



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)



2021

INTERIM REPORT

* For Identification purpose only



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

TAN Kan
(Chairman, Acting chief executive officer)
LIN Peifeng

NON-EXECUTIVE DIRECTORS

TANG Yi
SHAN Xiaomin
JIN Yongfu

INDEPENDENT NON-EXECUTIVE DIRECTORS

LI Jinhui
SIU Chi Hung
GUO Suyi

SUPERVISORS

HUANG Hai Ping
ZHANG Hao
JIANG Ping

COMPANY SECRETARY

SO Shuk Yi Betty

AUDIT COMMITTEE

SIU Chi Hung *(Chairman)*
LI Jinhui
GUO Suyi

REMUNERATION AND APPRAISAL COMMITTEE

GUO Suyi *(Chairman)*
LI Jinhui
SIU Chi Hung

NOMINATION COMMITTEE

LI Jinhui *(Chairman)*
TAN Kan
SIU Chi Hung

STRATEGIC DEVELOPMENT COMMITTEE

TAN Kan *(Chairman)*
LIN Peifeng
LI Jinhui

AUTHORISED REPRESENTATIVES

TAN Kan
SO Shuk Yi Betty

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

INTERNATIONAL AUDITORS

Mazars CPA Limited

DOMESTIC AUDITORS

Zhongshen Zhonghuan Certified Public
Accountants (Special General Partnership)

LEGAL ADVISERS

Jeffrey Mak Law Firm *(as to Hong Kong law)*
廣東東方昆侖律師事務所
(as to China law)

PRINCIPAL BANKER

China Merchants Bank



HONG KONG H SHARE REGISTRAR

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

COMPANY'S WEBSITE

www.dongjiang.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, O.T.B. Building
259-265 Des Voeux Road Central
Hong Kong



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2021 (Unaudited) RMB'000	Six months ended 30 June 2020 (Unaudited) RMB'000
Revenue	4	1,656,202	1,479,030
Cost of sales and services		(1,159,535)	(990,286)
Gross profit		496,667	488,744
Other income		31,458	65,641
Selling expenses		(57,754)	(48,486)
Administrative expenses		(182,377)	(167,312)
Other operating expenses		(96,363)	(78,007)
Net provision for loss allowance on trade, loans and other receivables		(5,073)	(3,488)
Finance costs	5	(58,801)	(69,435)
Share of results of associates		(425)	2,202
Share of results of joint ventures		12,564	7,073
Profit before taxation	6	139,896	196,932
Income tax expenses	7	(19,524)	(39,236)
Profit for the period		120,372	157,696

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

Note	Six months ended 30 June 2021 (Unaudited) RMB'000	Six months ended 30 June 2020 (Unaudited) RMB'000
Other comprehensive income		
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations	23	1,128
Total comprehensive income for the period	120,395	158,824
Profit (Loss) for the period attributable to:		
Equity holders of the Company	111,617	160,542
Non-controlling interests	8,755	(2,846)
Profit for the period	120,372	157,696
Total comprehensive income (loss) for the period attributable to:		
Equity holders of the Company	111,640	161,670
Non-controlling interests	8,755	(2,846)
Total comprehensive income for the period	120,395	158,824
	RMB cents (Unaudited)	RMB cents (Unaudited)
Earnings per share		
– Basic and diluted	8 12.69	18.26



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Non-current assets			
Investment properties		449,741	449,741
Property, plant and equipment		3,231,177	3,231,707
Construction in progress		1,307,098	1,088,214
Right-of-use assets		751,510	764,065
Intangible assets		654,402	675,323
Goodwill		1,229,438	1,229,438
Interests in associates		196,553	196,978
Interests in joint ventures		107,720	95,156
Trade receivables	11	9,353	9,058
Other non-current assets		69,483	76,786
Deferred tax assets		53,371	53,042
		8,059,846	7,869,508
Current assets			
Inventories		320,308	267,105
Loans receivables	10	123,274	125,724
Trade receivables and contract assets	11	1,240,361	1,145,209
Prepayment, deposits and other receivables		421,258	351,176
Prepaid income tax		1,004	3,775
Cash and cash equivalents		726,752	661,657
		2,832,957	2,554,646



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Current liabilities			
Trade payables	12	634,248	729,967
Contract liabilities		141,240	131,915
Lease liabilities		7,171	8,461
Current portion of interest-bearing borrowings	13	2,121,820	1,971,310
Bond payables	14	3,200	12,800
Due to controlling shareholder	15	326,640	430,637
Income tax payables		14,650	33,068
Other payables		220,649	257,980
		3,469,618	3,576,138
Net current liabilities		(636,661)	(1,021,492)
Total assets less current liabilities		7,423,185	6,848,016



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Non-current liabilities			
Lease liabilities		294	3,571
Interest-bearing borrowings	13	1,115,925	661,588
Bond payables	14	599,651	599,438
Provisions		27,734	27,734
Deferred income		156,941	161,769
Deferred tax liabilities		19,939	19,939
Other payables		663	337
		1,921,147	1,474,376
Net assets			
		5,502,038	5,373,640
Capital and reserves			
Share capital	16	879,267	879,267
Reserves		3,772,815	3,660,297
Equity attributable to equity holders of the Company		4,652,082	4,539,564
Non-controlling interests		849,956	834,076
Total equity		5,502,038	5,373,640

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										Total equity (Unaudited) RMB'000
	Share capital (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Property revaluation reserve (Unaudited) RMB'000	Exchange reserve (Unaudited) RMB'000	Other reserves (Unaudited) RMB'000	Accumulated profits (Unaudited) RMB'000	Total reserves (Unaudited) RMB'000	Subtotal (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	
As at 1 January 2021	879,267	465,448	242,460	17,851	(221)	1,796	2,932,963	3,660,297	4,539,564	834,076	5,373,640
Profit for the period	-	-	-	-	-	-	111,617	111,617	111,617	8,765	120,372
Other comprehensive income	-	-	-	-	23	-	-	23	23	-	23
Exchange difference on transition of foreign operations	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	23	-	111,617	111,640	111,640	8,765	120,395
Transactions with equity holders of the Company	-	-	-	-	-	878	-	878	878	456	1,334
<i>Contributions and distributions:</i>	-	-	-	-	-	-	-	-	-	-	-
Increase in other reserve	-	-	-	-	-	-	-	-	-	9,000	9,000
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	(2,331)	(2,331)
<i>Changes in ownership interest:</i>	-	-	-	-	-	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	878	-	878	878	7,125	8,003
As at 30 June 2021	879,267	465,448	242,460	17,851	(198)	2,674	3,044,580	3,772,815	4,652,082	849,966	5,502,038

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company										
	Share capital (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Property revaluation reserve (Unaudited) RMB'000	Exchange reserve (Unaudited) RMB'000	Other reserves (Unaudited) RMB'000	Accumulated profits (Unaudited) RMB'000	Total reserves (Unaudited) RMB'000	Subtotal (Unaudited) RMB'000	Non- controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
As at 1 January 2020	879,267	438,713	224,966	17,630	629	5,499	2,779,185	3,465,364	4,344,631	690,212	5,034,843
Profit for the period	-	-	-	-	-	-	160,542	160,542	160,542	(2,846)	157,696
Other comprehensive income											
Exchange difference on transition of foreign operations	-	-	-	-	1,128	-	-	1,128	1,128	-	1,128
Total comprehensive income for the period	-	-	-	-	1,128	-	160,542	161,670	161,670	(2,846)	158,824
Transactions with equity holders of the Company											
Contributions and distributions:											
Decrease in other reserve	-	-	-	-	-	(1,236)	-	(1,236)	(1,236)	-	(1,236)
Dividend (note 9)	-	-	-	-	-	-	(131,890)	(131,890)	(131,890)	-	(131,890)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	62,700	62,700
As at 30 June 2020	879,267	438,713	224,966	17,630	499	4,263	2,807,837	3,493,908	4,373,175	750,066	5,123,241

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2021 (Unaudited) RMB'000	Six months ended 30 June 2020 (Unaudited) RMB'000
Net cash from operating activities	135,688	399,076
Investing activities		
Additional investment in associates	–	(18,550)
Prepayment for acquisition of a subsidiary	(20,000)	–
Purchase of property, plant and equipment, construction in progress and right-of-use assets	(460,329)	(323,496)
Others	(4,834)	1,307
Net cash used in investing activities	(485,163)	(340,739)
Financing activities		
Interest paid	(82,109)	(97,070)
Proceeds from interest-bearing borrowings, bonds payables and due to controlling shareholder	1,911,683	1,972,640
Repayment of interest-bearing borrowings, bonds payables and due to controlling shareholder	(1,417,159)	(2,300,776)
Contributions from non-controlling interests	9,000	51,450
Net cash from (used in) financing activities	421,415	(373,756)
Net increase (decrease) in cash and cash equivalents	71,940	(315,419)
Cash and cash equivalents at beginning of the reporting period	653,579	1,096,744
Effect of exchange rate changes on cash and cash equivalents	23	(1,236)
Cash and cash equivalents at end of the reporting period, represented by cash and time deposits at banks and other financial institution	725,542	780,089



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of Dongjiang Environmental Company Limited* (the "Company") and its subsidiaries (together the "Group") are investment holding, processing and sales of recycled products, provision of waste treatment services, provision of environmental protection systems and services, and trading of chemical products.

The condensed interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2. BASIS OF PREPARATION

The condensed interim financial information for the six months ended 30 June 2021 (the "Reporting Period" or "Period") has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This condensed interim financial information contains the condensed consolidated financial statements and selected explanatory notes for the six months ended 30 June 2021 that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2020, and therefore, does not include all the information and disclosures required for a full set of financial statements prepared in accordance with all applicable IFRSs. They shall be read in conjunction with the consolidated financial statements for the year ended 31 December 2020.

The condensed interim financial information is unaudited, but has been reviewed by the audit committee of the Company (the "Audit Committee").



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

Change in accounting policies

The accounting policies adopted in preparing this condensed interim financial information are consistent with those applied in preparing the Group's consolidated financial statements for the year ended 31 December 2020. The adoption of the new/revised International Financial Reporting Standards ("IFRSs") that are relevant to the Group and effective for the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

Amendments to IAS 39,
IFRSs 4, 7, 9 and 16

Interest Rate Benchmark Reform – Phase 2

The Group has not early adopted any new/revised IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2021. The directors are in the process of assessing the possible impact on the future adoption of these new/revised IFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

Going concern

The condensed interim financial information has been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. At the end of the Reporting Period, the Group's current liabilities exceeded its current assets by approximately RMB636,661,000.

The directors have evaluated all the relevant facts available to them and are of the opinion that there are no significant adverse conditions precluding the Group from obtaining sufficient available funding. The Group maintained cash and time deposits at banks and other financial institution of approximately RMB725,542,000 as at 30 June 2021.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

Going concern *(Continued)*

Notwithstanding the aforesaid conditions, the condensed interim financial information has been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of the measures and arrangements made by the Group as detailed below:

- (i) the unutilised banking facilities readily available to the Group amounted to approximately RMB6,216,000,000 as at 30 June 2021;
- (ii) the Company received the Registration Acceptance Notice (Zhong Shi Xie Shu [2021] SCP21) issued by the National Association of Financial Market Institutional Investors (the "NAFMII") on 2 February 2021 for insurance of the Super Commercial Paper (the "SCP") with an amount of not exceeding RMB1,500,000,000. The SCP will be mainly for refinancing and replenishing the working capital of the Group. Up to the end of the Reporting Period, no SCP were issued by the Group; and
- (iii) the Company will actively proceed with financial plans such as medium-term notes with an amount of RMB900,000,000 based on actual needs, optimise the debt structure of the Company and effectively supplement the working capital.

3. SEGMENT INFORMATION

The reportable segments are determined based on the internal organisation structure, management requirements and reporting system. The key management of the Group, who are the chief operating decision makers, reviews the operating results of these reportable segments regularly to decide on resources allocation and evaluate their performance. Major products and services provided by each reportable segment of the Group includes industrial waste recycling, industrial waste treatment and disposal, municipal waste treatment and disposal, renewable energy utilisation, environmental engineering and services, trading and others, as well as household appliances dismantling.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

Analysis of the Group's segmental information by business and geographical segments during the period is set out below.

For the six months ended 30 June 2021 – unaudited

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal RMB'000	Municipal waste treatment and disposal RMB'000	Renewable energy utilisation RMB'000	Environmental engineering and services RMB'000	Trading and others RMB'000	Household appliance dismantling RMB'000	Unallocated amounts RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue	656,695	759,679	92,554	31,807	60,254	30,472	71,094	40,854	(87,207)	1,656,202
Intersegment revenue	-	(28,466)	-	-	(9,321)	(8,572)	-	(40,854)	87,207	-
Revenue from external customers	656,695	731,219	92,554	31,807	50,933	21,900	71,094	-	-	1,656,202
Cost of sales	(516,857)	(419,501)	(82,733)	(29,130)	(45,809)	(10,500)	(55,005)	-	-	(1,159,535)
Segment operating (cost) income, net	139,838 (95,248)	311,718 (226,257)	9,821 (5,261)	2,677 (2,393)	5,124 (6,529)	11,400 (1,994)	16,089 (12,347)	- 20,463	- (39,344)	496,667 (368,910)
Segment profit before tax	44,590	85,461	4,560	284	(1,405)	9,406	3,742	20,463	(39,344)	127,757
Share of results of associates										(425)
Share of results of joint ventures										12,564
Income tax expense										(19,524)
Profit for the period										120,372
Segment assets										
Segment assets	2,513,254	4,362,223	573,469	297,654	477,921	645,543	618,127	4,795,712	(3,695,373)	10,588,530
Interest in associates										196,553
Interest in joint ventures										107,720
Total assets										10,892,803
Segment liabilities										
	522,122	2,500,868	288,679	27,712	218,880	129,274	319,318	2,717,298	(1,333,386)	5,390,765

Other segment information

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal RMB'000	Municipal waste treatment and disposal RMB'000	Renewable energy utilisation RMB'000	Environmental engineering and services RMB'000	Trading and others RMB'000	Household appliance dismantling RMB'000	Unallocated amounts RMB'000	Elimination RMB'000	Total RMB'000
Depreciation and amortisation	(36,896)	(72,014)	(14,961)	(6,335)	(28,510)	(14,167)	(2,042)	(81,964)	-	(256,899)
Share of result of associates	-	-	-	-	-	-	-	(425)	-	(425)
Share of result of joint ventures	-	-	-	-	-	-	-	12,564	-	12,564
Impairment loss on trade, loans and other receivables	(357)	(3,617)	(151)	(4)	(803)	(75)	(66)	-	-	(5,073)
Interest expense	(1,095)	(28,002)	(999)	-	-	(2,847)	(8,184)	(17,674)	-	(58,801)
Interest income	278	632	235	59	173	325	31	1,639	-	3,372

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2020 – unaudited

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal RMB'000	Municipal waste treatment and disposal RMB'000	Renewable energy utilisation RMB'000	Environmental engineering and services RMB'000	Trading and others RMB'000	Household appliance dismantling RMB'000	Unallocated amounts RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue	481,625	710,904	61,305	43,660	141,156	17,115	66,153	29,691	(72,579)	1,479,030
Inter-segment revenue	-	(20,341)	-	-	(16,899)	(5,648)	-	(29,691)	72,579	-
Revenue from external customers	481,625	690,563	61,305	43,660	124,257	11,467	66,153	-	-	1,479,030
Cost of sales	(369,780)	(345,861)	(82,069)	(31,832)	(106,464)	(6,907)	(47,373)	-	-	(990,286)
Segment operating (cost) income, net	111,845	344,702	(20,764)	11,828	17,793	4,560	18,780	-	-	488,744
	(60,717)	(224,754)	1,811	953	1,613	763	(8,114)	54,229	(66,871)	(301,087)
Segment profit before tax	51,128	119,948	(18,953)	12,781	19,406	5,323	10,666	54,229	(66,871)	187,657
Share of results of associates										2,202
Share of results of joint ventures										7,073
Income tax expense										(39,236)
Profit for the period										157,696
Segment assets	2,794,746	3,129,102	583,810	311,986	567,936	429,831	574,310	4,431,937	(2,880,047)	9,943,611
Interest in associates										187,633
Interest in joint ventures										92,942
Total assets										10,224,186
Segment liabilities	307,651	2,486,743	396,014	35,615	289,873	42,307	295,654	2,516,793	(1,269,705)	5,100,945

Other segment information

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal RMB'000	Municipal waste treatment and disposal RMB'000	Renewable energy utilisation RMB'000	Environmental engineering and services RMB'000	Trading and others RMB'000	Household appliance dismantling RMB'000	Unallocated amounts RMB'000	Elimination RMB'000	Total RMB'000
Depreciation and amortisation	(36,145)	(109,709)	(12,891)	(5,581)	(14,477)	(9,908)	(3,166)	(44,200)	-	(236,077)
Share of result of associates	-	-	-	-	-	-	-	2,202	-	2,202
Share of result of joint ventures	-	-	-	-	-	-	-	7,073	-	7,073
Impairment loss on trade, loans and other receivables	(276)	(1,925)	(57)	(98)	(958)	(26)	(148)	-	-	(3,488)
Interest expense	(363)	(25,899)	(940)	-	-	-	(7,090)	(35,143)	-	(69,435)
Interest income	1,043	604	72	142	83	185	-	4,466	-	6,595

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

Revenue represents the consideration expected to be received in respect of the transfer of goods and services in accordance with IFRS 15, rental income from leasing service and interest income from loans receivables on money lending business. The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June 2021 (Unaudited) RMB'000	Six months ended 30 June 2020 (Unaudited) RMB'000
Revenue from contracts with customers within IFRS 15		
Recognised at point in time	774,508	592,803
Recognised over time	874,706	876,125
	1,649,214	1,468,928
Revenue from other sources		
Rental income	4,668	5,229
Interest income from loans receivables	2,320	4,873
	6,988	10,102
	1,656,202	1,479,030



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended 30 June 2021 (Unaudited) RMB'000	Six months ended 30 June 2020 (Unaudited) RMB'000
Finance costs		
Interest on bank and other loans	62,459	80,789
Interest on bond payables	9,813	10,900
Interest on lease liabilities	237	362
Total borrowing costs	72,509	92,051
Less: Interest capitalised into construction in progress	(13,708)	(22,616)
	58,801	69,435

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.17% per annum (For the six months ended 30 June 2020: 4.92% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30 June 2021 (Unaudited) RMB'000	Six months ended 30 June 2020 (Unaudited) RMB'000
Other items		
Cost of sales	611,492	455,892
Cost of services	548,043	534,394
Depreciation and amortisation		
– Property, plant and equipment*	210,880	192,765
– Intangible assets*	36,075	32,213
– Right-of-use assets*	9,934	11,099
Research and development expenses	65,555	51,787
Provision for (Reversal of) loss allowance on		
– Trade receivables and contact assets	2,736	3,703
– Other receivables	2,387	253
– Loan receivables	(50)	(468)
Loss on disposal of property, plant and equipment and intangible assets	8,367	739
Direct operating expenses arising from investment properties that generated rental income	732	898

* These items are included in both cost of sales, cost of services and administrative expenses in the condensed consolidated statement of comprehensive income.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. TAXATION

	Six months ended 30 June 2021 (Unaudited) RMB'000	Six months ended 30 June 2020 (Unaudited) RMB'000
Current tax		
Enterprise Income Tax of the PRC		
Current year	25,542	35,089
(Over) Underprovision in prior year	(5,689)	7,313
	19,853	42,402
Deferred tax credit	(329)	(3,166)
Total tax expenses for the period	19,524	39,236

The applicable tax rate of 15% is the weighted average of rates prevailing in the territories in which the group entities operate with reference of the Company's applicable tax rate.

The income tax provision in respect of operations in the PRC is calculated at statutory rate of 25% of the estimated assessable profits of the PRC subsidiaries of the Group as determined in accordance with existing legislation, interpretations and practices of the PRC, except for the preferential income tax rate specifically for certain PRC subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit attributable to the ordinary equity shareholders of the Company of approximately RMB111,617,000 (30 June 2020: RMB160,542,000) and the weighted average number of 879,267,102 (30 June 2020: 879,267,102) shares in issue during the period.

The Group has no dilutive potential ordinary shares in issue during the current and prior periods and, therefore, the diluted earnings per share is the same as basic earnings per share for the periods presented.

9. DIVIDEND

	Note	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Dividend approved but not paid during the period			
Final dividend in respect of 2020 of RM0.11 per ordinary share	9 (a)	96,719	–
Dividend approved and paid during the period			
Final dividend in respect of 2019 of RM0.15 per ordinary share		–	131,890

(a) Pursuant to the resolution passed at the Board meeting and the shareholders' resolution passed at the 2020 Annual General Meeting on 18 June 2021, the payment of final dividend in respect of 2020 of RM0.11 per ordinary share amounting to RMB96,719,000 was approved.

(b) No interim dividend was declared for the six months ended 30 June 2021 (30 June 2020: Nil).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. LOANS RECEIVABLES

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Loans receivables from money lending business	125,790	128,290
Less: Loss allowance	(2,516)	(2,566)
	123,274	125,724

The ageing analysis of loans receivables by invoice date is summarised as follows:

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Within 1 year	–	–
1 to 2 years	–	2,600
2 to 3 years	74,800	72,200
Over 3 years	50,990	53,490
	125,790	128,290

In respect of the loans receivables with net carrying amount of approximately RMB125,790,000 (31 December 2020: RMB128,290,000), the fair values of the collaterals of such loans receivables can be objectively ascertained to cover the outstanding amount of the loan balances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES AND CONTRACT ASSETS

	Note	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Trade receivables			
From third parties		494,690	423,513
From government		505,783	486,203
From joint ventures	11(b)	37,805	43,294
From associates	11(b)	7,519	6,929
From fellow subsidiaries	11(b)	1,934	4,134
		1,047,731	964,073
Less: Loss allowance	11(a)	(27,986)	(25,250)
		1,019,745	938,823
Less: Non-current portion of trade receivables		(9,353)	(9,058)
		1,010,392	929,765
Bills receivables	11(c)	130,344	117,691
Contract assets		99,625	97,753
		1,240,361	1,145,209



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES AND CONTRACT ASSETS *(Continued)*

11 (a) Trade receivables

The ageing analysis of trade receivables by invoice date is summarised as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Within 1 year	722,545	568,531
1 to 2 years	115,700	183,069
2 to 3 years	98,107	106,875
Over 3 years	111,379	105,598
	1,047,731	964,073

11 (b) Trade receivables from joint ventures/associates/fellow subsidiaries

The trade receivables from joint ventures, associates and fellow subsidiaries are unsecured, interest-free and have no fixed repayment term. At the end of the reporting period, no allowance was made for non-repayment of the amounts.

11 (c) Bills receivables

The bills receivables represent bank acceptance notes with remaining term within 180 days at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE PAYABLES

	Note	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Trade payables			
To third parties	12(b)	628,159	715,651
To associates	12(c)	5,551	10,948
To joint ventures	12(c)	–	2,696
To fellow subsidiaries	12(c)	538	672
	12(a)	634,248	729,967

12 (a) Trade payables

The ageing analysis of trade payables by invoice date is summarised as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Within 1 year	551,648	639,871
1 to 2 years	33,952	58,979
2 to 3 years	35,343	11,884
Over 3 years	13,305	19,233
	634,248	729,967

12 (b) Trade payables to third parties

The Group is given a credit period within 30 to 90 days from its general trade creditors and interest-free. For construction projects, the credit period given to the Group is mutually agreed in individual construction agreement.

12 (c) Trade payables to associates/joint ventures/fellow subsidiaries

The amounts due are unsecured, interest-free and have no fixed repayment term.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING BORROWINGS

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Bank loans:		
Secured	957,260	808,558
Unsecured	2,207,555	1,607,910
	3,164,815	2,416,468
Other loans:		
Secured	72,930	16,430
Unsecured	–	200,000
	72,930	216,430
	3,237,745	2,632,898

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING BORROWINGS *(Continued)*

The maturity of the interest-bearing borrowings and analysis of the amount due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) are as follows:

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
The maturity of the interest bearing borrowings:		
Within one year	2,121,820	1,971,310
In the second year	254,550	286,618
In the third year to the fifth year, inclusive	592,921	167,155
Over five years	268,454	207,815
	3,237,745	2,632,898
Portion classified as current liabilities	(2,121,820)	(1,971,310)
	1,115,925	661,588



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. BOND PAYABLES

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Medium Notes	602,851	612,238

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
The carrying value of bonds are repayable as follows:		
Within one year	3,200	12,800
Over one year	599,651	599,438
	602,851	612,238

The Company completed the issuance of the first phase of medium-term notes on 11 May 2020 ("Medium Notes"), the issuing size of Medium Notes was RMB600,000,000 with an annual interest rate of 3.2% and maturity on 12 May 2023, subjected to payment of interest on an annual basis.

15. DUE TO CONTROLLING SHAREHOLDER

The amounts due to controlling shareholder of RMB326,640,000 (31 December 2020: RMB320,637,000) are unsecured, bear the loan prime interest rate by reference of People's Bank of China (31 December 2020: loan prime interest rate) and repayable on 20 June 2022.

The balance of RMB110,000,000 are unsecured, bear fixed interest at 3.3% per annum which was fully settled on 18 February 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE CAPITAL

	As at 30 June 2021		As at 31 December 2020	
	Number of shares (Unaudited)	RMB'000 (Unaudited)	Number of shares (Audited)	RMB'000 (Audited)
Authorised:				
Ordinary shares of RMB1 each	879,267,102	879,267	879,267,102	879,267
Issued and fully paid:				
At beginning of the period and the end of the reporting period	879,267,102	879,267	879,267,102	879,267



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTIES TRANSACTIONS

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

- (i) Other than disclosed elsewhere in the condensed consolidated financial statements, the Group had the following related party transactions during the period.

Relationship	Nature of transactions	Six months ended 30 June 2021	Six months ended 30 June 2020
		(Unaudited) RMB'000	(Unaudited) RMB'000
Companies controlled by the same controlling shareholder of the Company and joint ventures and associates	Services income	40,010	52,641
	Sales of goods	533	914
	Service fees	(5,391)	(17,750)
	Purchase of goods	(392)	–

- (ii) Remuneration for key management personnel (including directors) of the Group:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	(Unaudited)	(Unaudited)
Salaries, allowances and other short-term benefits	3,488	4,061
Contributions to defined contribution plans	337	190
	3,825	4,251



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTIES TRANSACTIONS *(Continued)*

- (iii) On 15 October 2018, the Company entered into a corporate guarantee and financial assistance framework agreement with Dongguan Fengye Solid Waste Treatment Co., Ltd. ("Dongguan Fengye") associate company of the Company, pursuant to which the Company shall provide corporate guarantee to the associate company with a total amount of not more than RMB44,000,000, which would be terminated at 15 October 2033.

On 30 March 2018 and 18 July 2018, the Company entered into a corporate guarantee and financial assistance framework agreement with Fujian Xingye Dongjiang Environmental Technology Co., Ltd. ("Xingye Dongjiang"), associate company of the Company, pursuant to which the Company shall provide corporate guarantee to the associate company with a total amount of not more than RMB150,000,000 and 50,000,000, which would be terminated at 29 March 2025 and 17 October 2024 respectively.

On 30 March 2021, the Company entered into another corporate guarantee and financial assistance framework agreement with Xingye Dongjiang, pursuant to which the Company shall provide corporate guarantee to the associate company with a total amount of not more than RMB57,375,000 which would be terminated at 30 June 2027.

Further details of these above transactions and cessation of continuing connected transaction are set out in the Company's announcement and circulars dated 25 October 2018, 17 January 2018 and 30 March 2021 respectively.

- (iv) On 23 January 2019, the Company entered into the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. ("Guangdong Rising Finance"), pursuant to which, Guangdong Rising Finance will provide the Group (including its subsidiaries) with deposit services, settlement services and other financial services as permitted by the China Banking Regulatory Commission. As at 30 June 2021, the Company has a deposit balance of RMB101,814,000 (31 December 2020: RMB250,224,000) with Guangdong Rising Finance and a loan balance of RMB72,930,000 (31 December 2020: RMB216,430,000) from Guangdong Rising Finance based on actual capital requirements. Deposits with Guangdong Rising Finance constitute continuing connected transactions under Chapter 14A of the Listing Rules.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. CONTINGENT LIABILITIES

On 25 March 2013, Jiangsu Guangxing Group Co., Ltd., (“Jiangsu Guangxing”) and Jiangsu Dongheng Environmental Holdings Co., Ltd. (“Dongheng Environmental”), a subsidiary of the Company, entered into an agreement for the construction project of Jiangsu Dongheng High Technology Park. Such construction was completed in June 2015 and there was a dispute on the validity of the agreement, investment return and the project cost between Jiangsu Guangxing and Dongheng Environmental.

On 9 December 2019, Jiangsu Guangxing sued to the court on the ground that Dongheng Environmental failed to pay the project cost and investment return of RMB48,300,000 as stipulated in the contract and made a legal claim to Dongheng Environmental for the project costs, investment return and the relevant losses arising from the suspension and delay. Both parties disagreed on the above-mentioned claim amounts and they are engaged in a legal proceeding.

The legal proceeding was sent to the court for hearing twice and the appraisal was still in process. Due to the complexity of the case, in the opinion of the directors, the possible outcome for the potential compensation was unable to reliably estimated after careful consideration of the legal advice dated 28 May 2020 and there was no further development up to the date of authorisation of these condensed consolidated financial statements.

Other than as disclosed above, the Group had no other significant contingent matters as of 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENTS

The directors of the Company generally adopt conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum level. The directors of the Company review and agree policies for managing each risk as summarised below and they manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the condensed consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, "Fair Value Measurement" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

As at 30 June 2021 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	–	–	449,741	449,741

As at 31 December 2020 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	–	–	449,741	449,741



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENTS *(Continued)*

Assets and liabilities with fair value disclosure, but not measured at fair value

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair values at the end of each reporting period.

20. CAPITAL COMMITMENTS

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Contracted but not provided for:		
Construction in progress	398,355	338,433
Purchase of property, plant and equipment	55,832	30,232
	454,187	368,665

21. EVENTS AFTER THE REPORTING PERIOD

On 15 July 2021, the Company entered into the Acquisition Agreement with by Beijing Hi-Fortune Union Technology Company Limited (the "Vendor"), a third party of the Group, to acquire 70% equity interest in Chenzhou Xiongfeng Environment Technology Company Limited ("Xiongfeng Environment") at the consideration RMB429 million.

The Vendor has undertaken to ensure that Xiongfeng Environment disposes of the designated assets to the Vendor or its designated nominee(s) before Completion and within 50 days after the date of the Acquisition Agreement.

Further details of these above transaction set out in the Company's announcement dated 15 July 2021.

22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information of the Group for the six months ended 30 June 2021 was approved by the board of directors of the Company on 26 August 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Operation Analysis

Overview

With the frequent release of hazardous and solid waste related policies in China in recent years, especially the promulgation of the new solid waste law, a comprehensive hazardous waste collection and disposal system has been established and the liabilities for illegal disposal of solid waste were enhanced, further improving the standard of governance of the hazardous waste disposal industry. In addition, the construction of “waste-free cities” has also brought about profound changes in the concept of hazardous waste management and operation mode. According to the Annual Report on Prevention and Control of Solid Waste Pollution in Large and Medium-sized Cities in 2020 (the “2020 Annual Report on Prevention and Control”), the comprehensive utilization rate of bulk solid waste reached 55% in 2019, making it imperative to improve the utilization rate, and the disposal of solid waste, including hazardous waste, will be one of the focuses of environmental management in China’s 14th Five-Year Period.

In addition, after years of rapid development and continuous improvement, the industrial hazardous waste treatment industry has gradually entered into the competition stage with an increasing market concentration. Based on the improvement on the governance ability for the source of waste production and the application of the circular economic concept on the waste reduction and recycling, the growth rate of hazardous waste generated gradually decreased in recent years. Meanwhile, in recent years, utilization capacity on hazardous waste disposal had been intensively released, and the approved collection, utilization and disposal capacity has increased year by year. According to the information in the 2020 Annual Report on Prevention and Control, the approved collection, utilization and disposal capacity of licensed hazardous waste companies increased by 1,709% in 2019 as compared with 2006, and the approved hazardous waste capacity reached 128 million tons, with a growth rate much higher than the amount of waste generated. In addition, with the emergence of the cement kiln collaborative disposal business and the self-built disposal facilities of waste generating enterprises, the operation of traditional hazardous waste treatment and disposal enterprises was significantly impacted, competition in the hazardous waste treatment market has further intensified, and the Group’s industrial hazardous waste treatment business is facing greater challenges from the lower collection and transportation prices and profitability.



Against such backdrop, the operating results of the Group were affected to a certain extent during the Reporting Period. During the Reporting Period, the Group achieved operating revenue of approximately RMB1,656 million, representing a year-on-year increase of 11.98%; and the net profit attributable to shareholders of the Company (the "Shareholders") of approximately RMB112 million, representing a year-on-year decrease of 30.47%. As of the end of the Reporting Period, the Group's total assets amounted to RMB10,893 million, representing a year-on-year increase of 4.50%; and the owners' equity attributable to the Shareholders amounted to RMB4,652 million, representing a year-on-year increase of 2.48%.

Facing the challenging market conditions, the Group actively responded to the market changes and made the increase of market share and business volume and improvement of comprehensive management standards including production technology and management as the key measures for long-term development of the Group. The Group continued to strengthen in-depth reform, strived to enhance quality and efficiency, and took multiple measures in a comprehensive manner to reduce the negative impact brought by the intensifying market competition. With these efforts, the Group's overall production and operation remained stable, laying a solid foundation for sustainable development of the Group in the future.



For market development and sales, in facing the changes in the economic environment and intensive market competition, the Group aimed to increase its market share and business volume by optimizing and adjusting its market management model, deepening customer exploration in the regional market, adjusting prices in a timely manner and improving customer services, thereby achieving a customer satisfaction rate of 98%. As of the end of the Reporting Period, the number of large customers and VIP customers increased by approximately 8% compared with the end of last year, and both the volume of hazardous waste collection and transportation and sales of recycling products recorded year-on-year growth. During the Reporting Period, the hazardous waste collected and transported by the Group recorded year-on-year increase of over 20%, of which the waste collected and transported for harmless treatment increased by nearly 40% year-on-year, achieving revenue of RMB731 million, which remained basically flat year-on-year. However, due to the general overcapacity and price competition in various provinces, the price of harmless disposal continued to fall. Except for biological, chemical and physical treatment of hazardous waste, the average price of collection and transportation of hazardous waste for harmless treatment decreased by over 30% year-on-year, and the gross profit margin of such business decreased by approximately 7% year-on-year. In addition, the Group seized the opportunity of rising metal prices to increase the sales of recycling products, the sales volume of major recycling products increased by 11% as compared to the same period of last year with a production and sales rate of nearly 100%, and the revenue from sales of recycling products amounted to approximately RMB657 million, representing a year-on-year increase of approximately 36.35%, resulting in a significant increase in gross profit. However, due to the high and rising metal prices, the gross profit margin of such business basically remained stable year-on-year. In addition, the Group actively explored new opportunities in different market segments, accelerated the expansion of waste treatment business in pharmaceutical, chemical and auto repair industries, strengthened the convergence of regional markets and existing production capacity, further aligned products and services with market demands, and ensured reasonable and orderly production arrangement of project bases, thereby effectively facilitating expansion of market share.



For project construction, the Group actively facilitated project construction to accelerate the completion and commencement of operation of the projects. During the Reporting Period, the Fulong Environmental Incineration Project, the Shaoguan Sustainable Resources Landfill Project, the Jiangsu Dongjiang Rigid Landfill (the first rigid landfill) and the Fujian Oasis Landfill and Physical and Chemical Treatment Project were completed and commenced operation, contributing additional approved capacity of hazardous waste disposal of 139,500 tons per year. In addition, the construction of Zhuhai Dongjiang Hazardous Waste Project, Jieyang Dananhai Incineration Project and Mianyang Dongjiang Hazardous Waste Project are expected to be completed by the end of this year, which will contribute additional hazardous waste treatment and disposal capacity of 300,000 tons per year. Meanwhile, during the Reporting Period, the Group commenced the construction project of Jieyang Dananhai Rigid Landfill with a designed capacity of 50,000 tons per year, which is the first rigid landfill in Guangdong Province and will provide effective disposal services to address the environmental problems such as hazardous waste with high salt content in Guangdong Province. As of the end of the Reporting Period, the Group maintained stable operation of 30 hazardous waste treatment projects with total approved capacity of 2,130,000 tons per year, and 3 hazardous waste projects were under construction with a planned treatment capacity of 381,000 tons per year and a total planned investment of RMB1.54 billion.

For merger and acquisition project, the Group actively expanded into new areas and markets through a combination of external expansion and internal growth to seek new profit drivers. During the Reporting Period, the board (the "Board") of Directors (the "Directors") of the Company considered and approved the proposal on acquisition of 70% equity interest in Chenzhou Xiongfeng Environment Technology Company Limited* (郴州雄風環保科技有限公司) ("Xiongfeng Environment"). Xiongfeng Environment is principally engaged in recovery of silver, bismuth, lead, gold, palladium and other rare metals from non-ferrous smelting slag, which is a business of comprehensive utilization of waste resources. The acquisition of Xiongfeng Environment is in line with the national strategies of construction of "waste-free cities" and "carbon peak and carbon neutrality", which will facilitate the Group's rapid entry into the rare and precious metals recycling business, improve the industrial chain and business layout, enhance core competitiveness, expand the Group's business scale and improve its profitability.



For technology research and development, the Group persisted in innovation-driven development, facilitated the strategic planning of science and technology innovation, and promoted the transformation and upgrading of development. During the Reporting Period, the Group maintained the intensity of investment in research and development and continued to optimize the investment structure with investment amount of RMB68,843,600 in research and development, representing an increase of 11.18% over the same period of last year. It also strive to tackle the “stranglehold” problems and common problems in the industry. During the Reporting Period, the Group actively carried out research on the treatment of difficult-to-degrade high COD wastewater, wastewater from BOE buffered oxide etch and highly concentrated waste acid and other projects. Meanwhile, the Group carried out technological research on recycling of used power batteries and strived to pioneer in new technology research, development and application, thereby creating indigenous momentum for high-quality development of the Group. During the Reporting Period, the Company and its subsidiaries were granted with 55 new patents, and has obtained a total of 473 patents, which provided technical support for the Group’s production and operation as well as domestic and overseas market expansion.

For operation management, the Group focused on customers’ demands, optimized production management processes, established and improved service processes and optimized the customer management system. During the Reporting Period, the Group actively built a model of industry intelligent operation, and the “Smart Environmental Operation Platform” and “Safe Dongjiang Intelligent Safety and Environmental Management Platform” independently developed by the Group were fully launched and applied in many of its subsidiaries, which enabled digital and intelligent supervision of the whole process of hazardous waste disposal in all directions, thereby continuously reducing the production safety risks of hazardous waste enterprises, improving the capability of compliant operation and enhancing the Group’s ability in comprehensive management of hazardous waste.

For risk management, the Group continuously strengthened the dynamic risk management, established a pragmatic and efficient risk control system, strengthened the risk identification of investment projects and other matters, and continued to optimize the Group’s financial structure with significant progress in reduction of both deposits and loans. In addition, the Group improved its contract management system and strengthened contract management, used the risk event ledger as a regular risk prevention and control measure and conducted dynamic management to gradually establish a sound risk prevention and control management system and compliance system of the Group. Moreover, during the Reporting Period, the Group conducted special self-inspection to improve its compliance governance and promote the Group’s high-quality development through self-inspection.



Financial Review

Total operating revenue

For the six months ended 30 June 2021, the Group's total operating revenue increased by 11.98% as compared to the corresponding period in 2020 to approximately RMB1,656,202,000 (as of 30 June 2020: approximately RMB1,479,030,000). The increase in total operating revenue was mainly due to the fact that the Group continuously strengthened its efforts in market expansion, leading to year-on-year increase in volume of hazardous waste treatment and transportation and sales volume of recycling products; and the sales amount of recycling products of the Group also increased in tandem with the increase in metal prices during the Reporting Period. In particular, the operating revenue of industrial waste treatment and disposal increased by approximately 5.89% as compared with the same period of last year to approximately RMB731,219,000 (as of 30 June 2020: approximately RMB690,563,000). The operating revenue of industrial waste recycling products increased by approximately 36.35% as compared with the same period of last year to approximately RMB656,695,000 (as of 30 June 2020: approximately RMB481,625,000).

Profit

As of 30 June 2021, the Group's integrated gross profit margin was 29.99% (as of 30 June 2020: 33.04%). The integrated gross profit margin decreased by approximately 3.05 percentage points as compared with the same period of last year, which was mainly because of the commencement of operation on new production capacity in the industry, the industry became increasingly competitive, the cost of recycling business increased, and the market prices for collection and transportation of non-hazardous waste decreased, which led to the decrease in profit margin of the Group.

As of 30 June 2021, net profit attributable to equity holders of the Company was approximately RMB111,617,000 (as of 30 June 2020: approximately RMB160,542,000), which decreased by approximately 30.47% as compared with last year. This was mainly due to increasing market competition and the decrease in disposal prices for the industrial waste disposal business, which in turn led to a decrease in the Group's profit.



Selling expenses

As of 30 June 2021, the Group's selling expenses were approximately RMB57,754,000 (as of 30 June 2020: approximately RMB48,486,000), accounting for 3.49% of the total operating revenue (as of 30 June 2020: 3.28%). The increase in selling expenses was mainly due to the increase in operating scale and the consequent increase in selling expenses as well as the impact of the reduction of social insurance expenses affected by the COVID-19 pandemic in the same period of last year.

Administrative expenses

As of 30 June 2021, the Group's administrative expenses were approximately RMB182,377,000 (as of 30 June 2020: approximately RMB167,312,000), accounting for 11.01% of the total operating revenue (as of 30 June 2020: 11.31%). The increase in administrative expenses during the Reporting Period was mainly due to the operation of new construction company and reduction and exemption of social insurance expenses affected by the COVID-19 pandemic in the same period of last year.

Finance costs

As of 30 June 2021, the Group's finance costs were approximately RMB58,801,000 (as of 30 June 2020: approximately RMB69,435,000), accounting for 3.55% of the total operating revenue (as of 30 June 2020: 4.69%). The decrease in finance costs was mainly due to the gradual replacement of the Company's high cost for the borrowings, resulting in decrease in consolidated financing costs compared with the same period of last year.

Income tax expenses

As of 30 June 2021, the Group's income tax expenses were approximately RMB19,524,000 (2020: approximately RMB39,236,000), accounting for 13.96% of the total profit (2020: 19.92%), which was mainly due to the decrease in profit for the Reporting Period.



Financial Position and Liquidity

As of 30 June 2021, net current liabilities of the Group amounted to approximately RMB636,661,000 (31 December 2020: approximately RMB1,021,492,000), including cash and time deposits at banks and other financial institution of approximately RMB725,542,000 in total (31 December 2020: approximately RMB653,579,000)

As of 30 June 2021, total liabilities of the Group amounted to approximately RMB5,390,765,000 (31 December 2020: approximately RMB5,050,514,000). The Group's gearing ratio was 49.49% (31 December 2020: 48.45%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to approximately RMB3,469,618,000 (31 December 2020: approximately RMB3,576,138,000). As of 30 June 2021, the Group's outstanding bank and other loans reached approximately RMB3,237,745,000 (31 December 2020: approximately RMB2,632,898,000). In the opinion of the directors of the Company, the Group can meet its financial obligations through the unused banking facilities readily available to the Group, issuance of super-short-term financing bonds or implementation of financial plans such as medium term notes.

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

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In June 2021, the Company made investment of RMB51,000,000 in Jieyang Dongjiang Guoye Environmental Protection Technology Co., Ltd.* (揭陽東江國業環保科技有限公司), a subsidiary owned as to 85% by the Company.

Save as disclosed in these condensed consolidated financial statements, during the Reporting Period, the Group had no other significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures.



Details of Future Plans for Material Investments or Capital Assets

Saved as disclosed in this interim report, the Group does not have other future plans for material investments or capital assets, except for the capital commitment of RMB454,187,000, as at 30 June 2021.

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 other 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 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, trade and other receivables and other payables are denominated in currencies other than RMB. Expenses of the Group's overseas operations other than China are also denominated in foreign currencies.



Pledge of Assets

As at 30 June 2021, certain assets of the Group were pledged to secure bank borrowings, guarantees and letter of credit facilities granted to the Group.

Information on employees and remuneration policies

As at 30 June 2021, the number of full-time employees of the Group was 4,819 as compared to 4,778 as at 30 June 2020. The total staff cost for the six months ended 30 June 2021 was approximately RMB321,430,000 as compared to RMB275,648,000 for the same period in 2020. The Group offers continuous training, remuneration package and additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Contingent liabilities

On 9 December 2019, Jiangsu Guangxing sued to the court on the ground that Dongheng Environmental failed to pay the project payment and investment return of RMB48.3 million as stipulated in the contract and made a legal claim to Dongheng Environmental for the project payment, investment return, loss on the project suspension, loss on the downtime and any overdue interests. Both parties disagreed on the above-mentioned claim amounts and they are engaged in a legal proceeding.

The legal proceeding was sent twice to the court and the appraisal was still in process due to the complexity of the case. As at 30 June 2021, the possible outcome was unable to reliably estimated.

Save as disclosed above, the Group had no other significant contingent liabilities for the six months ended 30 June 2021.



Capital commitment

As at 30 June 2021, the capital commitment of the Group was as follows:

Item	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Significant outsourcing contracts	398,355	338,433
Commitment to acquisition of long-term assets	55,832	30,232
Total	454,187	368,665

Future Prospects

With the gradual completion and operation of new projects in different areas, the prices of hazardous waste disposal will be difficult to sustain in highly prosperous areas such as the Pearl River Delta and the Yangtze River Delta, and the overall gross margin, especially the gross margin of the harmless treatment business, will continue to decline, and increasing market share and business volume, improvement of comprehensive management standards including production technology and management will be the key measures for the Group to maintain long-term development. Comprehensive management ability will become the core competitiveness of hazardous waste enterprises, and enterprises with more advanced technology, lower treatment costs, management advantages and low safety risks will enjoy competitive advantage. Moreover, in order to achieve the goals of "carbon peak" by 2030 and "carbon neutrality" by 2060, measures such as new energy substitution, energy saving and emission reduction and resource recycling will be the obvious choices, and the recycling of hazardous waste resources will be one of the important ways to reduce carbon emissions. In particular, the "14th Five-Year" Plan for Development of Circular Economy has been implemented, which proposed to construct an industrial system of resource circulation by 2025, improve the efficiency of resource utilization, construct a circular system for utilization of waste materials and build a society of resource circulation. In the future, the Group will place its strategic focus on recycling and service sectors encouraged by the industry policies and highly related to technology, innovate and broaden its business model, and promote front-end services with the support from terminal disposal business to further enhance the Group's leading standards in the field of comprehensive utilization and recycling of solid waste and hazardous waste.



In the second half of 2021, the Group will continue to facilitate development through “internal improvement and external expansion”. To this end, the Group will continue to promote refined management and rational allocation of resources, improve the comprehensive management standards, and continue to strengthen the main business of hazardous waste. In addition, the Group will implement a proactive investment strategy, and implement an expansion driven development strategy of internal improvement and external expansion to explore new business areas and cultivate potential projects, actively reserve strategic development projects, and promote the leapfrog development of the Group. The specific work plan is as follows:

(I) *Improving production and operation management standards to reduce cost and enhance efficiency and continue to strengthen the main business of hazardous waste*

The Group will strive to achieve standardized and refined management by focusing on production and operation through comprehensive budgeting and informatization, so as to promote the steady development of the Group’s main business of hazardous waste and continue to strengthen the hazardous waste business. Firstly, the Group will vigorously promote the implementation of standardized systems, further standardize production process, implement standardized management and control of costs and expenses, realize standardization of production process and equipment, and strengthen product quality control, thereby reducing costs and enhancing efficiency and improving the capabilities in refined operation management. Secondly, based on production and operation demands, the Group will accelerate its pace in overcoming the “stranglehold” problems of production technology and urgent market demand, and improve corporate competitiveness and profitability. Thirdly, the Group will deeply carry out the work of providing “first-class service and first-class products”, formulate product quality standards, optimize product structure, improve service capability and market expansion capability, and strengthen and enhance its core corporate competitiveness.



(III) *Securing the construction of key projects, promoting the merger and acquisition of projects and the integration of acquired projects*

The Group will accelerate the construction of key projects such as Mianyang Dongjiang, Zhuhai Dongjiang and Jieyang Dananhai. In addition to ensuring project quality, the Group will control the construction cost and strive to complete the progress target on time with good quality and quantity, thereby achieving early completion and commencement of operation. In addition, the Group will complete the transfer of equity interest in Xiongfeng Environment, accelerate the application of the Group's management and control model, and complete the integration in terms of systems, personnel and business as soon as possible to ensure that the newly acquired projects operate steadily and bring new profit growth drivers to the Group. Moreover, the Group will continue to focus on investment opportunities in recycling and services sectors that are encouraged by industry policies and have high technical standards, broaden and innovate its business model, and promote front-end services with terminal disposal business to further enhance the industry-leading standard of the Group.

(III) *Persisting in innovation-driven development and expanding to new fields and new businesses*

The Group will always adhere to the strategic direction of innovation-driven development, secure the industry leading position in high-tech research, development and application, and further optimize the Group's research and development investment structure. To this end, the Group will optimize the product portfolio structure by developing new marketable products with high profitability on the basis of stabilizing the quality of existing products. It will also promote the upgrade of digitalized and intelligent construction, further promote the construction of intelligent hazardous waste treatment plants and the application of innovative and intelligent safety and environmental management platform, further reduce management costs, improve scientific management standards, and promote the steady improvement of production efficiency. In addition, the Group will strengthen the in-depth research and cooperation in the industry, promote the technical research and development and industrialization of new fields such as green recycling of waste power batteries, recycling of aluminum slag and bulk waste, and high-value recycling through technological innovation, expand to new fields and new businesses, actively cultivate new projects and facilitate project implementation, accelerate the creation of core growth driver for high-quality leapfrog development, and promote the diversified development of the Group.



(IV) *Ensuring the smooth implementation of strategic plans through multi-channel financing*

The Group will meet the demand for long-term development funds by carrying out the issuance of medium-term notes and super-short-term financing bonds at appropriate time. It will also speed up the implementation of the project of non-public issuance of A shares, and satisfy the demand for development funds for the Group's project construction and technological transformation, so as to ensure the smooth implementation of the strategic plans, fully improve quality and efficiency, and promote the sustainable and high-quality development of the Group.

(V) *Ensuring safe and stable production and operation by reinforcing the safety bottom line*

The Group will deeply implement the dual-prevention mechanism of safety risk control and hidden danger identification, and continuously strengthen and standardize safety management and supervision. The risks and hidden dangers identified will be rectified in strict accordance with the principle of "five implementation" of capital, responsibility, time limit, measures and plans. The Group will focus on fire safety improvement, construction safety risk mitigation and hazardous waste safety improvement, and carry out special project on information-based development of hazardous waste business to strengthen the supervision of the whole process of hazardous waste disposal. The Group will also increase safety investment, vigorously improve safety level with the support of technology, promote the continuous improvement of safety and environmental information management, and continuously improve safety and environmental management standards.



EVENTS DURING THE PERIOD

Registration and Issuance of Super Short-term Financing Bonds

The Company proposed to apply for the registration of the issuance of super short-term financing bonds (the “Super Short-Term Financing Bonds”) at the National Association of Financial Market Institutional Investors (the “NAFMII”) with a size not exceeding RMB1.5 billion (inclusive). The resolution on the registration and issuance of Super Short-Term Financing Bonds was considered and approved by the Shareholders at the shareholders’ general meeting of the Company on 13 October 2020. On 2 February 2021, the Company has received a “Notice of Acceptance of Registration” issued by the NAFMII, pursuant to which the NAFMII has decided to accept the registration of the Super Short-Term Financing Bonds, such registration amount shall be effective for 2 years commencing from 2 February 2021, and the Company may issue the Super Short-Term Financing Bonds in trenches within the effective period of the registration.

For details, please refer to the Company’s overseas regulatory announcement dated 11 September 2020, circular dated 25 September 2020, poll results announcement dated 13 October 2020 and announcement dated 4 February 2021.



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

As at 30 June 2021, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity	Type of interest	Number of Shares	Approximate % of equity of the Company/ shareholding in this class
Mr. Tan Kan	Beneficial owner	Long Position	120,000 A Shares	0.014%/0.018%

Save as disclosed above, as at 30 June 2021, none of the Directors, supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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

Save for the above disclosures in respect of certain Directors, as at 30 June 2021, as far as the Directors, supervisors and chief executive of the Company are aware, the person(s) below (other than the Directors, supervisors and chief executive of the Company) had interests or short positions in the shares, underlying shares or debentures 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.

Name	Capacity	Number and class of shares held	Approximate percentage of equity of the Company/ shareholding in this class
Guangdong Rising Holdings Group Co., Ltd. ("Guangdong Rising Group")	Beneficial owner	166,068,501 A Shares	18.89%/24.45%
	Interest of controlled corporation	34,899,793 A Shares (Note 1)	3.97%/5.14%
	Interest of controlled corporation	25,179,200 H Shares (Note 2)	2.86%/12.58%
Jiangsu High Hope International Group Co., Ltd. ("High Hope Group")	Beneficial owner	50,087,669 A Shares	5.70%/7.38%
	Interest of controlled corporation	25,995,038 A Shares (Note 3)	2.96%/3.83%
	Interest of controlled corporation	18,204,800 H Shares (Note 4)	2.07%/9.10%



Notes:

1. Among such 34,899,793 A Shares, 33,597,766 and 1,302,027 A Shares were held by Guangdong Rising Finance Holding Co., Ltd. ("Guangdong Finance Holding"), a wholly-owned subsidiary of Guangdong Rising Group, and Shenzhen Rising Investment Development Co., Ltd., a company owned as to 89.71% by Guangdong Finance Holding on 30 June 2021, respectively.
2. Among such 25,179,200 H Shares, 22,283,200 and 2,896,000 H Shares were held by Rising Investment Development Co., Ltd. and Guangdong Rising H.K. (Holding) Limited (being wholly-owned subsidiaries of Guangdong Rising Group), respectively.
3. Such 25,995,038 A Shares were held by Jiangsu High Hope Venture Capital Co., Ltd., a wholly-owned subsidiary of High Hope Group.
4. Such 18,204,800 H Shares were held by Jiangsu High Hope Venture Capital Co., Ltd., a wholly-owned subsidiary of High Hope Group.

Save for the above disclosures in respect of certain Directors, as at 30 June 2021, the Directors, supervisors and chief executive of the Company are not aware of any other person (other than the Directors, supervisors and chief executive of the Company) who has interests or short positions in the shares, underlying shares or debenture 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.



SHARE OPTION SCHEME

No share option scheme was adopted since the date of incorporation of the Company.

COMPETING INTERESTS OR BUSINESS

During the Period, none of the Directors, supervisors, chief executive or the substantial 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.

AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process, risk management and internal audit functions and control. The Audit Committee is comprised of three independent non-executive Directors, namely Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi. Mr. Siu Chi Hung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The Audit Committee has reviewed the interim results and financial statements of the Group for the six months ended 30 June 2021 but the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have not been audited by the auditors of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).



CORPORATE GOVERNANCE PRACTICES

The Company has been 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.

Save for Code Provision A.2.1 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, the Company has complied with all the applicable Code Provisions in the CG Code throughout the Reporting Period.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Upon the resignation of Mr. Yao Shu as chief executive officer on 14 August 2020, Mr. Tan Kan, the chairman of the Company, has taken the role of acting chief executive officer; he was subsequently appointed by the Board as acting chief executive officer effective from 22 December 2020 until a new chief executive officer is appointed by the Company. The Board is of the view that Mr. Tan Kan's assumption of the office of acting chief executive officer is merely a transitional arrangement after the resignation of the former chief executive officer. The Board believes that with the support of the management, temporarily vesting both of the roles of chairman and chief executive officer in the same person during the transitional period will not impair the balance of power and authority. The Board will review the above arrangement from time to time, facilitate the appointment of a new chief executive officer as soon as possible, and consider separating the two roles as and when appropriate.



CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Mr. Siu Chi Hung has served as an independent non-executive director of Central China Management Company Limited, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 9982) since 12 May 2021.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the code of conduct of securities transactions by the Directors and supervisors. Having made specific enquiries with all Directors and supervisors by the Company, they confirmed that they have complied with the requirements set out in the Model Code during the Reporting Period.



EVENTS AFTER THE PERIOD

Major transaction – Acquisition of 70% Equity Interest in Xiongfeng Environment

On 15 July 2021, the Company and Beijing Hanfeng United Technology Co., Ltd.* (the “Hanfeng United”) entered into the “Conditional Acquisition Agreement in relation to 70% of the equity interest in Chenzhou Xiongfeng Environment Technology Co., Ltd.” (《關於郴州雄風環保科技有限公司70%股權的附條件生效的股權轉讓協議書》), pursuant to which the Company conditionally agreed to acquire 70% of the equity interest in Xiongfeng Environment from Hanfeng United at the consideration of RMB429 million. As at the date of this report, the Company and Hanfeng United are in the process of fulfilling the conditions to the taking effect of the Acquisition Agreement, including the approval of the Acquisition Agreement and the transactions contemplated thereunder by the Shareholders at an extraordinary general meeting to be convened and held by the Company on 8 September 2021.

For details, please refer to the Company’s announcement dated 15 July 2021 and circular dated 20 August 2021.

Completion of Issue of Medium-term Notes (First Tranche) in 2021

The Company applied for the registration of the issuance of medium-term notes at the National Association of Financial Market Institutional Investors (the “NAFMII”) with an issue size of not exceeding RMB1.5 billion (inclusive). The resolution on the registration and issuance of medium-term notes was considered and approved by the Shareholders at the first extraordinary general meeting in 2020 of the Company. On 16 April 2020, the Company has received a “Notice of Acceptance of Registration” (Zhong Shi Xie Zhu [2020] MTN388) issued by the NAFMII, pursuant to which the NAFMII has decided to accept the registration of the medium-term notes and such registration amount shall be effective for 2 years commencing on the date of such notice.

On 11 May 2020, the Company has completed the first tranche of the issuance of the mid-term notes in 2020 with an issue size of RMB600 million, and paid the interest on 12 May 2021. The Company carried out the issuance of the first tranche of the medium-term notes in 2021 from 24 August 2021 to 25 August 2021 with the issue size of RMB500 million at the interest rate of 3.79%. The proceeds from the issuance were fully received on 26 August 2021.



For details, please refer to the Company's announcements dated 26 December 2019, 20 April 2020, 13 May 2020, 29 April 2021 and 26 August 2021, the circular dated 21 January 2020 and poll results announcement dated 11 February 2020.

By order of the Board
Dongjiang Environmental Company Limited*
Tan Kan
Chairman

Shenzhen, Guangdong, the PRC
26 August 2021

* *for identification purpose only*