effects

As at the end of the year, the Company as lessee had minimum future lease payment commitments under non-cancellable operating leases in respect of office and plants and transportation equipment in the following periods summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	1,462,251.26	1,384,889.82
1-2 years	836,029.88	945,557.52
2-3 years	320,000.00	945,557.52
Over 3 years		545,557.52
Total	2,618,281.14	3,821,562.38

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	11,440,783.19	8,393,593.40
1-2 years	10,614,842.62	8,784,446.90
2-3 years		747,875.98
Over 3 years		–
Total	22,055,625.81	17,925,916.28

As at the end of the year, the Company as lessee had minimum future lease payment under non-cancellable financing leases in respect of transportation equipment in the following periods summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	655,900.35	1,631,610.36
1-2 years	473,698.63	794,584.02
2-3 years	387,352.23	897,014.25
Over 3 years	33,065.15	–
Total	1,550,016.36	3,323,208.63

- (2) Other than the abovementioned commitments, the Company has no other significant commitments as at 31 December 2018.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

XV. MATERIAL NON-ADJUSTMENT EVENTS

1. Significant non-adjusting events

(1) Significant investment

On 8 March 2019, the Resolution on the Acquisition of 21% Equity of Foshan Fulong Environmental Protection Technology Co., Ltd. was considered and passed on the 32nd meeting of the sixth session of Board of Director of the Company. According to the Shareholders' Equity Value Assets Assessment Report of Foshan Fulong Environmental Protection Technology Co., Ltd. involved in the Proposed Equity Acquisition of Dongjiang Environmental Company Limited, the assessed value of the shareholders' equity of Foshan Fulong as at 30 September 2018 (the valuation date) amounted to RMB304,874,000, the corresponding assessed value of 21% equity of Foshan Fulong amounted to RMB64,023,500 and the corresponding assessed value of 51% equity of Foshan Fulong amounted to RMB155,485,700. As agreed by both parties, the consideration for the acquisition of 21% equity of Foshan Fulong would be RMB63,956,600. In addition, the Company intends to pay RMB25,500,000 to Wan Xinglong on conditions that the qualification adjustment contents are completed pursuant to the equity transfer agreement and the approval documents from the environmental protection department on such qualification adjustment contents are obtained. Together with the previous acquisition, the total consideration of equity transfer paid by the Company for the 51% equity interest in Fulong Environmental Protection will be RMB137,456,600. Upon the completion of this acquisition, Foshan Fulong will become a holding subsidiary of the Company. As at the date of issuance of this Report, the registration of equity changes has not been completed.

(2) Repurchase and cancellation of Restricted Shares not yet unlocked

On 19 March 2019, as considered and passed 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, it was agreed that all restrictive A Shares granted to 24 participants (including Xie Henghua and Ye Guochang) but not yet unlocked shall be repurchased and cancelled and the repurchase payment should be RMB9,853,080.00. As a result, the registered capital of the Company will decrease from RMB887,100,102 to RMB885,962,102.

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 RMB1.40 (tax included) for every 10 shares to all shareholders, and total cash dividend would be RMB123,097,394.28. Remaining balance of distributable profit would be carried forward to subsequent periods.

3. Other than the above disclosure, the Company had no other material post-balance date events.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

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.

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.

2018 Reporting Segments

Unit: RMB'0,000

Item	Industrial		Municipal waste treatment	Renewable energy utilization	Environmental engineering and services	Trading and others	Household appliance dismantling	Unallocated amounts	Elimination	Total
	Industrial Waste recycling	waste treatment and disposal								
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

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

XVI. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment information (Continued)

2017 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	118,152.88	117,975.40	19,295.95	9,298.25	31,043.65	23,980.67	5,731.09	-	-15,512.03	309,965.86
Including: Revenue from external transactions	118,152.88	116,743.68	19,295.95	9,298.25	27,982.05	12,761.96	5,731.09	-	-	309,965.86
Revenue from intra-segment transactions	-	1,231.72	-	-	3,061.60	11,218.71	-	-	-15,512.03	-
Operating costs	85,920.60	62,240.15	16,829.33	5,896.05	23,847.42	14,787.99	4,741.42	4,198.64	-15,512.03	202,949.57
Segment total profit (total loss)	18,977.15	44,852.68	584.20	3,860.14	6,914.80	6,730.96	81.88	-19,744.50	-	62,257.31
Total assets	274,664.26	221,314.09	43,600.53	24,888.67	54,221.33	104,257.85	40,660.83	417,657.76	-257,250.58	924,014.74
Total liabilities	30,044.54	98,086.46	46,870.03	3,494.33	28,331.83	10,500.73	15,870.82	277,358.50	-18,727.26	491,829.98

- According to the announcement of the Company, Fengcheng Environmental Protection Bureau of Jiangxi Province believes that the temperature of the second combustion chamber of Jiangxi Dongjiang, the Company's wholly-owned subsidiary, is lower than the requirements of the EIA requirements of ≥ 1100 degrees, and there are abnormal operation of pollution prevention facilities. An administrative penalty of RMB500,000 was imposed to Jiangxi Dongjiang, and such amount was included in the profit and loss of the current period. The person in charge and two employees of Jiangxi Dongjiang were held criminally liable. In July 2018, Fengcheng Environmental Protection Bureau of Jiangxi Province believed that Jiangxi Dongjiang had completed the rectification as required and agreed to resume production in Jiangxi Dongjiang. The Board of Directors of the Company believes that the Company's financial position has not been materially affected by the incident, except for the payment of a fine of RMB500,000.
- Other than those disclosed above, the Company has no other significant transactions and matters affecting investors' decision.

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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. Notes and accounts receivable

Item	31 December 2018	1 January 2018	31 December 2017
Notes receivable	7,629,204.49	14,810,711.01	14,810,711.01
Accounts receivable	286,213,865.94	412,135,129.28	436,094,120.32
Bad debt provision	1,185,307.15	1,063,186.59	3,516,166.11
Total	292,657,763.28	425,882,653.70	447,388,665.22

1.1 Notes receivable

(1) Notes receivable by categories

Item	31 December 2018	1 January 2018	31 December 2017
Bank acceptance notes	7,629,204.49	14,810,711.01	14,810,711.01
Total	7,629,204.49	14,810,711.01	14,810,711.01

- (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: RMB27,582,690.78
- (4) Notes receivable transferred to accounts receivable due to the failure of obligation of performance of the issuer as at the end of the year: Nil
- (5) Notes receivable actually written off during the year: Nil

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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. Notes and accounts receivable (Continued)

1.2 Accounts receivable

(1) Provision for bad debts of accounts receivable based on expected credit risk portfolio

Group classification	Balance as at the end of the year		
	Accounts receivable	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	74,445,085.36	–	
Accounts receivable from government	63,654,237.52		
Accounts receivable from related companies	104,203,809.57		
Accounts receivable from general customers or others:			
Within 1 year	43,910,733.49	2.70	1,185,307.15
1-2 years	37,867,101.02	0.80	302,936.81
2-3 years	6,043,632.47	14.60	882,370.34
Over 3 years			
Total	286,213,865.94		1,185,307.15

Group classification	Balance at the beginning of year		
	Accounts receivable	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	56,930,142.81	–	–
Accounts receivable from government	101,025,287.38		–
Accounts receivable from related companies	195,043,866.72		–
Accounts receivable from general customers or others:			
Within 1 year	59,135,832.37	1.80	1,063,186.59
1-2 years	48,965,792.71	0.40	195,863.17
2-3 years	9,521,039.66	6.10	580,783.42
Over 3 years	420,000.00	13.70	57,540.00
	229,000.00	100.00	229,000.00
Total	412,135,129.28		1,063,186.59

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XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Notes and accounts receivable (Continued)

1.2 Accounts receivable (Continued)

(2) Bad debt provision for accounts receivable

Category	31 December 2017	The effects of New Financial Instrument Standards as at 1 January 2018	The balances presented under the Financial Instrument Standards as at 1 January 2018			Changes in the current year			31 December 2018
			Provided	Reversed	Written off				
Bad debts provision for accounts receivable	3,516,166.11	-2,452,979.52	1,063,186.59	662,120.56		540,000.00		1,185,307.15	

(3) Accounts receivable written off during the year

Item	Amount written off
Accounts receivable written off	540,000.00

Including significant accounts receivables written off:

Name of entity	Nature of accounts receivable	Amount written off	Reason for write-off	Write-off procedure implemented	Whether arisen from related party transaction
Hainan Zhenghong Technology Development Co., Ltd.	Treatment fees	540,000.00	Irrecoverable	Report to the chief executive officer's office	No
Total		540,000.00			

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1 January 2018 to 31 December 2018

(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. Notes and accounts receivable (Continued)

1.2 Accounts receivable (Continued)

- (3) 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	57,453,320.61	Within 1 year, 1-2 years	20.07	
No. 2	51,997,893.52	Within 1 year, 2-3 years	18.17	
No. 3	42,186,218.51	Within 1 year, 1-2 years	14.74	
No. 4	13,860,000.00	Within 1 year, 1-2 years	4.84	
No. 5	13,454,439.88	Within 1 year, 1-2 years	4.70	
Total	178,951,872.52		62.52	

- (4) Accounts receivable which was derecognized due to transfer of financial assets: Nil

- (5) Transferred accounts receivable in which the Company continued to involve and relevant assets or liabilities formed: Nil

2. Other accounts receivable

Item	31 December 2018	1 January 2018	31 December 2017
Interest receivable	–	–	
Dividend receivable	–	16,200,000.00	16,200,000.00
Other accounts receivable	2,210,438,803.49	2,318,673,869.01	2,318,673,869.01
Less: Bad debt provision	66,247,559.91	36,000,724.46	7,402,602.11
Total	2,144,191,243.58	2,298,873,144.55	2,327,471,266.90

NOTES TO FINANCIAL STATEMENTS

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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)*

2. Other accounts receivable *(Continued)*

2.1 Dividend receivable

(1) Dividend receivable by category

Project (or invested unit)	Balance as at the end of the year	Balance as at the beginning of the year
Shenzhen Longgang Dongjiang Industrial Waste	–	16,200,000.00
Total	–	16,200,000.00

(2) Significant dividends receivable aging for more than one year: Nil

2.2 Other accounts receivable

(1) Other accounts receivable by nature

Nature	Book balance at the end of the year	Book balance at the beginning of the year
Current accounts with related parties	2,037,785,069.79	2,158,492,313.55
Considerations of equity transfer and current accounts with former subsidiaries	137,218,300.00	137,218,300.00
Guarantee deposits, provisions and others	25,651,244.81	14,617,874.75
Payment on behalf of third parties	9,784,188.89	8,345,380.71
Total	2,210,438,803.49	2,318,673,869.01

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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. Other accounts receivable (Continued)

2.2 Other accounts receivable (Continued)

(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
Amounts tested individually for expected credit losses	255,881.16	-	-
Accounts receivable from government	19,823,524.90		
Accounts receivable from related companies	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
Total	2,210,438,803.49		66,247,559.91

Group classification	Balance at the beginning of year		
	Other accounts receivable	Expected credit loss rate (%)	Bad debt amount
Amounts tested individually for expected credit losses	249,937.60	-	-
Accounts receivable from government	16,877,257.28	-	
Accounts receivable from related companies	2,158,492,313.55	-	-
Accounts receivable from general customers or others:	143,054,360.58	25.17	36,000,724.46
Within 1 year	32,274,125.28	9.60	3,098,316.03
1-2 years	110,776,773.30	29.70	32,900,701.66
2-3 years	3,462.00	49.30	1,706.77
Over 3 years		100.00	-
Total	2,318,673,869.01		36,000,724.46

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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. Other accounts receivable (Continued)

2.2 Other accounts receivable (Continued)

(3) Bad debt provisions for other accounts receivable

Category	31 December 2017	The effects of New Financial Instrument Standards	The balances presented under the Financial Instrument Standards as at	Changes in the current year			31 December 2018
			1 January 2018	Provided	Reversed	Written off	
Bad debt provisions for other accounts receivable	7,402,602.11	28,598,122.35	36,000,724.46	30,246,835.45			66,247,559.91

(4) Other receivables written off during the year: Nil

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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. Other accounts receivable (Continued)

2.2 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 other accounts receivable at the end of year (%)	Balance of bad debt provision at the end of year
Shaoguan Green Recycling Resource Development Co., Ltd.	Accounts with related parties	511,977,660.38	Within 1 year	23.16	
Hubei Tianyin Circulation Economic Development Co., Ltd.	Accounts with related parties	313,372,094.10	Within 1 year	14.18	
Sound (Tianjin) Renewable Resources Investment Holdings Co., Ltd.	Considerations of equity transfer and current accounts with former subsidiaries	137,218,300.00	1-2 years, 2-3 years	6.21	62,407,021.90
Jiangsu Dongheng Environmental Holdings Co., Ltd.	Accounts with related parties	132,826,980.87	Within 1 year	6.01	
Xiantao Luyi Environmental Technology Co., Ltd.	Accounts with related parties	130,379,980.77	Within 1 year	5.90	
Total	—	1,225,775,016.12	—	55.46	62,407,021.90

- (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 2018 to 31 December 2018

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. Long-term equity investments

(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	3,370,467,951.64		3,370,467,951.64	3,264,111,918.14		3,264,111,918.14
Investments in associates and joint ventures	265,467,865.98		265,467,865.98	203,922,892.11	529,649.00	203,393,243.11
Total	3,635,935,817.62		3,635,935,817.62	3,468,034,810.25	529,649.00	3,467,505,161.25

(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	2,093,966.50		2,093,966.50	-		
Dongjiang Transport	34,000,000.00			34,000,000.00		
Shaoguan Recycling Resource	329,533,500.00			329,533,500.00		
Chengdu Hazardous Waste	6,105,461.13			6,105,461.13		
Products Trading	2,000,000.00			2,000,000.00		
Baoan Energy	17,230,102.04			17,230,102.04		
Renewable Energy	90,324,500.00			90,324,500.00		
Qingdao Dongjiang	15,000,000.00			15,000,000.00		
Dongjiang HK	154,755,770.00			154,755,770.00		
Yunnan Dongjiang	10,000,000.00			10,000,000.00		
Huabao Technology	10,000,000.00			10,000,000.00		
Dongjiang Property Service	1,000,000.00			1,000,000.00		
Zhuhai 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 2018 to 31 December 2018

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

VII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. Long-term equity investments (Continued)

(2) Investments in subsidiaries (Continued)

Investee	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	Impairment provision during the year	Impairment provision balance at the end of the year
Hengjian Tongda	145,284,297.00			145,284,297.00		
Jiangsu Dongjiang	278,800,000.00			278,800,000.00		
Qianhai Dongjiang	10,000,000.00	5,000,000.00		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	15,500,000.00	17,500,000.00		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	75,558,000.00	15,000,000.00		90,558,000.00		
Dongheng Konggang	45,000,000.00			45,000,000.00		
Weifang Blue Sea	94,000,000.00			94,000,000.00		
Zhenjiang Dongjiang	600,000.00			600,000.00		
Zhaoqing Dongsheng	50,000,000.00			50,000,000.00		
Xiantao Dongjiang	10,000,000.00			10,000,000.00		
Huangshi Dongjiang	700,000.00	1,400,000.00		2,100,000.00		
Tangshan Wandesi	140,000,000.00	64,000,000.00		204,000,000.00		
Huateng Environmental	20,062,500.00			20,062,500.00		
Mianyang Dongjiang		2,550,000.00		2,550,000.00		
Handan Dongjiang		3,000,000.00		3,000,000.00		
Total	3,264,111,918.14	108,450,000.00	2,093,966.50	3,370,467,951.64		

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. Long-term equity investments (Continued)

(3) Investments in associates and joint ventures

Investee	Balance at the beginning of the year	Impairment provision as at the beginning of the year	Additional investments	Decrease in investments	Changes during the year					Balance at the end of the year	Impairment provision at the end of the year	
					Gain and loss of investment recognized using equity approach	Adjustments to other comprehensive income	Declaration or payment of cash dividend or profit	Impairment provision	Others			
I. Joint venture												
Dongjiang Veolia	68,153,384.30		-	-	18,358,144.78	-	-	-	-	-	86,511,529.08	
II. Associate												
Shenzhen												
Micronutrients	14,104,361.91	529,649.00		1,383,469.85	-450,910.52			12,269,981.54	-529,649.00		-	
Shenzhen												
Resource	25,896,630.32				-2,167,859.84			3,920,000.00			19,808,770.48	
Chaoyue												
Dongchuang	555,296.42				154,055.66						709,352.08	
Fujian Dongjiang	40,641,321.66				-121,077.48						40,520,244.18	
Foshan Fulong	47,718,892.49		14,223,678.60		-973,892.05						60,968,679.04	
Dongguan												
Fengye	6,853,005.01	-			-720,394.63						6,132,610.38	
Jieyang ALBA			52,139,164.00		-1,322,483.26						50,816,680.74	
Total	203,922,892.11	529,649.00	66,362,842.60	1,383,469.85	12,755,582.66			16,189,981.54	-529,649.00		265,467,865.98	

(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	3,635,935,817.62	3,467,505,161.25
Total	3,635,935,817.62	3,467,505,161.25

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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. Operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	763,540,719.45	611,596,662.73	748,340,684.01	563,706,735.67
Other businesses				
Total	763,540,719.45	611,596,662.73	748,340,684.01	563,706,735.67

5. Investment income

Item	Incurred during the year	Incurred during last year
Income from long-term equity investments under cost method	58,505,000.00	73,050,000.00
Income from long-term equity investments under equity approach	12,755,582.66	22,818,069.79
Investment income from disposal of long-term equity investments	-268,875.05	-1,317,755.30
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period		1,736.68
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period		
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		562,500.00
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		
Total	70,991,707.61	95,114,551.17

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 28 March 2019.

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 2018 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	-3,672,087.90	
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)	94,570,898.62	
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 2018 to 31 December 2018

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

XVIII. APPROVAL OF FINANCIAL STATEMENTS *(Continued)*

Supplementary information of financial statements *(Continued)*

1. *Non-recurring profit and loss statement of the year (Continued)*

Item	Amount of the year	Explanation
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	11,503,220.00	
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	5,045,619.01	
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	-3,031,681.03	
	353,230.97	
Sub-total	104,769,199.67	
Less: Effect of income tax	17,288,787.87	
Effect of minority interests (after tax)	2,994,940.75	
Total	84,485,471.05	

NOTES TO FINANCIAL STATEMENTS

1 January 2018 to 31 December 2018

(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 2018 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	10.57	0.47	0.47
Net profit attributable to shareholders of the parent company, net of non-recurring profit or loss	8.38	0.37	0.37

Dongjiang Environmental Company Limited
28 March 2019