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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS (UNAUDITED)

The board (the “**Board**”) of directors (the “**Directors**”) of Dongjiang Environmental Company Limited (the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2018 (the “**Reporting Period**” or “**Period**”), together with the comparative figures of the corresponding period of 2017, as follows:

(Unless specified otherwise, the financial information of the Company in this announcement was stated in Renminbi (“**RMB**”) Yuan.)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2018

	<i>Note</i>	Six months ended 30 June	
		2018 <i>(Unaudited)</i>	2017 <i>(Unaudited)</i>
Total operating revenue	2	1,662,134,708.97	1,403,503,758.28
Total operating costs		1,388,431,414.46	1,187,151,978.66
Including: Cost of operation		1,070,123,097.43	891,601,981.89
Fee and commission expenses		5,912.75	3,854.63
Sales tax and levies		21,678,570.46	15,761,331.68
Selling expenses		41,519,483.98	35,230,801.84
Administrative expenses		199,687,924.75	190,247,070.48
Finance costs	4	53,069,562.18	50,042,740.82
Impairment loss for assets	5	2,346,862.91	4,264,197.32

		Six months ended 30 June	
		2018	2017
	Note	(Unaudited)	(Unaudited)
Add: Gain (loss) on fair value changes		–	–
Investment income (loss)		9,706,141.22	7,890,087.83
Including: Investment income			
from jointly controlled			
entities and associates		9,686,905.54	7,147,660.08
Other income		55,058,553.45	57,801,461.60
Income from disposal of assets		(171,663.53)	(4,365,303.93)
Operating profit		338,296,325.65	277,678,025.12
Add: Non-operating income		15,049,712.33	10,007,687.87
Less: Non-operating expenses		382,739.12	1,351,739.41
Total profit		352,963,298.86	286,333,973.58
Less: Income tax expenses	6	39,691,748.16	36,125,275.02
Net profit		313,271,550.70	250,208,698.56
Net profit attributable to shareholders of			
the Company		265,935,797.70	220,147,143.40
Minority interests		47,335,753.00	30,061,555.16
Other comprehensive income, net of tax		2,157,565.38	(1,200,321.06)
Other comprehensive income to shareholders of			
the Company, net of tax		2,157,565.38	(1,200,321.06)
Items that cannot be reclassified to			
profit and loss in future		–	–
Items that can be reclassified to			
profit and loss when qualified in future		2,157,565.38	(1,200,321.06)
Exchange difference on translation of			
financial statement in foreign currency		2,157,565.38	(1,200,321.06)
Other		–	–
Total comprehensive income		315,429,116.08	249,008,377.50
Total comprehensive income attributable to			
 shareholders of the Company		268,093,363.08	218,946,822.34
Total comprehensive income attributable to			
 minority interests		47,335,753.00	30,061,555.16
Earnings per share:			
Basic earnings per share		0.3	0.25
Diluted earnings per share		0.3	0.25

INCOME STATEMENT OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
Note	(Unaudited)	(Unaudited)
Operating revenue	424,849,350.71	379,456,155.00
Less: Cost of operation	344,380,808.94	284,255,728.27
Sales tax and levies	1,625,035.00	733,266.74
Selling expenses	2,369,253.66	516,045.76
Administrative expenses	40,120,653.95	50,065,111.76
Finance costs	42,625,626.82	44,172,029.84
Impairment loss for assets	(196,539.61)	1,699,922.37
Add: Gain on fair value changes	—	—
Investment income (loss)	39,461,905.54	42,361,896.77
Including: Investment income		
from jointly controlled		
entities and associates	9,686,905.54	7,147,660.08
Other income	1,919,541.62	3,230,619.01
Income from disposal of assets	3,200.00	—
Operating profit	35,309,159.11	43,606,566.04
Add: Non-operating income	1,146,568.58	2,822,756.60
Less: Non-operating expenses	61,964.38	1,000,842.96
Total profit	36,393,763.31	45,428,479.68
Less: Income tax expenses	36,414.72	1,393,142.77
Net profit	36,357,348.59	44,035,336.91
Other comprehensive income, net of tax	—	—
Total comprehensive income	36,357,348.59	44,035,336.91
Earnings per share:		
Basic earnings per share	—	—
Diluted earnings per share	—	—

CONSOLIDATED BALANCE SHEET

As at 30 June 2018

		As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
	Note		
Current assets:			
Cash and bank balances		1,125,199,898.76	1,242,430,230.43
Financial assets measured at fair value with movement taken into profit and loss for the current period			
Bills receivable		85,662,988.99	86,366,871.17
Accounts receivable	9	708,141,777.16	694,636,069.79
Prepayments		64,048,389.96	49,245,646.02
Interest receivable		—	—
Other receivables		289,191,665.27	296,097,793.32
Loans		392,180,000.00	254,980,000.00
Inventories		322,403,381.82	312,588,190.52
Non-current assets due within one year		11,084,380.33	11,084,380.33
Other current assets		87,455,180.61	88,979,559.41
Total current assets		3,085,367,662.90	3,036,408,740.99
Non-current assets:			
Available-for-sale financial assets		13,431,700.00	13,431,700.00
Held-to-maturity investments		20,000,000.00	20,000,000.00
Long-term accounts receivable		190,935,069.02	194,929,785.02
Long-term equity investments		254,950,622.64	243,310,020.04
Investment properties		89,685,173.20	89,685,173.20
Fixed assets		1,633,411,518.65	1,649,540,887.90
Construction in progress		1,883,662,792.42	1,605,701,931.03

		As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
	Note		
Intangible assets		931,125,865.40	912,308,605.74
Development expenditure		14,904,816.57	10,741,736.70
Goodwill		1,235,994,451.48	1,235,994,451.48
Long-term deferred expenses		25,561,568.72	19,979,692.84
Deferred income tax assets		19,776,992.01	15,222,949.45
Other non-current assets		211,851,534.89	192,891,698.08
Total non-current assets		6,525,292,105.00	6,203,738,631.48
Total assets		9,610,659,767.90	9,240,147,372.47
Current liabilities:			
Short-term borrowings		1,848,359,000.00	1,872,637,100.25
Accounts payable	10	697,814,030.00	705,134,001.34
Receipts in advance		157,785,197.01	139,360,367.89
Accrued staff salaries		33,696,333.85	62,977,562.92
Tax payable		48,717,694.51	61,811,293.24
Interest payable		3,398,209.88	891,381.67
Dividend payable		144,306,834.43	6,593,410.01
Other payables		288,710,747.83	307,227,675.19
Non-current liabilities repayable within one year		29,181,844.11	6,131,610.36
Other current liabilities		3,068,966.75	7,384,032.79
Total current liabilities		3,255,038,858.37	3,170,148,435.66

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Note		
Non-current liabilities:		
Long-term borrowings	406,041,582.34	292,554,335.54
Bonds payable	1,281,703,847.96	1,289,727,036.55
Long-term payables	1,278,291.51	1,691,598.24
Deferred income	160,556,558.07	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
Specific payables	1,250,364.91	2,075,259.49
	<u>1,857,036,088.56</u>	<u>1,748,151,410.81</u>
Total non-current liabilities		
	<u>1,857,036,088.56</u>	<u>1,748,151,410.81</u>
Total liabilities	<u>5,112,074,946.93</u>	<u>4,918,299,846.47</u>
Shareholders' equity:		
Share capital	887,100,102.40	888,237,102.40
Capital reserve	503,579,642.65	505,827,372.67
Less: treasury stock	112,618,280.00	124,677,510.00
Other comprehensive income	4,722,331.61	2,564,766.23
Special reserve	4,036,144.34	3,128,442.22
Surplus reserve	199,255,721.44	199,255,721.44
General risk provision	4,114,125.00	4,114,125.00
Undistributed profits	2,373,895,722.11	2,250,645,463.83
	<u>2,373,895,722.11</u>	<u>2,250,645,463.83</u>
Total equity attributable to shareholders of the Company	<u>3,864,085,509.55</u>	<u>3,729,095,483.79</u>
Minority interests	<u>634,499,311.42</u>	<u>592,752,042.21</u>
	<u>634,499,311.42</u>	<u>592,752,042.21</u>
Total shareholders' equity	<u>4,498,584,820.97</u>	<u>4,321,847,526.00</u>
	<u>4,498,584,820.97</u>	<u>4,321,847,526.00</u>
Total liabilities and shareholders' equity	<u>9,610,659,767.90</u>	<u>9,240,147,372.47</u>
	<u>9,610,659,767.90</u>	<u>9,240,147,372.47</u>

BALANCE SHEET OF THE COMPANY*As at 30 June 2018*

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Current assets:		
Cash and bank balances	735,264,678.14	607,297,838.44
Financial assets measured at fair value with movement taken into profit and loss for the current period		
Bills receivable	13,754,234.10	14,810,711.01
Accounts receivable	347,498,322.35	432,577,954.21
Prepayments	5,410,733.35	1,956,403.07
Interest receivable	–	–
Other receivables	2,190,710,870.63	2,311,271,266.90
Inventories	10,976,559.47	8,740,989.27
Non-current assets due within one year	11,084,380.33	11,084,380.33
Other current assets	3,381,886.07	3,730,707.65
Dividend receivable	–	16,200,000.00
Total current assets	3,318,081,664.44	3,407,670,250.88
Non-current assets:		
Available-for-sale financial assets	13,431,700.00	13,431,700.00
Long-term accounts receivable	184,017,717.02	188,432,039.02
Long-term equity investments	3,533,695,763.85	3,467,505,161.25
Investment properties	66,388,962.20	66,388,962.20
Fixed assets	82,834,458.79	85,011,672.14
Construction in progress	56,448,140.89	47,309,507.04
Intangible assets	86,958,598.02	92,204,257.50
Development expenditure	12,301,283.90	9,251,952.73
Long-term deferred expenses	203,949.64	–
Deferred income tax assets	5,260,893.44	5,260,893.44
Other non-current assets	62,139,025.66	50,371,988.64
Total non-current assets	4,103,680,493.41	4,025,168,133.96
Total assets	7,421,762,157.85	7,432,838,384.84

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current liabilities:		
Short-term borrowings	1,670,000,000.00	1,774,778,100.25
Accounts payable	330,361,099.22	412,790,496.44
Receipts in advance	10,710,468.12	3,857,674.41
Accrued staff salaries	2,037,536.58	15,539,254.77
Tax payable	4,051,100.62	8,351,912.50
Interest payable	3,247,338.00	373,379.68
Dividend payable	144,288,434.43	2,428,210.01
Other payables	1,252,466,092.14	1,144,908,256.66
Non-current liabilities repayable within one year	–	4,500,000.00
Other current liabilities	–	472,749.72
Total current liabilities	3,417,162,069.11	3,368,000,034.44
Non-current liabilities:		
Long-term borrowings	80,000,000.00	40,000,000.00
Bonds payable	976,819,462.03	979,345,699.52
Deferred income	22,208,871.64	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	1,085,138,659.06	1,047,723,229.87
Total liabilities	4,502,300,728.17	4,415,723,264.31
Shareholders' equity:		
Share capital	887,100,102.40	888,237,102.40
Capital reserve	600,821,307.46	603,069,037.48
Less: treasury stock	112,618,280.00	124,677,510.00
Other comprehensive income	3,509,701.20	3,509,701.20
Surplus reserve	182,744,446.34	182,744,446.34
Undistributed profits	1,357,904,152.28	1,464,232,343.11
Total shareholders' equity	2,919,461,429.68	3,017,115,120.53
Total liabilities and shareholders' equity	7,421,762,157.85	7,432,838,384.84

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	1,896,686,257.28	1,517,802,933.04
Cash received from interest, fees and commissions	29,504,465.69	26,559,400.67
Refund of taxes and levies	52,792,968.40	42,866,280.81
Other cash receipts relating to operating activities	20,153,232.64	15,360,485.94
Sub-total of cash inflows from operating activities	1,999,136,924.01	1,602,589,100.46
Cash paid for goods and services	981,650,327.74	931,032,740.76
Net increase in customer loans and advances	137,200,000.00	68,260,000.00
Cash paid for interest, fees and commissions	–	–
Cash paid to and on behalf of employees	327,540,693.00	250,864,121.33
Payments of taxes and levies	217,691,435.40	221,553,327.53
Other cash payments relating to operating activities	36,343,761.22	41,012,414.28
Sub-total of cash outflows from operating activities	1,700,426,217.36	1,512,722,603.90
Net cash flows from operating activities	298,710,706.65	89,866,496.56
Cash flows from investing activities:		
Cash received from investments	–	–
Cash received from return on investments	12,269,981.54	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	331,071.62	132,354.37
Net cash received from disposal of subsidiaries and other operating units	–	–
Other cash receipts relating to investing activities	–	1,642,909.29
Sub-total of cash inflows from investing activities	12,601,053.16	1,775,263.66
Cash paid to acquire fixed assets, intangible assets and other long-term assets	441,292,036.81	343,665,177.51
Net cash paid on acquisition of subsidiaries and other operating units	26,133,678.60	53,891,750.00
Other cash payments relating to investing activities	–	20,000,000.00
Sub-total of cash outflows from investing activities	467,425,715.41	417,556,927.51

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Net cash flows from investing activities	<u>(454,824,662.25)</u>	<u>(415,781,663.85)</u>
Cash flows from financing activities:		
Cash received from absorption of investments	6,480,000.00	–
Including: cash received by subsidiaries		
from investment of minority shareholders	6,480,000.00	–
Cash received from borrowings	1,017,978,898.80	704,307,000.00
Cash received from issuing bonds	–	920,000,000.00
Cash received from other financing activities	<u>–</u>	<u>–</u>
Sub-total of cash inflows from financing activities	<u>1,024,458,898.80</u>	<u>1,624,307,000.00</u>
Cash payments for settlement of borrowings	905,326,426.25	1,275,659,900.00
Cash payments for distribution of dividend, profit or interests expenses	82,185,232.87	59,726,146.89
Including: cash payments for distribution of dividend and profit by subsidiaries to minority shareholders	25,225,000.00	32,733,691.00
Other cash payments relating to financing activities	<u>–</u>	<u>8,572,600.00</u>
Sub-total of cash outflows from financing activities	<u>987,511,659.12</u>	<u>1,343,958,646.89</u>
Net cash flows from financing activities	<u>36,947,239.68</u>	<u>280,348,353.11</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>2,157,565.38</u>	<u>(1,200,321.06)</u>
Net increase in cash and cash equivalents	(117,009,150.54)	(46,767,135.24)
Add: Cash and cash equivalents at the beginning of the period	<u>1,221,930,230.43</u>	<u>1,139,658,566.94</u>
Cash and cash equivalents at the end of the period	<u><u>1,104,921,079.89</u></u>	<u><u>1,092,891,431.70</u></u>

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)*For the six months ended 30 June 2018*

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	575,600,039.25	370,072,508.09
Refund of taxes and levies	1,924,772.60	1,312,587.03
Other cash receipts relating to operating activities	180,504,357.73	8,343,497.41
Sub-total of cash inflows from operating activities	758,029,169.58	379,728,592.53
Cash paid for goods and services	219,631,107.24	171,097,585.74
Cash paid to and on behalf of employees	87,284,913.09	89,666,541.77
Payments of taxes and levies	19,842,674.05	40,943,706.61
Other cash payments relating to operating activities	158,108,522.38	425,262,118.00
Sub-total of cash outflows from operating activities	484,867,216.76	726,969,952.12
Net cash flows from operating activities	273,161,952.82	(347,241,359.59)
Cash flows from investing activities:		
Cash received from investments	–	–
Cash received from return on investments	45,975,000.00	34,650,000.00
Net cash received from disposal of subsidiaries and other operating units	–	–
Other cash receipts relating to investing activities	–	1,766,348.90
Sub-total of cash inflows from investing activities	45,975,000.00	36,416,348.90
Cash paid to acquire fixed assets, intangible assets and other long-term assets	11,531,284.39	29,090,603.77
Net cash paid on acquisition of subsidiaries and other operating units	80,683,678.60	105,591,750.00
Other cash payments relating to investing activities	–	–
Sub-total of cash outflows from investing activities	92,214,962.99	134,682,353.77
Net cash flows from investing activities	(46,239,962.99)	(98,266,004.87)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from financing activities:		
Cash received from borrowings	810,000,000.00	640,000,000.00
Cash received from issuing bonds	–	600,000,000.00
Cash received from other financing activities	–	300,000,000.00
Sub-total of cash inflows from financing activities	810,000,000.00	1,540,000,000.00
Cash payments for settlement of borrowings	879,278,100.25	1,094,304,338.31
Cash payments for distribution of dividend, profit or interest expenses	44,653,457.77	46,233,642.13
Other cash payments relating to financing activities	–	8,572,600.00
Sub-total of cash outflows from financing activities	923,931,558.02	1,149,110,580.44
Net cash flows from financing activities	(113,931,558.02)	390,889,419.56
Net increase in cash and cash equivalents	112,990,431.81	(54,617,944.90)
Add: Cash and cash equivalents at the beginning of the period	587,597,838.44	499,420,139.79
Cash and cash equivalents at the end of the period	700,588,270.25	444,802,194.89

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2018

Item	For the six months ended 30 June 2018									
	Attributable to shareholders of the parent company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Balance as at the of previous 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
Balance as at the beginning of the 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
Change for the period	(1,137,000.00)	(2,247,730.02)	(12,059,230.00)	2,157,565.38	907,702.12			123,250,258.28	41,747,269.21	176,737,294.97
1. Total comprehensive income				2,157,565.38				265,935,797.70	47,335,753.00	315,429,116.08
2. Contribution from shareholders and reduction of capital	(1,137,000.00)	(2,247,730.02)	(12,059,230.00)						20,450,000.00	29,124,499.98
Contributions by ordinary shareholders									20,450,000.00	20,450,000.00
Share-based payment included in the amount of shareholders' equity	(1,137,000.00)	(2,247,730.02)	(12,059,230.00)							8,674,499.98
Others										
3. Profit distribution								(142,685,539.42)	(26,038,483.79)	(168,724,023.21)
Withdrawal from surplus reserve										
Withdrawal from general risk provision										
Distribution to holders (or shareholders)								(142,685,539.42)	(26,038,483.79)	(168,724,023.21)
4. Special reserve					907,702.12					907,702.12
Withdrawal during the period					2,680,780.83					2,680,780.83
Use during the period					1,773,078.71					1,773,078.71
Balance as at the end of the period	887,100,102.40	503,579,642.65	112,618,280.00	4,722,331.61	4,036,144.34	199,255,721.44	4,114,125.00	2,373,895,722.11	634,499,311.42	4,498,584,820.97

For the twelve months ended 31 December 2017

Item	Attributable to shareholders of the parent company									Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Minority interests	
Balance as at the of previous year	<u>887,152,102.40</u>	<u>518,915,703.92</u>	<u>210,095,760.00</u>	<u>3,060,802.36</u>	<u>1,912,526.46</u>	<u>190,854,508.48</u>	<u>4,114,125.00</u>	<u>1,892,980,408.00</u>	<u>576,798,533.08</u>	<u>3,865,692,949.70</u>
Balance as at the beginning of the year	<u>887,152,102.40</u>	<u>518,915,703.92</u>	<u>210,095,760.00</u>	<u>3,060,802.36</u>	<u>1,912,526.46</u>	<u>190,854,508.48</u>	<u>4,114,125.00</u>	<u>1,892,980,408.00</u>	<u>576,798,533.08</u>	<u>3,865,692,949.70</u>
Change for the period	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
Contributions by ordinary shareholders									300,000.00	300,000.00
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
Others		(43,129,786.39)							(10,376,562.17)	(53,506,348.56)
3. Profit distribution						8,401,212.96		(115,710,922.30)	(53,950,000.00)	(161,259,709.34)
Withdrawal from surplus reserve						8,401,212.96		(8,401,212.96)		
Withdrawal from general risk provision										
Distribution to holders (or shareholders)								(107,309,709.34)	(53,950,000.00)	(161,259,709.34)
4. Special reserve					1,215,915.76					1,215,915.76
Withdrawal during the period					3,124,876.10					3,124,876.10
Use during the period					1,908,960.34					1,908,960.34
Balance as at the end of the period	<u>888,237,102.40</u>	<u>505,827,372.67</u>	<u>124,677,510.00</u>	<u>2,564,766.23</u>	<u>3,128,442.22</u>	<u>199,255,721.44</u>	<u>4,114,125.00</u>	<u>2,250,645,463.83</u>	<u>592,752,042.21</u>	<u>4,321,847,526.00</u>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2018

Item	For the six months ended 30 June 2018						
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance as at the of previous 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
Balance as at the beginning of the 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
Change for the period	(1,137,000.00)	(2,247,730.02)	(12,059,230.00)			(106,328,190.83)	(97,653,690.85)
1. Total comprehensive income						36,357,348.59	36,357,348.59
2. Contribution from shareholders and reduction of capital	(1,137,000.00)	(2,247,730.02)	(12,059,230.00)				8,674,499.98
Share-based payment included in the amount of shareholders' equity	(1,137,000.00)	(2,247,730.02)	(12,059,230.00)				8,674,499.98
Others							
3. Profit distribution						(142,685,539.42)	(142,685,539.42)
Withdrawal from surplus reserve							
Distribution to holders (or shareholders)						(142,685,539.42)	(142,685,539.42)
Balance as at the end of the period	887,100,102.40	600,821,307.46	112,618,280.00	3,509,701.20	182,744,446.34	1,357,904,152.28	2,919,461,429.68

Item	For the twelve months ended 31 December 2017						
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance as at the of previous year	<u>887,152,102.40</u>	<u>573,027,582.34</u>	<u>210,095,760.00</u>	<u>3,509,701.20</u>	<u>174,343,233.38</u>	<u>1,495,931,135.77</u>	<u>2,923,867,995.09</u>
Beginning balance of current period	<u>887,152,102.40</u>	<u>573,027,582.34</u>	<u>210,095,760.00</u>	<u>3,509,701.20</u>	<u>174,343,233.38</u>	<u>1,495,931,135.77</u>	<u>2,923,867,995.09</u>
Change for the period	1,085,000.00	30,041,455.14	(85,418,250.00)		8,401,212.96	(31,698,792.66)	93,247,125.44
1. Total comprehensive income						84,012,129.64	84,012,129.64
2. Contribution from shareholders and reduction of capital	1,085,000.00	30,041,455.14	(85,418,250.00)				116,544,705.14
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
3. Profit distribution					8,401,212.96	(115,710,922.30)	(107,309,709.34)
Withdrawal from surplus reserve					8,401,212.96	(8,401,212.96)	
Distribution to holders (or shareholders)						(107,309,709.34)	(107,309,709.34)
Balance as at the end of the period	<u>888,237,102.40</u>	<u>603,069,037.48</u>	<u>124,677,510.00</u>	<u>3,509,701.20</u>	<u>182,744,446.34</u>	<u>1,464,232,343.11</u>	<u>3,017,115,120.53</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

The unaudited interim financial statements of the Group have been prepared based on a going concern basis according to the transactions and events occurred and in accordance with the requirements of “Accounting Standards for Business Enterprises” and other relevant regulations (hereinafter referred to as “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance (MOF) of the PRC. These financial statements also comply with the disclosure requirements of “Regulation of the Preparation of Information Disclosure by Companies Offering Securities to the Public No.15 – General Requirements for Financial Reporting (2014 revised)” issued by China Securities Regulatory Commission (“CSRC”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Companies Ordinance. The financial statements of the Group are also made based on the accounting policies and estimates applicable to the Group.

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements of the Group for the year ended 31 December 2017. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. OPERATING REVENUE

Operating revenue represents the net amount received and receivable for goods sold and services rendered by the Group to outside customers, less trade discounts.

Analysis of the Group’s operating revenue during the Period is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Industrial waste recycling	655,021,599.71	524,475,094.56
Industrial waste treatment and disposal	605,829,688.93	526,264,270.76
Municipal waste treatment and disposal	112,780,913.90	90,431,946.21
Renewable energy and CDM carbon emission reduction	45,793,641.44	47,119,797.90
Environmental engineering and services	119,408,502.05	142,602,711.27
Trading and others	60,370,877.08	59,539,841.54
Waste electrical appliance dismantling treatment	62,929,485.86	13,070,096.04
Total	<u>1,662,134,708.97</u>	<u>1,403,503,758.28</u>

3. SEGMENT INFORMATION

The Group is currently organised into seven operating divisions, namely, (i) industrial waste recycling; (ii) industrial waste treatment and disposal; (iii) municipal waste treatment and disposal; (iv) renewable energy utilization; (v) environmental engineering and services; (vi) trading and others; and (vii) waste domestic electrical appliance dismantling treatment. These divisions are the basis on which the Group reports its primary segment information.

i) For the six months ended 30 June 2018 (unaudited)

Item	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste domestic electrical appliance dismantling treatment	Unallocated amounts	Elimination	Total
Operating revenue	655,021,599.71	630,398,531.59	112,780,913.90	45,793,641.44	127,412,219.90	110,363,572.87	62,929,485.86	0	(82,565,256.30)	1,662,134,708.97
Including: revenue from external transactions	655,021,599.71	605,829,688.93	112,780,913.90	45,793,641.44	119,408,502.05	60,370,877.08	62,929,485.86			1,662,134,708.97
Revenue from intra-segment transactions		24,568,842.66			8,003,717.85	49,992,695.79			(82,565,256.30)	0
Operating cost	476,018,407.79	346,521,793.99	95,924,613.68	31,001,411.22	97,160,023.50	64,580,585.17	41,481,518.38		(82,565,256.30)	1,070,123,097.43
Operating profit	<u>102,288,740.50</u>	<u>173,219,478.32</u>	<u>9,632,284.77</u>	<u>17,129,130.04</u>	<u>17,287,172.56</u>	<u>26,162,014.75</u>	<u>14,261,987.92</u>	<u>(21,684,483.21)</u>		<u>338,296,325.65</u>

ii) For the six months ended 30 June 2017 (unaudited)

Item	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste domestic electrical appliance dismantling treatment	Unallocated amounts	Elimination	Total
Operating revenue	524,475,094.56	550,645,820.80	90,431,946.21	47,119,797.90	159,911,843.40	93,407,137.23	13,070,096.04	-	(75,557,977.86)	1,403,503,758.28
Including: revenue from external transactions	524,475,094.56	526,264,270.76	90,431,946.21	47,119,797.90	142,602,711.27	59,539,841.54	13,070,096.04	-	-	1,403,503,758.28
Revenue from intra-segment transactions	-	24,381,550.04	-	-	17,309,132.13	33,867,295.69	-	-	(75,557,977.86)	0.00
Operating cost	371,373,936.87	301,498,275.30	77,966,385.75	29,649,491.48	124,076,062.13	49,291,673.25	13,304,134.97	-	(75,557,977.86)	891,601,981.89
Operating profit	<u>82,827,726.31</u>	<u>150,073,810.61</u>	<u>9,830,851.63</u>	<u>14,622,110.51</u>	<u>25,443,404.70</u>	<u>19,940,189.72</u>	<u>(4,929,578.12)</u>	<u>(15,765,186.31)</u>	-	<u>282,043,329.05</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest expenses	58,330,693.04	56,068,446.62
Interest income	(5,276,385.27)	(6,534,569.21)
Profit or loss from exchange	–	168.54
Bank charges and others	15,254.41	508,694.87
Total	<u>53,069,562.18</u>	<u>50,042,740.82</u>

Breakdown of interest expenses is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest on bank loans		
– Bank loans wholly repayable within 5 years	58,716,437.67	55,292,977.78
Finance lease charge	24,538.00	19,991.71
Interest on bonds at real interest rate	34,099,660.05	26,334,464.95
Subtotal:	92,840,635.72	81,647,434.44
Less: Amount capitalised	(34,509,942.68)	(25,578,987.82)
Total	<u>58,330,693.04</u>	<u>56,068,446.62</u>

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 5.21% (2017: 5.45%) per annum to expenditure on qualifying assets.

5. ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Loss on bad debts	2,346,862.91	4,264,197.32
Impairment loss on goodwill	–	–
Total	<u>2,346,862.91</u>	<u>4,264,197.32</u>

6. INCOME TAX EXPENSES

The Company, Shenzhen Dongjiang Heritage Technologies Co., Ltd. (“**Dongjiang Heritage**”), Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. (“**Longgang Dongjiang**”), Huizhou Dongjiang Environmental Technology Company Limited (“**Huizhou Dongjiang**”), Kunshan Qiandeng Wastes Treatment Company Limited (“**Qiandeng Wastes Treatment**”), Shenzhen Huabao Technology Ltd. (“**Huabao Technology**”), Qingyuan Xinlv Environmental Technology Company Limited (“**Qiangyuan Xinlv**”), Jiaxing Deda Resource Recycling Company Limited (“**Jiaxing Deda**”), Yancheng Yanhai Solid Wastes Treatment Company Limited (“**Yanhai Solid Wastes**”), Karamay Wosen Environmental Technology Co., Ltd. (“**Wosen Environmental**”), Jiangxi Dongjiang Environmental Technology Co., Ltd. (“**Jiangxi Dongjiang**”), Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd. (“**Zhuhai Yongxingsheng**”), Shaoguan Green Recycling Resource Development Co., Ltd. (“**Shaoguan Green**”) and Dongguan Humen Water Co., Ltd. (“**Humen Green**”) are regarded as High-New Technology Enterprises. In accordance with China’s income tax rate, all the said companies are only required to pay Enterprise Income Tax (“**EIT**”) with tax rate of 15%.

Huizhou Dongjiang, Qiandeng Wastes Treatment, Qiangyuan Xinlv, Jiaxing Deda and Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd. (“**Baoan Dongjiang**”) enjoyed the preferential tax incentive for enterprises engaging in projects satisfying resources recycling utilization, and only reduction by 90% of the total revenue is accounted for EIT;

Only 50% of the research and development expenses of the Company, Dongjiang Heritage, Longgang Dongjiang, Huizhou Dongjiang, Qiandeng Wastes Treatment, Huabao Technology, Qiangyuan Xinlv, Jiaxing Deda, Yanhai Solid Wastes, Zhuhai Yongxingsheng, Baoan Dongjiang and Shaoxing Huaxin Environmental Technology Co., Ltd. (“**Huaxin Environmental**”) are deductible before EIT.

Jiangmen Dongjiang Environmental Technology Company Limited (“**Jiangmen Dongjiang**”), Wosen Environmental, Jiangxi Dongjiang, Hubei Tianyin Hazardous Waste Centralized Disposal Co., Ltd. (“**Tianyin Hazardous Waste**”), Nantong Huitianran Solid Wastes Treatment Company Limited (“**Nantong Huitianran**”), Hengshui Ruitao Environmental Technology Co., Ltd (“**Hengshui Ruitao**”), Huaxin Environmental, Fujian Lvzhou Solid Wastes Treatment Company Limited (“**Fujian Lvzhou Solid Wastes**”), a wholly-owned subsidiary of Xiamen Lvzhou Environmental Stock Company Limited, enjoyed preferential tax incentive for enterprises engaging in projects satisfying environmental protection conditions and conservation of energy and water.

Jiangmen Dongjiang was granted full exemption from EIT for the years 2015 to 2017 and 50% exemption from 2018 to 2020.

Wosen Environmental was granted full exemption from EIT for the years 2015 to 2017 and 50% exemption from 2018 to 2020.

Jiangxi Dongjiang was granted full exemption from EIT for the years 2016 to 2018 and 50% exemption from 2019 to 2021.

Tianyin Hazardous Waste was granted full exemption from EIT for the years 2017 to 2019 and 50% exemption from 2020 to 2022.

Nantong Huitianran was granted full exemption from EIT for the years 2016 to 2018 and 50% exemption from 2019 to 2021.

Hengshui Ruitao was granted full exemption from EIT for the years 2014 to 2016 and 50% exemption from 2017 to 2019.

Huaxin Environmental’s new projects of incineration was granted full exemption from EIT for the years 2017 to 2019 and 50% exemption of new projects of incineration from 2020 to 2022.

Fujian Lvzhou Solid Wastes was granted full exemption from EIT for the years 2014 to 2016 and 50% exemption from 2017 to 2019.

Shenzhen Dongjiang Property Services Company Limited (“**Dongjiang Property**”), Zhuhai Qingxin Industrial Environment Ltd. (“**Zhuhai Qingxin**”) and Zhenjiang Dongjiang Environmental Technology Development Co., Ltd. (“**Zhenjiang Dongjiang**”) are regarded as small low-profit enterprises, only 50% of its total revenue is accounted for EIT with tax rate of 20%.

Subsidiaries established and operated in mainland China are required to pay EIT with tax rate of 25%, while subsidiaries established and operated in Hong Kong are required to pay Hong Kong profits tax with tax rate of 16.5%.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the unaudited net profit for the Period attributable to shareholders of the Company of approximately RMB265,935,798 (2017: approximately RMB220,147,143), and the weighted average number of approximately 873,503,602 ordinary shares (2017: 862,027,102 shares) in issue during the Period.

The Company had no diluted potential shares in the interim periods of 2018 and 2017 and the diluted earnings per share was the same as basic earnings per share.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2017: Nil).

9. ACCOUNTS RECEIVABLES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Accounts receivables	731,126,853.95	715,484,041.65
Less: Provision for bad debts	<u>22,985,076.79</u>	<u>20,847,971.86</u>
Total	<u>708,141,777.16</u>	<u>694,636,069.79</u>

The Group allows an average credit period of 90 days to its customers, except for new customers where payment in advance is normally required. The Group does not hold any collateral over accounts receivables.

The following is an aging analysis of accounts receivables net of provision for bad debts:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Within 90 days	363,214,079.36	385,714,685.23
91 to 180 days	83,165,400.92	52,151,428.34
181 to 365 days	68,562,817.84	67,255,185.13
1 to 2 year(s)	89,736,436.90	88,024,980.10
2 to 3 years	98,653,961.35	100,378,831.43
Over 3 years	<u>4,809,080.79</u>	<u>1,110,959.56</u>
Total	<u>708,141,777.16</u>	<u>694,636,069.79</u>

10. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Within 90 days	419,033,233.68	421,403,487.51
91 to 180 days	64,918,063.21	63,573,698.55
181 to 365 days	164,366,402.69	167,105,439.40
Over 1 year	49,496,330.42	53,051,375.88
Total	<u>697,814,030.00</u>	<u>705,134,001.34</u>

11. COMMITMENT

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Capital expenditures contracted for but not recognized in the financial statements		
– External investment	30,970,000.00	48,780,000.00
– Construction in progress	234,140,245.87	268,258,048.15
– Acquisition of machinery equipment	122,223,574.00	106,411,606.00
Total	<u>387,333,819.87</u>	<u>423,449,654.15</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Overview

2018 was the first year of implementing the policies of the 19th National Congress of the Communist Party of China. The 2018 National Ecological Environmental Protection Conference has injected new impetus into China's new era of green development and ecological civilization construction strategies. Following the inevitable advancement of key measures for hazardous waste management, such as the "Waste-off Action 2018" and environmental supervision, the effectiveness of hazardous waste pollution control and the standardization of operation will be the focus of supervision. Excellent technical and management capabilities will facilitate hazardous waste disposal enterprises to stand out in the battle against pollution. In the first half of 2018, Dongjiang Environmental, under the operating policies of "professional operation, driving force innovation, integration of industry and finance, integration of resources and leapfrog development", has focused on the main business of hazardous waste, accelerated project construction, improvement of the operational efficiency, strengthened standardized management and adhered to innovation, so as to achieve sustainable and steady growth of operating results, and continue to maintain its leading position in the industry.

During the Reporting Period, the Company recorded operating revenue of RMB1,662,134,700, representing an increase of 18.43% over the same period of 2017. Net profit attributable to shareholders of the Company was approximately RMB265,935,800, representing an increase of approximately 20.80% over the same period of 2017. As of 30 June 2018, total assets were approximately RMB9,610,659,800, representing an increase of approximately 4.01% as compared with the beginning of the period. Owner's equity attributable to shareholders of the Company was approximately RMB3,864,085,500, representing an increase of approximately 3.62% as compared with the beginning of the period.

- (1) *Focusing on the main business of hazardous waste and the scale advantage is constantly emerging*

Under the substantial strategy of ecological civilization construction, the room for growth of the environmental protection industry is continuously increasing. The Company always adheres to the main business of core hazardous waste disposal, accelerates the release of production capacity, deepens the market layout, and further enhances the synergy effect of scale. The operating revenue in the second quarter of 2018 was approximately RMB904 million, representing an increase of approximately 24.17% over the same period of 2017. The net profit attributable to shareholders of the Company was approximately RMB144 million, representing an increase of approximately 24.38% over the same period of 2017.

During the Reporting Period, the Company's industrial waste treatment and disposal business contributed revenue of RMB606 million, representing an increase of 15.12%. Industrial waste resource utilization business contributed revenue of RMB655 million, representing an increase of 24.89%. In addition, the Company strengthened management of accounts receivables, reinforced recovery of sales revenue and appropriately increased the receivables in advance, net cash flows from operating activities were approximately RMB299 million during the Reporting Period, representing a year-on-year increase of approximately 232%, which strengthened the Company's cash inflows, ensured the sustainable development of production and operation and enhanced the Company's overall capability to resist risks.

(2) *Accelerating project construction and expansion to release production capacity conducive to operating performance*

At present, the demand for hazardous waste disposal is accelerating and industry competition is intensifying. The Company relies on key project construction and new project expansion to achieve rapid growth in production capacity and continuous optimization of industrial structure, thereby further consolidating its leading position in the industry.

During the Reporting Period, the Company's project construction progressed smoothly, of which 1) Hengshui Ruitao's incineration reached 29,000 tons/year. Physicochemical capacity reached 20,000 tons/year and the physicochemical capacity of the Coastal Solid Waste Project amounted to 24,000 tons/year, which obtained the hazardous waste business license; 2) Fujian Quanzhou project's construction was completed, with incineration reached 20,000 tons/year, Weifang Dongjiang Blue Sea project's incineration reached 60,000 tons/year and physicochemical capacity reached 120,000 tons/year, realising ignition commissioning in the workshops thereof; 3) basic construction was completed for Hubei Xiantao Project with recycling capacity of 18,000 tons/year; 4) the second phase of the Xiantao Lvyi was approved by the EIA, with a design scale of 135,000 tons/year; 5) the construction of projects such as Fujian Nanping, Nantong Dongjiang and Tangshan Caofeidian projects were actively promoted.

Meanwhile, the Company has actively explored quality projects and entered into the relevant cooperation agreements in relation to the Shexian Recycle Economy Demonstration Center and Zhuhai Green Industry Service Center Projects, with designed production capacity of 325,000 tons/year, which was conducive to the expansion of the main business scale of hazardous waste and optimization of the regional market layout, thereby laying a favorable foundation for the Company's sustainable and steady growth.

(3) *Improving technological innovation system and enhancing driving force for innovation*

The Company continued to reform systems regarding organizational structure, technology research and development and talent retention enabling it to promote the development strategies of driving force for technology innovation. During the Reporting Period, the Company established a special system to guide technical talent classification, occupational qualifications and assessment standards. The Company accelerated materialization of the transformation system, under which, the technological achievements were targeted to be transformed into real productivity. During the Reporting Period, the Company conducted 15 research and development projects, among which, the national technology projects of “Technical Research Project on Contamination Control During Recycling Process of Waste Electrical and Electronic Appliances and Environmental Safety Control on Recycled Products” and “Research on Sludge Anaerobic Digestion and Safety Operation Technology and Equipment in Southern Cities” passed the examination; the industrialization test was conducted in respect of diluted nitrate waste water; projects relating to feed-grade dicalcium phosphate, recovery of waste nitric acid and production of compound fertilizer by concentrated nitrate waste liquid reached the standards for industrialization tests. In respect of the cooperation of research and development projects, the Company made significant breakthrough in technological development and industrialized application of harmless organic and industrial sludge, which could effectively solve the treatment of organic sludge.

(4) *Upward adjustment to corporate credit ratings and smooth financing channels*

During the Reporting Period, the credit rating of the Company as a whole was adjusted upward to AA+ upon review by the credit rating commission of China Chengxin Securities Rating Co., Ltd., with the rating outlook rated as stable. Besides, the credit ratings of the two trenches of bonds, namely “14 Dongjiang 01” and “17 Dongjiang G1”, were also raised to AA+.

Affected by the deleveraging policy and strict financial regulation in the macro market, bond defaults were frequently to report, leading to further increase in corporate financing difficulty. The Company actively innovated financing channels and optimized capital structure. As of the end of June 2018, the Company had obtained comprehensive credit facilities of RMB7,034 million in total, of which, the unused credit facilities amounted to RMB4,602 million. The overall financing channels ran smoothly. The comprehensive financing capability is excellent, providing a sufficient driving force for future development.

Forecast on operating results for the 9 months ending 30 September 2018

Change (in percentage) of net profit attributable to shareholders of the Company for the 9 months ending 30 September 2018	0% to 15%
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Change (in range) of net profit attributable to shareholders of the Company for the 9 months ending 30 September 2018 (RMB0'000)	32,622.92 to 37,516.36
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Net profit attributable to shareholders of the Company for the 9 months ended 30 September 2017 (RMB0'000)	32,622.92
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The Company insisted on its developing strategies and focused on its principal business in hazardous waste, actively expanded the market of industrial hazardous waste, accelerated capacity building, and ensured steady growth in total operating revenue. Meanwhile, in view of the stringent environmental protection policies and strengthening regulation, the Company increased its intensity of production and operation management, and constantly optimized production facilities, and production cost also increased accordingly.

FINANCIAL REVIEW

Total Operating Revenue

During the Period, the Group's total operating revenue increased by approximately 18.43% to approximately RMB1,662,134,709 (2017: approximately RMB1,403,503,758) as compared to the corresponding period in 2017. The net profit attributable to shareholders of the Company increased by approximately 20.80% to approximately RMB265,935,798 (2017: approximately RMB220,147,143). The main reasons for the growth in total operating revenue are that the Company implemented corporate strategy in operation by adjusting business structure, actively exploring the market and increasing the market shares in industrial solid waste harmless treatment and resource production business. During the Period, the total operating revenue of the Group increased by approximately 18.43% as compared to the corresponding period of the previous year. However, as the Group's environmental engineering and services business did not fulfill the expectation, the growth of operating revenue during the Period was affected. The operating revenue of resource production business increased by approximately 24.89% to RMB655,021,600 (2017: approximately RMB524,475,095) over the same period last year; the operating revenue of industrial waste treatment and disposal increased by approximately 15.12% to RMB605,829,689 (2017: approximately RMB526,264,271) over the same period last year; the operating revenue of the business of environmental engineering and services decreased by approximately 16.26% to approximately RMB119,408,502 (2017: approximately RMB142,602,711) over the same period last year.

Profit

During the Period, the Group's integrated gross profit margin was approximately 35.62% (2017: approximately 36.47%), representing an decrease of approximately 0.85 percentage point as compared to the corresponding period in last year. This is mainly because many investment capital invested in the industry, including the central enterprise and private company, which led to the fiercer competition and increase cost of the collection of transportation; On the other hand, many small chemical companies that the environmental facilities failed to reach the standard was shut down because of the environmental supervision in 2018, which caused the reduce of the market supplement, the increase of the chemical raw material and accessories on a year-on-year basis and the increase of labor cost everywhere. As a result, the gross profit margin of the main business showed a slight decrease. The operating income of industrial harmless business, of which the gross profit margin is relatively high, represented a slight decrease of the total operating income compared with the same period of the previous year. However, the comprehensive gross profit margin is level off, compared with the same period of last year because the Company continues the activity of energy saving and material decreasing, strengthening the budget management, and effectively controlling producing cost where the effect is significant.

As at 30 June 2018, net profit attributable to Shareholders of the Company increased by approximately 20.80% as compared with the same period of the previous year to approximately RMB265,935,798 (2017: approximately RMB220,147,143). The increase of the net profit came from two parts, extensional expansion and connotative management. Firstly, the Company actively expanded the market, accelerated the production construction, and enhanced the market share, scaled up the business, which led to the increase of the total operating income. In addition, the Company implemented corporate development strategy and focused on the main business of industrial hazardous waste, and stabilized the comprehensive gross profit margin. In the same time, the Company strengthened the overall budget management and effectively controlled the cost and ensured the increase of net profit.

Sales Expenses

During the Period, the Group's sales expenses were approximately RMB41,519,484 (2017: approximately RMB35,230,802), representing approximately 2.50% of the Group's total operating revenue (2017: approximately 2.51%). The increase in sales expenses was mainly due to the Group's increase in marketing and promotion efforts, enhancement of brand management for the business of the Company, as well as increase with increment of income during the Reporting Period.

Administrative Expenses

During the Period, the Group's administrative expenses were approximately RMB199,687,925 (2017: approximately RMB190,247,070), representing approximately 12.01% of the Group's total operating revenue (2017: approximately 13.56%). The increase in administrative expenses was mainly due to the continuous increase in the Company's investment in research and development and introduction of high-end technical talents in order to enhance the core competitiveness during the Reporting Period. The increase was also due to expansion of the Company, the increase in subsidiaries and the continuous increase in domestic labour cost in the Period as compared to the corresponding period of last year. During the period, the ratio of administrative expenses to revenue of the Group decreased by 1.55 percentage points as compared with the same period of the previous year. It was mainly attributable to the launch of fee-control system at the beginning of the Period which strengthened control of expenditures. As a result, the growth of administrative expenses was significantly lower than the growth of income.

Finance Cost

During the Period, the Group's finance cost was approximately RMB53,069,562 (2017: approximately RMB50,042,741), representing approximately 3.19% of the Group's total operating revenue (2017: approximately 3.57%). The increase in finance cost was mainly attributable to the Company's expansion, leading to a constantly increasing demand for capital and an increase in bank borrowings, which in turn resulted in an increase in interest expenses.

Income Tax Expenses

During the Period, the Group's income tax expenses were approximately RMB39,691,748 (2017: approximately RMB36,125,275), representing approximately 11.25% of the Group's profit before tax (2017: approximately 12.62%).

Financial Resources and Liquidity

As at 30 June 2018, the Group had net current assets of approximately RMB-169,671,195 (31 December 2017: approximately RMB-133,739,695) and current liabilities of approximately RMB3,255,038,858 (31 December 2017: approximately RMB3,170,148,436). The current assets include cash and cash equivalents of approximately RMB1,104,921,080 (31 December 2017: approximately RMB1,221,930,230).

As at 30 June 2018, the Group had total liabilities of approximately RMB5,112,074,947 (31 December 2017: approximately RMB4,918,299,846). The Group's gearing ratio was approximately 53.19% (31 December 2017: approximately 53.23%), which was calculated based on the Group's total liabilities over total assets. As at 30 June 2018, the Group had bank loans of approximately RMB2,282,343,908 (31 December 2017: approximately RMB2,171,323,046).

Substantial Investments, Acquisitions and Disposals of Subsidiaries and Associated Companies

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 Environmental Protection Technology Co., Ltd.* (綿陽東江環保科技有限公司).

Save as disclosed in this report, the Group did not have any other substantial investments, acquisitions and disposals of subsidiaries and associated companies during the Period.

Interest Rate and Foreign Exchange Risks

Interest Rate Risk

The Group is exposed to fair value interest rate risk due to its fixed-rate bank loans. Currently, the Group does not have any interest rate hedging policy. However, the interest rate risk is monitored by the management, and the management will consider taking necessary actions in case any material risk is expected.

The Group is also exposed to cash flow interest rate risk due to its floating-rate bank loans. The Group's policy is to maintain floating-rate bank loans to reduce cash flow interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated in the fluctuation of the benchmark interest rate announced by the People's Bank of China generated from the Group's borrowings denominated in RMB.

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2018, certain assets of the Group were pledged to secure bank borrowings, guarantees and letter of credit facilities granted to the Group, details of which are set out as follows:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cash and bank balances	20,278,818.87	23,177,700.00
Fixed assets	116,172,775.31	132,982,034.97
Intangible assets	74,257,497.91	74,770,438.59
Construction in progress	74,923,553.20	85,249,982.04
Other receivables	33,202,280.84	21,555,473.48
Accounts receivable	100,537,723.00	70,742,384.00
Total	<u>419,372,649.13</u>	<u>408,478,013.08</u>

Information on Employees and Remuneration Policies

As at 30 June 2018, the number of full-time employees of the Group was 4,858 (2017: 4,166) with a total staff cost for the Period ended 30 June 2018 of approximately RMB273,212,536.64 (2017: RMB186,747,642.09). The Group offers continuous training, remuneration package and additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Contingent Liabilities

Due to the method of collection and treatment of industrial waste adopted by the Group, the Group has not incurred any significant expenditure on environmental remediation since its establishment. There is, however, no assurance that stringent environmental policies and/or standards on environmental remediation will not be implemented by the relevant authorities in the PRC in future which would require the Group to undertake the prescribed environmental measures. The financial position of the Group may be adversely affected by any environmental obligations which may be imposed under such new environmental policies and/or standards.

Save as disclosed above, the Group had no significant contingent liabilities as at 30 June 2018.

Capital Commitment

As at 30 June 2018, the capital commitment of the Group was as follows:

Item	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Capital expenditures contracted for but not provided for in the financial statement:		
– Foreign investment	30,970,000.00	48,780,000.00
– Construction in progress	234,140,245.87	268,258,048.15
– Acquisition of plant and machinery	122,223,574.00	106,411,606.00
Total	387,333,819.87	423,449,654.15

FUTURE AND PROSPECTS

In the first half of 2018, Dongjiang Environmental continued to focus on the core hazardous waste business and optimize the overall business structure, vigorously facilitated construction of key projects, accelerated the release of production capacity, and actively optimized the market presence. At the same time, Dongjiang Environmental constantly increased investment in research and development, created core competitiveness, and seized market opportunities. Dongjiang Environmental innovated financing channels, and obtained upward adjustment to corporate credit ratings. The market demonstration effect was obvious.

In the second half of the year, under the context of strict environmental protection law enforcement and insufficiency of treatment capacity, we expect to embrace prosperous future in the hazardous waste disposal industry. Under such background, Dongjiang Environmental will continue to adhere to the main business of hazardous waste, establish a diversified industrial structure and integrate solid waste treatment capacity, strengthen scientific research, accelerate project upgrading and transformation and qualification expansion, deepen standardization and delicacy management to facilitate steady and healthy development of the Company.

(1) Promoting project construction and optimizing industrial layout

The Company will accelerate the construction progress of projects under construction, including projects of Shandong Weifang, Fujian Nanping and Xingye Dongjiang, Nantong Dongjiang, Tangshan Caofeidian, Shaoguan Dongjiang, Jiangxi Dongjiang and other recycling projects, etc., to implement the annual new capacity qualification plan. The Company will actively facilitate construction of existing capacity's technical renovation and expansion projects, including Baoan Dongjiang and Longgang Dongjiang projects, etc. The Company will actively facilitate preparation of planning projects such as Hebei Shexian and Zhuhai Green Industrial Service Center projects and continue to optimize the Company's industrial layout.

(2) Adhering to innovative research and development and improving the quality of scientific research and innovation

The Company will promote market-oriented reforms in research institutes, and focus on production and demands of customers in the market. The Company will focus on addressing a number of applied technology-related research topics regarding hazardous waste management and disposal. The Company adheres to the results-orientation principle, strengthens technical review of projects, supervision of the process, assessment on inspection and acceptance, increases technological achievements transformation rate, and gives full play to innovative technology in the market for its leading role in delivery and transportation, production, treatment and disposal as well as product sales. The Company will focus on addressing a number of applied technology-related research topics regarding hazardous waste management and disposal, strengthen cooperation between industries, universities and research institutes to maximize synergy of innovative research elements. The Company will build post-doctoral workstations to take the initiative to undertake major national scientific research tasks.

(3) Implementing production safety to ensure that the Company is stable and far-reaching

Production safety is the primary prerequisite for the Company's sustainable development, and the Company takes responsibility to effectively implement environmental protection policies, and facilitates standardized management of corporate environmental protection. Firstly, the Company will continue to improve production safety accountability system, adhere to the principle that members of the management work at spot to take charge of production safety, clearly designate general managers to take charge of the safety and environmental protection system of branches and subsidiaries and clearly define the bottom line of operation, and raise awareness of production safety. Secondly, the Company will strengthen on-site standardized management, facilitate standardization of production safety and environmental management, and implement normal and special inspections over production safety to eliminate safety hazards. Thirdly, the Company will consolidate the foundation of production safety. The Company will fully implement the "Three Simultaneous" management system for environmental protection; strengthen management of pollutant treatment facilities, safeguard construction of infrastructure, and strengthen systems of construction, operation and maintenance, thereby enhancing safety protection capabilities. Fourthly, the Company will strengthen education and training. The Company will also organize normal and special training, carry out in-depth self-examination and self-correction to raise employees' safety awareness of production safety.

(4) Strengthening capital operation and broadening financing channels

The Company will actively respond to the call of national policies, make adequate use of financial policies for environmental protection, and actively innovate financing models. The Company will continue to give full play to financing advantages of the Company as a state-controlled listed company, facilitate issuance of long-term rights-bearing medium-term notes, and promote non-public issuance, industrial funds, bank borrowings and other financing activities, so as to further optimize the Company's capital structure, and reduce capital costs to effectively meet the Company's development needs.

(5) Innovating talent system and mechanism to maintain the Company's development momentum

The Company will also actively explore effective incentives under the state-owned shareholding system, accelerate the implementation of talent development strategies and system innovation, solve key issues that constrain the efficiency of human resources, establish and improve an innovation system and mechanism of talents in compliance with the characteristics of the industry and the Company, pay attention to nurturing junior staff, stabilize senior management personnel, and develop a comprehensive and talented management team equipped with professionalism, technical and managerial knowledge, thereby providing talent protection for the Company's operation and management, project development and industrial upgrading.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Board would like to announce that the Company had repurchased a total of 1,137,000 of its own Restricted A Shares of RMB1.00 each (the "**Repurchased A Shares**") on 18 April 2018 on the Shenzhen Stock Exchange at the price of approximately RMB6.556 per share (for 10,000 Repurchased A Shares) and approximately RMB8.710 per share (for 1,127,000 Repurchased A Shares) respectively (the "**Repurchase**"). The aggregate purchase price paid for the Repurchase was approximately RMB9,881,730. The Repurchased A Shares represented approximately 0.128% of the total capital of the Company immediately prior to the Repurchase. Cancellation of the Repurchased A Shares has already been completed on 19 April 2018.

Subsequent to the Repurchase and completion on cancellation of the Restricted A Shares under the Repurchased A Shares, the total capital of the Company has been reduced from 888,237,102 shares to 887,100,102 shares, and the registered capital of the Company has been reduced from RMB888,237,102 to RMB887,100,102.

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.

CORPORATE GOVERNANCE PRACTICES

The Company firmly committed to achieving and maintaining high overall standards of corporate governance and has always recognised the importance of accountability and communication with shareholders of the Company 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 complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the Period.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules has been adopted as a code of securities transactions for the Directors and supervisors of the Company. The Company, having made specific enquiries with all Directors and supervisors of the Company, confirmed that, during the Period, all Directors and supervisors of the Company had complied with the required standards of dealing in securities specified in the Model Code.

OTHER EVENTS DURING THE PERIOD

Satisfaction of Unlocking Conditions of Unlocking Period 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 would commence from the first trading day 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 was 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 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 were 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.

Renewal of Financial Services Agreement

On 7 February 2018, the Company renewed the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. (“**Rising Finance**”), in relation to the provision of financial services by Rising Finance to the Company with a term of one year commencing from the signing of the financial services agreement by both parties which was approved on the 2017 first extraordinary general meeting 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.

Change of Articles Of Association

During the Period, amendments to the definition of the Company’s business scope and inclusion of the Party’s building work in the Company’s Articles of Association were approved at the extraordinary general meeting and class meetings on 26 March 2018.

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

Resignation of Shareholder Representative Supervisor

During the reporting period, Mr. Zhang An Li (“**Mr. Zhang**”) will resign as the shareholder representative supervisor and the chairman of the supervisory committee of the Company due to the work arrangement of his servicing company, Guangdong Rising Assets Management Co., Ltd.. Upon resignation, Mr. Zhang will not hold any position in the Company.

For details, please refer to the announcement of the Company dated 7 June 2018.

By order of the Board
Dongjiang Environmental Company Limited*
Liu Ren
Chairman

Shenzhen, Guangdong Province,
The People’s Republic of China
21 August 2018

As at the date of this announcement, the board of directors of the Company comprises three executive directors, being Mr. Liu Ren, Mr. Li Yong Peng and Mr. Zhang Kai; three non-executive directors, being Mr. Liu Boren, Mr. Deng Qian and Mr. Huang Yiming; and three independent non-executive directors, being Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zhengfu.

* For identification purpose only