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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Dongjiang Environmental Company Limited* (the "**Company**") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"), together with the comparative figures of the year ended 31 December 2017 are as follows:

(Unless specified otherwise, the financial information of the Group in this announcement is stated in Renminbi ("**RMB**")).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

Items	*Notes*	**2018**	2017
I. Total operating revenue	3	**3,284,080,652.02**	3,099,658,647.44
Including: Operating revenue		**3,284,080,652.02**	3,099,658,647.44
Interest income			
Premium income			
Handling charges and commission income			

Items	*Notes*	**2018**	2017
II. Total operating cost		**2,957,689,655.82**	2,623,511,664.13
Including: Cost of operation		**2,125,240,410.09**	1,987,509,300.10
Interest expenses		**–**	–
Handling charges and commission expenses		**–**	–
Surrenders			
Net claims expenses			
Net provisions for insurance contracts reserve			
Insurance policy dividend paid			
Reinsurance costs			
Tax and levies		**45,084,094.12**	41,986,351.40
Selling expenses		**98,523,251.47**	68,630,471.74
Administrative expenses		**374,454,834.60**	350,582,285.47
Research and development expenses		**91,549,223.31**	64,696,266.82
Finance costs	*7*	**134,123,878.89**	98,676,710.50
Including: Interest expense		**136,104,319.99**	105,424,157.53
Interest income		**8,522,617.55**	7,472,584.20
Impairment loss for assets		**27,996,984.18**	11,430,278.10
Credit impairment losses		**60,716,979.16**	
Add: Other gains		**209,390,075.45**	128,647,285.60
Gain from investment (Loss represented in "-" signs)		**13,259,079.56**	23,689,636.99
Including: Investment revenue in associates and joint ventures		**12,905,848.59**	22,434,846.72
Gain from net exposure hedges (Loss represented in "-" signs)			
Gain on fair value changes (Loss represented in "-" signs)		**16,548,839.01**	380,473.53
Exchange gain (Loss represented in "-" signs)			
Disposal gain on asset (Loss represented in "-" signs)		**61,388.93**	-4,600,814.83

Items	*Notes*	2018	2017
III. Operating profit (Loss represented in "-" signs)		**565,650,379.15**	624,263,564.60
Add: Non-operating income		**3,815,958.55**	4,681,646.63
Less: Non-operating expenses		**11,147,159.96**	6,372,067.57
IV. Total profit (Total loss represented in "-" signs)		**558,319,177.74**	622,573,143.66
Less: Income tax expenses	*8*	**84,202,020.25**	69,217,094.23
V. Net profit (Net loss represented in "-" signs)		**474,117,157.49**	553,356,049.43
(1) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss represented in "-" signs)		**472,064,927.81**	553,376,531.67
2. Net profit from discontinued operations (Net loss represented in "-" signs)		**2,052,229.68**	-20,482.24
(2) Classified according to the ownership			
1. Net profit attributable to shareholders of the parent company		**407,917,006.14**	473,375,978.13
2. Profit and loss attributable to minority interests		**66,200,151.35**	79,980,071.30
VI. Other comprehensive income, net of tax		**23,776,176.15**	-496,036.13
Other comprehensive income attributable to shareholders of the parent company, net of tax		**14,362,814.47**	-496,036.13
(1) Items cannot be reclassified to profit and loss		**–**	–
(2) Items can be reclassified to profit and loss		**14,362,814.47**	-496,036.13
1. Exchange difference on translation of financial statement in foreign currency		**242,771.95**	-496,036.13
2. Excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value		**14,120,042.52**	–
Other comprehensive income attributable to minority interests, net of tax		**9,413,361.68**	–
VII. Total comprehensive income		**497,893,333.64**	552,860,013.30
Attributable to shareholders of the parent company		**422,279,820.61**	472,879,942.00
Attributable to minority interests		**75,613,513.03**	79,980,071.30
VIII. Earnings per share:			
(1) Basic earnings per share *(RMB/share)*	*9*	**0.47**	0.55
(2) Diluted earnings per share *(RMB/share)*		**0.47**	0.55

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

Items	*Notes*	**2018**	2017
Current assets:			
Monetary fund		**1,054,068,992.47**	1,242,430,230.43
Settlement Deposits			
Placements with banks and other financial institutions			
Held-for-trading financial assets		**24,934,920.00**	–
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes and accounts receivable		**752,915,896.91**	781,002,940.96
Including: Notes receivable	*11*	**62,108,965.02**	86,366,871.17
Accounts receivable	*11*	**690,806,931.89**	694,636,069.79
Prepayments		**43,155,392.19**	49,245,646.02
Premium receivable			
Reinsurance accounts receivable	*11*		
Provision for reinsurance contract receivable			
Other accounts receivable		**334,623,903.72**	296,097,793.32
Including: Interest receivable		**–**	–
Dividend receivable		**–**	–
Purchase and resale of financial assets			
Inventories		**299,706,172.78**	312,588,190.52
Loans		**372,628,000.00**	254,980,000.00
Contractual assets		**95,704,312.32**	–
Assets held-for-sale		**–**	–
Non-current asset due within one year		**2,965,177.96**	11,084,380.33
Other current assets		**107,354,560.79**	88,979,559.41
Total current assets		**3,088,057,329.14**	3,036,408,740.99

Items	2018	2017
Non-current assets:		
Granted loans and advances		
Debt investments	**–**	–
Available-for-sale financial assets	**–**	13,431,700.00
Other debt investments	**–**	–
Held-to-maturity investment	**–**	20,000,000.00
Long-term accounts receivable	**48,736,094.93**	194,929,785.02
Long-term equity investment	**303,461,055.34**	243,310,020.04
Investment in other equity instruments		
Other non-current financial assets		
Investment properties	**423,598,931.13**	89,685,173.20
Fixed assets	**2,253,551,471.72**	1,649,540,887.90
Construction in progress	**1,253,654,558.40**	1,605,701,931.03
Productive biological assets	**–**	–
Oil and gas assets		
Intangible assets	**875,193,511.63**	912,308,605.74
Development expenditure	**17,861,081.17**	10,741,736.70
Goodwill	**1,213,137,618.89**	1,235,994,451.48
Long-term unamortized expenses	**44,450,361.11**	19,979,692.84
Deferred income tax assets	**26,002,037.95**	15,222,949.45
Other non-current assets	**196,753,629.70**	192,891,698.08
Total non-current assets	**6,656,400,351.97**	6,203,738,631.48
Total assets	**9,744,457,681.11**	9,240,147,372.47

Items	*Notes*	2018	2017
Current liabilities:			
Short-term borrowings	*12*	**1,834,096,571.16**	1,872,637,100.25
Borrowings from central bank			
Receipt of deposits and deposits from other banks			
Loans from other banks			
Held-for-trading financial liabilities		**–**	–
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes and accounts payable		**708,358,310.28**	705,134,001.34
Receipts in advance		**2,986,660.00**	139,360,367.89
Contractual liabilities		**151,968,538.09**	–
Proceeds from disposal of financial assets under agreements to repurchase			
Handling fees and commission payable			
Employee benefits payables		**82,753,967.08**	62,977,562.92
Tax payable		**81,242,211.56**	61,811,293.24
Other accounts payable		**212,943,150.59**	314,712,466.87
Including: Interest payable		**2,106,252.25**	891,381.67
Dividend payable		**3,260,310.01**	6,593,410.01
Reinsurance accounts payable			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Liabilities held-for-sale		**–**	–
Non-current liabilities due within one year		**440,977,675.35**	6,131,610.36
Other current liabilities		**8,681,676.76**	7,384,032.79
Total current liabilities		**3,524,008,760.87**	3,170,148,435.66

Items	2018	2017
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings	**435,798,387.82**	292,554,335.54
Bonds payable	**902,807,955.52**	1,289,727,036.55
Including: Preferred shares		
Perpetual bond		
Long-term accounts payables	**5,329,251.18**	3,766,857.73
Long-term employee benefits payables		
Special accounts payable	**–**	–
Estimated liabilities	**–**	–
Deferred income	**175,993,716.83**	155,897,737.22
Deferred income tax liabilities	**14,359,029.67**	3,391,543.77
Other non-current liabilities	**–**	2,813,900.00
Total non-current liabilities	**1,534,288,341.02**	1,748,151,410.81
Total liabilities	**5,058,297,101.89**	4,918,299,846.47
Shareholders' equity:		
Share capital	**887,100,102.40**	888,237,102.40
Other equity instruments		
Including: Preferred shares		
Perpetual bond		
Capital reserve	**498,652,595.03**	505,827,372.67
Less: Treasury stock	**67,772,830.00**	124,677,510.00
Other comprehensive income	**16,927,580.70**	2,564,766.23
Special reserves	**5,561,004.28**	3,128,442.22
Surplus reserves	**202,915,933.37**	199,255,721.44
Provision for normal risks	**5,611,350.00**	4,114,125.00
Undistributed profits	**2,492,936,395.01**	2,250,645,463.83
Total equity attributable to shareholders of the parent company	**4,041,932,130.79**	3,729,095,483.79
Minority interests	**644,228,448.43**	592,752,042.21
Total shareholders' equity	**4,686,160,579.22**	4,321,847,526.00
Total liabilities and shareholders' equity	**9,744,457,681.11**	9,240,147,372.47

CONSOLIDATED CASH FLOW STATEMENT

Year 2018

Items	2018	2017
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**3,829,419,479.45**	3,323,484,215.66
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		
Cash received from original insurance contract premium		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Net increase from disposal of financial assets at fair value through profit or loss		
Cash received from interest, handling charges and commission	**59,907,114.84**	53,771,963.69
Net increase in placements from banks and other financial institutions		
Net increase in cash from repurchase business		
Net cash received from securities brokerage services		
Refund of taxes and levies	**109,301,230.74**	110,983,923.67
Other cash receipts relating to operating activities	**77,927,149.48**	49,759,443.41
Sub-total of cash inflows from operating activities	**4,076,554,974.51**	3,537,999,546.43
Cash paid for goods and services	**1,940,006,693.63**	1,815,599,388.37
Net increase in customer loans and advances	**119,110,000.00**	-19,295,000.00
Net increase in deposits with central bank and other banks		
Cash paid for compensation under original insurance contract		
Net increase in held-for-trading financial assets		
Net increase in placements with banks and other financial institutions		
Cash paid for interests, fees and commissions		
Cash paid for policyholders' dividend		
Cash paid to and on behalf of employees	**596,519,688.82**	482,736,686.87
Payments of taxes and levies	**343,311,323.35**	402,472,080.93
Other cash payments relating to operating activities	**179,948,654.04**	185,090,084.38
Sub-total of cash outflows from operating activities	**3,178,896,359.84**	2,866,603,240.55
Net cash flows from operating activities	**897,568,614.67**	671,396,305.88

Items	2018	2017
II. Cash flows from investing activities:		
Cash received from investments	**–**	–
Cash received from returns on investments	**12,269,981.54**	12,844,469.69
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**1,679,707.54**	1,023,679.41
Net cash received from disposal of subsidiaries and other operating units	**–**	–
Other cash receipts relating to investing activities	**1,383,469.85**	99,269,802.94
Sub-total of cash inflows from investing activities	**15,333,158.93**	113,137,952.04
Cash paid to acquire fixed assets, intangible assets and other long-term assets	**846,811,360.11**	743,388,561.87
Cash paid on investments	**123,302,842.60**	189,298,762.53
Net increase in pledged loans		
Net cash paid on acquisition of subsidiaries and other operating units	**–**	102,147,519.65
Other cash payments relating to investing activities	**–**	71,080,000.00
Sub-total of cash outflows from investing activities	**970,114,202.71**	1,105,914,844.05
Net cash flows from investing activities	**-954,781,043.78**	-992,776,892.01
III. Cash flows from financing activities:		
Cash received from financing	**13,050,000.00**	11,164,200.00
Including: Cash received by subsidiaries from investment from minority shareholders	**–**	300,000.00
Cash received from borrowings	**2,207,760,874.88**	1,839,427,610.94
Cash received from issuing bonds	**–**	920,000,000.00
Cash received from other financing activities	**3,850,000.00**	12,788,950.44
Sub-total of cash inflows from financing activities	**2,224,660,874.88**	2,783,380,761.38
Cash payments for settlement of borrowings	**1,999,705,351.69**	2,098,260,955.92
Cash payments for distribution of dividend, profit or interests expenses	**360,568,969.24**	270,054,331.71
Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders	**40,107,800.00**	50,043,200.00
Other cash payments relating to financing activities	**445,834.75**	10,917,188.00
Sub-total of cash outflows from financing activities	**2,360,720,155.68**	2,379,232,475.63
Net cash flows from financing activities	**-136,059,280.80**	404,148,285.75
IV. Effect of foreign exchange rate changes on cash and cash equivalents	**242,771.95**	-496,036.13
V. Net increase in cash and cash equivalents	**-192,938,937.96**	82,271,663.49
Add: Balances of cash and cash equivalents at beginning of period	**1,221,930,230.43**	1,139,658,566.94
VI. Balances of cash and cash equivalents at end of period	**1,028,991,292.47**	1,221,930,230.43

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2018

Items	2018													
	Attributable to shareholders of the parent company													
	Share capital	Other equity instruments			Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Provision for normal risks	Undistributed profits	Sub-total	Minority interests	Total shareholders' equity
		Preferred shares	Perpetual bond	Others										
I. Balance at the end of last year	888,237,102.40				505,827,372.67	124,677,510.00	2,564,766.23	3,128,442.22	199,255,721.44	4,114,125.00	2,250,645,463.83	3,729,095,483.79	592,752,042.21	4,321,847,526.00
Add: Changes in accounting policy											-18,104,014.61	-18,104,014.61		-18,104,014.61
Correction of previous years														-
Combination of entities under common control														-
Others														-
II. Balance at beginning of year	888,237,102.40	-	-	-	505,827,372.67	124,677,510.00	2,564,766.23	3,128,442.22	199,255,721.44	4,114,125.00	2,232,541,449.22	3,710,991,469.18	592,752,042.21	4,303,743,511.39
III. Movement of the year (Decrease represented by "-" signs)	-1,137,000.00	-	-	-	-7,174,777.64	-56,904,680.00	14,362,814.47	2,432,562.06	3,660,211.93	1,497,225.00	260,394,945.79	330,940,661.61	51,476,406.22	382,417,067.83
(1) Total comprehensive income							14,362,814.47				407,917,006.14	422,279,820.61	75,613,513.03	497,893,333.64
(2) Contribution from shareholders and reduction of capital	-1,137,000.00	-	-	-	-10,025,930.00	-56,904,680.00	-	-	-	-	-	48,592,902.36	12,357,893.19	60,950,795.55
1. Injection of ordinary shares from shareholders													5,550,000.00	5,550,000.00
2. Injection from holders of other equity instruments													1,033,811.14	1,033,811.14
3. Share-based payment included in the amount of shareholders' equity	-1,137,000.00				-10,025,930.00	-56,904,680.00						45,741,750.00		45,741,750.00
4. Others		2,851,152.36			2,851,152.36							2,851,152.36	5,774,082.05	8,625,234.41
(3) Profits appropriation	-	-	-	-	-	-	-	-	3,660,211.93	1,497,225.00	-147,522,060.35	-142,364,623.42	-36,495,000.00	-178,859,623.42
1. Withdrawn from surplus reserve			-						3,660,211.93		-3,660,211.93			
2. Withdrawn from provision for normal risks			-							1,497,225.00	-1,497,225.00			
3. Distribution to shareholders											-142,364,623.42	-142,364,623.42	-36,495,000.00	-178,859,623.42
4. Others														-
(4) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-		-	-
1. Transfer of capital reserve to share capital														-
2. Transfer of surplus reserve to share capital														-
3. Surplus reserve to compensate deficit														-
4. Transfer changes of defined benefit plans into retained earnings														-
5. Transfer other comprehensive income into retained earnings														-
6. Others														-
(5) Special reserve	-	-	-	-	-	-	-	2,432,562.06	-	-	-	2,432,562.06	-	2,432,562.06
1. Withdrawn during this year								7,096,637.41				7,096,637.41		7,096,637.41
2. Usage during this year								4,664,075.35				4,664,075.35		4,664,075.35
(6) Others														-
IV. Balance at end of year	887,100,102.40	-	-	-	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	4,041,932,130.79	644,228,448.43	4,686,160,579.22

Year 2017

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company is a joint stock limited company incorporated in the People's Republic of China (the "**PRC**"). Its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and China Shenzhen Stock Exchange, respectively. The address of the registered office and principal place of business of the Company is 1st Floor, 3rd Floor, North of 8th Floor, 9th-12th Floor, Dongjiang Environmental Building, No.9 Langshan Road, North Zone of Hi-tech Industrial Park, Nanshan District, Shenzhen, the PRC.

The functional reporting currency of the Company is RMB. The functional currency for the overseas subsidiaries is the currency of the country in which they operate. The consolidated financial statements are presented in RMB.

The Company and its subsidiaries (collectively referred to as the "**Group**") are engaged in environmental protection industry. The operation scope mainly includes: collection, disposal and recycling of industrial waste, treatment of wastewater, waste gas and waste; design, construction and operation of environmental protection facilities; sales of chemical products; production and trading of environmental materials, recycled products, environmental equipments; development, promotion and application of new environmental products and technologies; investment in industrial enterprises; import and export of goods and technologies.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statement of the Group is made based on the going concern and the transaction and trade actually occurred and in line with Accounting Standards for Enterprises – Basic Standards issued by Ministry of Finance and other relevant regulations (hereinafter referred to as "**Accounting Standard for Business Enterprises**"), as well as Information Disclosure Rule for the Companies Public Offering Securities, No.15 – General Provisions for Financial Statement (revised in 2014) issued by China Securities Regulatory Commission, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance. The financial statement of the Group is also made based on the applicable Accounting Policies and Estimates for the Group.

Changes of Accounting Policies, Accounting Estimates and Accounting Method as Compared with Financial Report of Last Year

(1) Changes of Significant Accounting Policies

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

Note 1: The Group will make connection and adjustment as required by the New Financial Instrument Standard. In case of inconsistence between the comparative figures in financial statements in prior period and requirements of the New Financial Instrument Standard, the Group will not make adjustment. The shortfall between the carrying amount of the financial instrument and the carrying amount at the adoption date of the New Financial Instrument Standard shall be recognized in undistributed profits or other comprehensive income at 1 January 2018.

Note 2: For the implementation of New Revenue Standard, the Group will reassess the recognition and measurement, accounting and presentation of major contract revenues. According to the requirements of the New Revenue Standard, the Group will adjust the accumulated effects of the initial implementation of such standard to the opening amounts of related items in the financial statements in 2018. The initial implementation of such standard has no significant impact on the opening retained earnings in 2018 and no adjustment will be made for the financial statements of 2017.

Note 3: The Company prepared the financial statements for the year ended 31 December 2018 according to the abovementioned New Financial Statements Format and made adjustments to the comparative information accordingly.

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

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

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

CONSOLIDATED BALANCE SHEET

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

Item	**31 December 2017**	**1 January 2018**	**Adjustment**
Non-current assets:			
Granted and entrusted loans and advances			
Debt investment	N/A	–	–
Available-for-sale financial assets	13,431,700.00	N/A	-13,431,700.00
Other debt investment	N/A	–	
Held-to-maturity investment	20,000,000.00	N/A	-20,000,000.00
Long-term accounts receivable	194,929,785.02	70,250,778.74	-124,679,006.28
Long-term equity investment	243,310,020.04	243,310,020.04	–
Other equity instruments investment	N/A	–	–
Other non-current financial assets	N/A	–	–
Investment properties	89,685,173.20	89,685,173.20	–
Fixed assets	1,649,540,887.90	1,649,540,887.90	–
Construction in progress	1,605,701,931.03	1,605,701,931.03	–
Productive biological assets			–
Oil and gas assets			–
Intangible assets	912,308,605.74	912,308,605.74	–
Development expenditure	10,741,736.70	10,741,736.70	–
Goodwill	1,235,994,451.48	1,235,994,451.48	–
Long-term unamortized expenses	19,979,692.84	19,979,692.84	–
Deferred income tax assets	15,222,949.45	18,417,775.56	3,194,826.11
Other non-current assets	192,891,698.08	192,891,698.08	–
Total non-current assets	6,203,738,631.48	6,048,822,751.31	-154,915,880.17
Total assets	9,240,147,372.47	9,202,043,357.86	-38,104,014.61
Current liabilities:			
Short-term borrowings	1,872,637,100.25	1,872,637,100.25	–
Borrowings from the central bank			
Deposits from customers and interbank			
Deposit funds			
Held for trading financial liabilities	N/A		
Financial liabilities at fair value through profit and loss of the period		N/A	
Derivative financial liabilities			
Notes payable and accounts payable	705,134,001.34	705,134,001.34	–
Receipts in advance	139,360,367.89	1,198,245.67	-138,162,122.22
Contract liabilities	N/A	138,162,122.22	138,162,122.22
Funds from sales of financial assets with repurchasement agreement			
Handling charges and commissions payable			
Employee benefits payable	62,977,562.92	62,977,562.92	–
Tax payable	61,811,293.24	61,811,293.24	–
Other payables	314,712,466.87	314,712,466.87	–
Including: Interest payable	891,381.67	891,381.67	
Dividend payable	6,593,410.01	6,593,410.01	
Reinsurance accounts payable			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Liabilities held for sale			
Non-current liabilities maturing within one year	6,131,610.36	6,131,610.36	–
Other current liabilities	7,384,032.79	7,384,032.79	–
Total current liabilities	3,170,148,435.66	3,170,148,435.66	

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

CONSOLIDATED BALANCE SHEET OF THE PARENT COMPANY

Item	31 December 2017	1 January 2018	Adjustment
Current assets:			
Monetary fund	607,297,838.44	607,297,838.44	–
Held for trading financial assets	N/A	13,431,700.00	13,431,700.00
Financial assets at fair value through profit and loss of the period		N/A	
Derivative financial assets			
Notes receivable and accounts receivable	447,388,665.22	425,882,653.70	-21,506,011.52
Including: Notes receivable	14,810,711.01	14,810,711.01	–
Accounts receivable	432,577,954.21	411,071,942.69	-21,506,011.52
Prepayments	1,956,403.07	1,956,403.07	–
Other accounts receivable	2,327,471,266.90	2,298,873,144.55	-28,598,122.35
Including: Interest receivable	–	–	–
Dividend receivable	16,200,000.00	16,200,000.00	–
Inventories	8,740,989.27	8,740,989.27	–
Contract assets	N/A	148,542,161.36	148,542,161.36
Assets held for sale	–	–	–
Non-current asset due within one year	11,084,380.33	11,084,380.33	–
Other current assets	3,730,707.65	3,730,707.65	–
Loans			–
Total current assets	3,407,670,250.88	3,519,539,978.36	111,869,727.48
Non-current assets:			
Debt investment	N/A	–	–
Available-for-sale financial assets	13,431,700.00	N/A	-13,431,700.00
Other debt investment	N/A	–	–
Held-to-maturity investment	–	N/A	–
Long-term accounts receivable	188,432,039.02	63,753,032.74	-124,679,006.28
Long-term equity investment	3,467,505,161.25	3,467,505,161.25	–
Other equity instruments investment	N/A	–	–
Other non-current financial assets	N/A	–	–
Investment properties	66,388,962.20	66,388,962.20	–
Fixed assets	85,011,672.14	85,011,672.14	–
Construction in progress	47,309,507.04	47,309,507.04	–
Productive biological assets			–
Oil and gas assets			–
Intangible assets	92,204,257.50	92,204,257.50	–
Development expenditure	9,251,952.73	9,251,952.73	–
Goodwill			–
Long-term unamortized expenses			–
Deferred income tax assets	5,260,893.44	9,197,040.26	3,936,146.82
Other non-current assets	50,371,988.64	50,371,988.64	–
Total non-current assets	4,025,168,133.96	3,890,993,574.50	-134,174,559.46
Total assets	7,432,838,384.84	7,410,533,552.86	-22,304,831.98

Item	31 December 2017	1 January 2018	Adjustment
Current liabilities:			
Short-term borrowings	1,774,778,100.25	1,774,778,100.25	–
Held for trading financial liabilities	N/A		–
Financial liabilities at fair value through profit and loss of the period		N/A	–
Derivative financial liabilities			–
Notes payable and accounts payable	412,790,496.44	412,790,496.44	–
Receipts in advance	3,857,674.41	–	-3,857,674.41
Contract liabilities	N/A	3,857,674.41	3,857,674.41
Employee benefits payable	15,539,254.77	15,539,254.77	–
Tax payable	8,351,912.50	8,351,912.50	–
Other payables	1,147,709,846.35	1,147,709,846.35	
Including: Interest payable	373,379.68	373,379.68	
Dividend payable	2,428,210.01	2,428,210.01	
Liabilities held for sale			–
Non-current liabilities maturing within one year	4,500,000.00	4,500,000.00	–
Other current liabilities	472,749.72	472,749.72	–
Total current liabilities	3,368,000,034.44	3,368,000,034.44	
Non-current liabilities:			
Long-term borrowings	40,000,000.00	40,000,000.00	
Bonds payable	979,345,699.52	979,345,699.52	
Including: Preferred shares			
Perpetual bond			
Long-term accounts payables			
Long-term employee benefits payables			
Estimated liabilities			
Deferred income	22,267,204.96	22,267,204.96	
Deferred income tax liabilities	3,296,425.39	3,296,425.39	
Other non-current liabilities	2,813,900.00	2,813,900.00	
Total non-current liabilities	1,047,723,229.87	1,047,723,229.87	
Total liabilities	4,415,723,264.31	4,415,723,264.31	
Owners' equity:			
Share capital	888,237,102.40	888,237,102.40	–
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve	603,069,037.48	603,069,037.48	–
Less: Treasury share	124,677,510.00	124,677,510.00	–
Other comprehensive income	3,509,701.20	3,509,701.20	–
Special reserves			
Surplus reserves	182,744,446.34	182,744,446.34	–
Undistributed profits	1,464,232,343.11	1,441,927,511.13	-22,304,831.98
Total owners' equity	3,017,115,120.53	2,994,810,288.55	-22,304,831.98
Total Liabilities And Owners' Equity	7,432,838,384.84	7,410,533,552.86	-22,304,831.98

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

1) New Revenue Standard

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

The Company (consolidated)

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

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

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

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

The parent company

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

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

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

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

2) *New Financial Instrument Standards*

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

The Company (consolidated)

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

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

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

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

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

The parent company

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

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

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

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

3) *New Financial Statements Format*

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

The Company (consolidated)

A: Balance sheet

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

B. Income statement

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

The parent company

A: Balance sheet

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

B. Income statement

Item	Before adjustment Year 2017	After adjustment Year 2017
Administrative expenses	100,096,795.70	92,421,320.92
Research and development expenses		7,675,474.76

(5) Correction of significant previous errors and the effects

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

3. TOTAL OPERATING REVENUE

Total operating revenue, which is also the Group's turnover, represents the net amounts received and receivables for sale of goods and rendering of services by the Group to external customers, less trade discounts during the Reporting Period.

	2018	2017
Business segment		
Industrial waste recycling	**1,228,371,673.60**	1,181,528,804.30
Industrial waste treatment and disposal	**1,286,740,266.05**	1,167,436,763.04
Municipal waste treatment and disposal	**262,002,747.67**	192,959,514.67
Renewable energy utilization	**91,446,521.00**	92,982,463.50
Environmental engineering and services	**173,303,221.53**	279,820,620.98
Trading and others	**104,516,046.14**	127,619,567.07
Waste Electrical Appliance Dismantling Treatment	**137,700,176.03**	57,310,913.88
Total	**3,284,080,652.02**	3,099,658,647.44

4. SEGMENT INFORMATION

The reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies. The Group has the following reportable segments:

Reportable segment	**Major activities**
Industrial waste recycling	Processing and sale of recycled products
Industrial waste treatment and disposal	Collection, treatment and disposal of industrial waste
Municipal waste treatment and disposal	Collection, treatment and disposal of municipal waste
Renewable energy utilization	Operation of methane-to-energy power plants
Environmental engineering and services	Construction of contract work as main contractor or subcontractor relating to environmental services, such as design and construction of environmental projects; operation of environment protection facilities, and assessment of environmental impact segments, environment monitoring and consulting
Trading and others	Sales of chemical products and leasing activities
Waste Electrical Appliance Dismantling Treatment	Collection, disassembling, treatment and recycling of waste electrical appliances

The financial information of the different segments is regularly reviewed by the Group's management for decision-making on resources allocation for each segment and assessment of segment performance.

Segment reporting information is disclosed in accordance to the accounting policies and measurement standards adopted for reporting to the management by each segment, which are consistent with the accounting policies and measurement basis for preparing financial statements.

Transfer price between each reportable segment is measured as the price selling to third parties, and indirect expenses are allocated to each segment based on revenue.

Segment profit or loss, assets and liabilities

Segment assets include all tangible, intangible, other non-current and current assets, such as accounts receivable, with the exception of deferred income tax assets and other unallocated corporate assets. Segment liabilities include payables, receipts in advance and bank borrowings attributable to the individual segments.

Segment operating results is the total revenue of all segments (including revenue from external transactions and intra-segment transactions), net of expenses attributable to each segment, depreciation, amortization and impairment losses to assets of each segment, and net interest expenses arising from bank deposits and borrowings attributable to that segment. The transfer pricing of revenue from intra-segment transactions is calculated on terms similar to those used in external transactions. Non-operating income and expenses and income tax expenses are not allocated to individual segments.

Information regarding the Group's reportable segments set out below is provided to the Group's management regularly, and part of the information is used in measuring profit (loss), assets and liabilities of reportable segments.

Segment information for Year 2018

Unit: Yuan

Items	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization and CDM	Environmental engineering and services	Product trading	Waste Electrical Appliance Dismantling Treatment	Unallocated amounts	Elimination	Total
Operation revenue	1,228,371,673.60	1,315,948,246.00	262,002,747.67	91,446,521.00	190,416,498.44	194,155,433.15	137,700,176.03	–	(135,960,643.87)	3,284,080,652.02
Including:										
Revenue from external transactions	1,228,371,673.60	1,286,740,266.05	262,002,747.67	91,446,521.00	173,303,221.53	104,516,046.14	137,700,176.03	–	–	3,284,080,652.02
Revenue from intra-segment transactions	–	29,207,979.95	–	–	17,113,276.91	89,639,387.01	–	–	(135,960,643.87)	–
Operating costs	916,901,986.38	706,285,262.99	228,705,399.43	62,642,226.05	141,145,979.08	115,492,664.12	90,027,535.91	45,084,094.12	(135,960,643.87)	2,170,324,504.21
Total profit for segment (total loss)	150,063,393.87	401,825,666.04	16,778,841.24	33,141,191.83	43,738,108.90	67,899,039.86	12,968,264.54	(168,095,328.54)	–	
Total assets	3,041,796,480.09	2,553,593,074.02	505,499,438.05	224,663,393.61	456,640,103.84	1,081,250,328.61	492,360,478.17	3,883,259,355.84	(2,494,604,971.12)	9,744,457,681.11
Total liabilities	274,827,242.35	1,146,879,785.77	474,535,140.52	35,144,819.93	236,518,289.79	90,928,722.62	248,206,465.77	2,691,737,087.41	(141,191,069.26)	5,057,586,484.90

Segment information for Year 2017

Unit: Yuan

Items	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste Electrical Appliance Dismantling Treatment	Unallocated amounts	Elimination	Total
Operation revenue	1,181,528,804.30	1,179,753,954.40	192,959,514.67	92,982,463.50	310,436,624.92	239,806,659.16	57,310,913.88	–	-155,120,287.39	3,099,658,647.44
Including:										
Revenue from external transactions	1,181,528,804.30	1,167,436,763.04	192,959,514.67	92,982,463.50	279,820,620.98	127,619,567.07	57,310,913.88	–	–	3,099,658,647.44
Revenue from intra-segment transactions	–	12,317,191.36	–	–	30,616,003.94	112,187,092.09	–	–	-155,120,287.39	–
Operating costs	859,206,068.70	622,401,495.46	168,293,339.43	58,960,461.94	238,474,168.61	147,879,890.35	47,414,163.00	41,986,351.40	-155,120,287.39	2,029,495,651.50
Total profit for segment (total loss)	189,771,555.64	448,526,800.95	5,841,951.07	38,601,412.10	69,148,038.34	67,309,579.12	818,803.02	-197,444,996.58	–	622,573,143.66
Total assets	2,746,642,549.64	2,213,140,946.95	436,005,258.28	248,886,728.70	542,213,262.64	1,042,578,547.97	406,608,291.64	4,176,577,555.95	-2,572,505,769.30	9,240,147,372.47
Total liabilities	300,445,317.40	980,864,610.73	468,700,272.20	34,943,333.19	283,318,349.87	105,007,347.13	158,708,211.86	2,773,585,032.55	-187,272,628.46	4,918,299,846.47

5. GROSS PROFIT

	2018	2017
Total operating revenue	**3,284,080,652.02**	3,099,658,647.44
Less: Cost of operations	**2,125,240,410.09**	1,987,509,300.10
	1,158,840,241.93	1,112,149,347.34

6. TOTAL PROFIT

	2018	2017
Total profit has been arrived at after charging/(crediting):		
Staff costs (including directors' emolument)		
– Wages, salaries and other benefits	**578,363,692.98**	464,401,022.22
– Retirement scheme contribution	**37,932,779.20**	32,288,607.85
Total staff costs	**616,296,472.18**	496,689,630.07
Amortisation of intangible assets	**87,626,317.16**	61,256,415.78
Auditor's remuneration	**1,350,000.00**	1,350,000.00
Recognised cost of inventories	**2,125,240,410.09**	1,987,509,300.10
Depreciation on fixed assets	**227,904,789.21**	194,526,993.19
Provision (reversal of provision) for bad debts of accounts receivable	**60,716,979.16**	11,430,278.10
Impairment loss on inventories	**220,428.07**	–
Impairment loss on goodwill	**22,856,832.59**	–
Impairment loss on fixed assets	**2,138,570.85**	–
Impairment loss on construction in progress	**2,781,152.67**	–
Minimum lease payment in respect of office, plant and staff quarter	**23,970,292.60**	16,917,963.07
Research and development expenses	**91,549,223.31**	64,696,266.82
Loss on disposal of fixed assets, net	**61,388.93**	4,600,814.83
(Increase) Decrease in investment fair value of financial assets at fair value through profit and loss	**-11,503,220.00**	–
(Increase) Decrease in fair value of investment properties	**-5,045,619.01**	-380,473.53
Government grants	**94,570,898.62**	18,510,113.16

7. FINANCE COSTS

	2018	2017
Interest expenses	**136,104,319.99**	105,424,157.53
Less: Interest income	**8,522,617.55**	7,472,584.20
Add: Exchange difference	**1,181,450.11**	-491,322.24
Add: Other expenses	**5,360,726.34**	1,216,459.41
Total	**134,123,878.89**	98,676,710.50

Breakdown of interest expenses is as follows:

	2018	2017
Interest on bank loans wholly repayable within 5 years	**124,898,212.47**	108,372,421.55
Bond interest based on effective interest rate	**54,860,216.32**	48,666,812.75
Finance leases charges	**125,186.80**	199,870.14
	179,883,615.59	157,239,104.44
Less: Interest capitalised	**43,779,295.60**	51,814,946.91
Total	**136,104,319.99**	105,424,157.53

Borrowing cost capitalized during the year ended 31 December 2018 is calculated by applying a capitalization rate of 5.27% (2017: 5.21%) per annum to expenditure on qualifying assets.

8. INCOME TAX

(1) Income tax expenses:

	2018	2017
Current income tax	**87,743,112.55**	63,492,871.95
Deferred income tax	**-3,541,092.3**	5,724,222.28
Total	**84,202,020.25**	69,217,094.23

(2) Current income tax

	2018	2017
Current income tax		
– PRC	**85,025,520.91**	66,373,580.21
– Hong Kong	**–**	–
Over-provision in prior years		
– PRC	**2,717,591.64**	-2,880,708.26
Total	**87,743,112.55**	63,492,871.95

The Company, Huizhou Dongjiang Environmental Technology Co., Ltd. ("**Huizhou Dongjiang**"), Kunshan Qiandeng Wastes Treatment Co., Ltd. ("**Qiandeng Wastes Treatment**"), Qingyuan Xinlv Environmental Technology Ltd. ("**Qingyuan Xinlv**"), Jiaxing Deda Resource Recycling Ltd. ("**Jiaxing Deda**"), Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. ("**Longgang Dongjiang**"), Shenzhen Huabao Technology Ltd. ("**Huabao Technology**"), Karamay Wosen Environmental Technology Co., Ltd. ("**Wosen Environmental**"), Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd. ("**Zhuhai Yongxingsheng**"), Yancheng Coastal Solid Waste Disposal Co., Ltd. ("**Coastal Solid Waste**"), Jiangxi Dongjiang Environmental Technology Co., Ltd. ("**Jiangxi Dongjiang**"), Shaoguan Green, Humen Green, Baoan Dongjiang and Xiamen Dongjiang are listed as new and high technology enterprises and are entitled to tax incentives at 15% EIT tax rate, and their research and development fees enjoy EIT reduction of 25% before tax; at the same time, Qiandeng Wastes Treatment, Jiaxing Deda, Qingyuan Xinlv, Baoan Dongjiang and Huizhou Dongjiang's revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax. Jiangxi Dongjiang Environmental Technology Co., Ltd. ("**Jiangxi Dongjiang**"), Jiangmen Dongjiang Environmental Technology Ltd. ("**Jiangmen Dongjiang**"), Dongguan Hengjian, Zhuhai Yongxingsheng, Wosen Environmental, Nantong Hui Tian Ran Solid Waste Landfills Co., Ltd. (renamed as Jiangsu Dongjiang ("**Jiangsu Dongjiang**")), Fujian Oasis Solid Waste Treatment Co., Ltd., a wholly-owned subsidiary of Xiamen Dongjiang ("**Fujian Oasis Solid Waste**"), Hubei Tianyin Hazardous Waste Centralized Disposal Co., Ltd. ("**Tianyin Hazardous Waste**"), Hengshui Ruitao Environmental Technology Co., Ltd. ("**Hengshui Ruitao**"), Shaoxing Huaxin Environmental Technology Co., Ltd. ("**Huaxin Environmental**"), Weifang Blue Sea, Huangshi Dongjiang and Xiantao Dongjiang are entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements.

Jiangxi Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021. Jiangmen Dongjiang enjoys full EIT exemption from 2015 to 2017, and 50% EIT reduction from 2018 to 2020. Dongguan Hengjian is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys full EIT exemption from 2018 to 2020, and 50% EIT reduction from 2021 to 2023. Zhuhai Yongxingsheng enjoys full EIT exemption for revenue from engaging in incineration of hazardous wastes in line with environmental protection, and energy-saving and water-saving projects. Wosen Environmental enjoys full EIT exemption from 2015 to 2017 and 50% EIT reduction from 2018 to 2020, income tax incentive for new and high enterprises at 12.5% EIT tax rate from 2016 to 2018, and EIT reduction on research and development fees before tax. Jiangsu Dongjiang enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021. Fujian Oasis Solid Waste enjoys full EIT exemption from 2014 to 2016, and enjoys full EIT exemption from 2017 to 2019. Tianyin Hazardous Waste enjoys full EIT exemption from 2017 to 2019, and 50% EIT reduction from 2020 to 2022. Hengshui Ruitao enjoys full EIT exemption from 2014 to 2016, and 50% EIT reduction from 2017 to 2019. Huaxin Environmental enjoys full EIT exemption from 2017 to 2019, and 50% EIT reduction from 2020 to 2022. Weifang Blue Sea enjoys full EIT exemption from 2018 to 2020, and 50% EIT reduction from 2021 to 2023. Huangshi Dongjiang enjoys full EIT exemption from 2018 to 2020, and 50% EIT reduction from 2021 to 2023. Xiantao Dongjiang enjoys full EIT exemption from 2018 to 2020, and 50% EIT reduction from 2021 to 2023.

Jiangmen Dongjiang is entitled to income tax incentive for its environmental protection, and energy-saving and water-saving projects, hence it enjoys full EIT exemption for the year according to the "three-year full EIT exemption and three-year 50% EIT reduction" qualification (from 2018 to 2020).

Pursuant to Cai Shui [2017] No. 43, qualified small and micro-enterprises with annual assessable revenue below RMB500,000 (inclusive) enjoy 50% reduction of assessable revenue and an EIT rate of 20% from 1 January 2017 to 31 December 2019. According to Cai Shui [2018] No. 77, qualified small and micro-enterprises with annual assessable revenue below RMB1,000,000 (inclusive) enjoy 50% reduction of assessable revenue and an EIT rate of 20% from 1 January 2018 to 31 December 2020. Zhenjiang Dongjiang, Dongjiang Properties and Zhuhai Qingxin are small-scale enterprises with low profitability, hence they enjoy 50% reduction of its assessable revenue and an EIT rate of 20%.

Other subsidiaries established and operating in the PRC pay EIT at a rate of 25%. Subsidiaries established in Hong Kong pay Hong Kong profits tax at a tax rate of 16.5%.

9. EARNINGS PER SHARE

The earnings per share for the year ended 31 December 2018 is calculated based on the net profit for the year attributable to shareholders of the Company of RMB407,917,006.14 (2017: RMB473,375,978.13), and the weighted average of approximately 874,060,435.33 shares (2017: 865,497,102 shares) of ordinary shares in issue during the year ended 31 December 2017.

Diluted earnings per share was same as basic earnings per share for the two years ended 31 December 2018 as there were no diluting events during both years.

10. DIVIDENDS

Dividends attributable to the year are as follows:

	2018	2017
Interim dividend declared and distributed of RMB0 per share (2017: RMB0)	**–**	–
Final dividend proposed after the balance sheet date of RMB0.140 per share (2017: RMB0.161)	**123,097,394.28**	142,823,116.42
Total	**123,097,394.28**	142,823,116.42

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

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

11. TRADE AND OTHER RECEIVABLES

	2018	2017
Accounts receivable	**710,055,395.90**	715,484,041.65
Less: Provision for bad debts of accounts receivable	**19,248,464.01**	20,847,971.86
	690,806,931.89	694,636,069.79
Bills receivable	**62,108,965.02**	86,366,871.17
Prepayments	**43,155,392.19**	49,245,646.02
Other receivables	**415,034,413.33**	312,448,196.63
Less: Provision for bad debts of other receivables	**80,410,509.61**	16,350,403.31
Long term accounts receivable	**64,701,272.89**	206,014,165.35
Total	**1,195,396,465.71**	1,332,360,545.65

Prior to the acceptance of new customers, the Group applies internal credit assessment policies to assess the credit quality of potential customers and formulates credit limit. Apart from requiring new customers to pay in advance, the Group formulates different credit policies for different customers. The credit period is generally three months, and can be extended to six months for major customers. Regarding sales, the Group recognizes accounts receivable and operating revenue at the time point of outbound and acceptance of products, when calculation of the ages of the account begins. The Group does not hold any collateral over trade receivables. Aging analysis of accounts receivable, net of provision for bad debts, presented based on the recognition date is as follows:

	2018	2017
Aged		
Within 1 year	**445,069,795.29**	505,121,298.70
1-2 years	**77,379,319.70**	88,024,980.10
2-3 years	**71,251,791.43**	100,378,831.43
Over 3 years	**97,106,025.47**	1,110,959.56
Total	**690,806,931.89**	694,636,069.79

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables at the end of reporting period, based on recognition date:

	2018	2017
Aged		
Within 90 days	**313,200,928.43**	421,403,487.51
91 to 180 days	**90,682,256.12**	63,573,698.55
181 to 365 days	**25,632,419.50**	167,105,439.40
Over 1 year	**128,842,706.23**	53,051,375.88
Accounts payable	**558,358,310.28**	705,134,001.34
Receipts in advance	**2,986,660.00**	139,360,367.89
Other payables	**212,943,150.59**	307,227,675.19
Total	**774,288,120.87**	1,151,722,044.42

13. NET CURRENT ASSETS

	2018	2017
Current assets	**3,088,057,329.14**	3,036,408,740.99
Less: Current liabilities	**3,524,008,760.87**	3,170,148,435.66
Net current assets	**-435,951,431.73**	-133,739,694.67

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2018	2017
Total assets	**9,744,457,681.11**	9,240,147,372.47
Less: Current liabilities	**3,524,008,760.87**	3,170,148,435.66
Total assets less current liabilities	**6,220,448,920.24**	6,069,998,936.81

15. LEASE COMMITMENTS

As at 31 December 2018, the Group as a lessee, had commitments for future minimum lease payments under irrevocable operating leases and financial leases in respect of office building, plant and machinery and motor vehicles are as follows:

	Operating leases	**Finance leases**
Within 1 year	**1,462,251.26**	**1,384,889.82**
In 1 to 2 years	**836,029.88**	**945,557.52**
In 2 to 3 years	**320,000.00**	**945,557.52**
After 3 years	**–**	**545,557.52**
Total	**2,618,281.14**	**3,821,562.38**

MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

1) The Company's "Laboratory for Research and Development of Hazardous Liquid Waste Recycling and In-depth Treatment Technology" was admitted as a provincial key laboratory, which made the Company the first enterprise that has provincial key laboratory for hazardous waste treatment and disposal in China and eliminated the lack of scientific research on hazardous waste treatment in China;

2) "Solving the scaling problem during the process of wastewater evaporation by using evaporator cleaning technology" and the three technologies of "Recovery of waste nitric acid by diffusion dialysis, utilization of high concentration nitrate and denitrification of low concentration nitrate" enable the treatment of nitrate at different concentration level and the recycling and harmless treatment of nitrate waste, which solves the technical problem that bothered the industry for years, enriches the treatment process and product portfolio of the Company and creates first-mover advantage in the industry;

3) The research and development ability of the Company was well recognized and highly supported by relevant authorities. During the Reporting Period, the government grant for research and development received by the Company amounted to RMB37.9 million, recording a new high in the Company's history. During the year, we completed 8 technical transformation projects and established a management platform of technology information system with comprehensive coverage of technical transformation and research and development of the Company which enables sharing of technology achievement within the Company.

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

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

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

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

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

Financial Budget for Year 2019

I. Explanation for preparation of budget

This budget is prepared based on the principle of prudence, together with market needs and the business expansion plan, based on the Company's budget, according to the requirements of consolidated statements and based on the business expansion plan of each business segment, waste treatment and disposal plan, production and sales plan of recycled products and methane power generation plan for Year 2019. This Budget is prepared based on the assumption that the operation plans of the Company are completed on time and in volume as specified in the plans.

Building upon summary of the operation condition in 2018 and analysis of the circumstances of the operation in 2019, as well as the Company's corporate development strategy, this budget has taken into consideration the impacts of a number of factors, including market environment, business expansion and sales prices on a full account. This budget includes the parent company, its controlling subsidiaries and branches.

II. Basic assumptions

1. No material changes in the applicable current national and local laws, regulations and rules to which the Company comply.

2. No material changes in social and economic environment of the place of principal operations of the Company and relevant regions of businesses.

3. No material changes in the Company's industry circumstances and market conditions.

4. No material changes in the relevant market of wastes collection by the Company in 2019.

5. No material changes in the relevant market of products by the Company in 2019.

6. No adverse impacts will arise from material changes in objective factors including transportation, telecommunication, severe shortage in water and electricity and raw materials which will affect production and operation of the Company in 2019.

7. Fluctuation of the credit interest rate, taxation policy and foreign exchange market regarding production and operation of the Company are within normal scope.

8. No material changes in the existing production organization structure of the Company and completion and commencement for production of the planned investment projects will take place on schedule.

9. No material adverse impacts on the Company due to other force majeure and unpredictable factors.

III. Explanation for the circumstances of the budget of 2019

The revenue is expected to record a year-on-year increase of no less than 20% in 2019.

The net profit attributable to shareholders of the Company is expected to record a year-on-year increase of no less than 20% in 2019.

IV. Measures to ensure the performance of financial budget

1. To strengthen efforts in R&D, market expansion and production scale to achieve stable increase of operating income.

2. To implement overall budget management, establish and perfect the system and institution of control of staff costs control.

3. To focus on economic benefits, explore the potential and reduce consumption, and primarily aim at reducing costs.

4. To raise the awareness of cost of capital, rationally arrange the capital, and enhance its utilization efficiency.

5. To intensify financial management, put more effort in work including budget implementation, cost control and capital operating regulation, and to establish an early warning system for budgets, reduce financial risk, identify problems in time and make improvement, and ensure the achievement of financial targets.

Special notice: The budget is a control indicator for internal management for the Company's business plan in 2019 and is not representative of the Company's profit forecast in 2019. Whether the budget could be realized depends on a number of factors including changes in market conditions and extent of efforts of the operation team, which are subject to a high degree of uncertainty and investors should pay special attention to this.

It was approved at the 34th meeting of the sixth session of the Board of Directors of the Company, pending submission to the general meeting for consideration and approval.

FINANCIAL REVIEW

Total operating revenue

As of 31 December 2018, the Group's total operating revenue increased by 5.95% as compared with 2017 to approximately RMB3,284,080,652 (2017: approximately RMB3,099,658,647). The increase of the total operating revenue mainly because in the process of operation, the Company enhance the market shares of the industrial solid hazardous waste and resource production business by implementing corporate development strategy, adjusting the business structure and actively exploring the market, which insurance the increase of the operating income in the Reporting Period. The operating income of the industrial waste treatment and disposal increase approximately 10.22% to approximately RMB1,286,740,266 (2017: approximately RMB1,167,436,763) over the same period last year. The operating income of resource production business showed a year-on-year growth of approximately 3.96% to approximately RMB1,228,371,674 (2016: approximately RMB1,181,528,804), and the operating income of Waste Electrical Appliance Dismantling Treatment showed an increase of approximately 140.27% to approximately RMB137,700,176 (2017: approximately RMB57,310,914) because of Fujian Dongjiang.

Profit

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

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

Sales expenses

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

FINANCIAL POSITION AND LIQUIDITY

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

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

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

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

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

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

Save as disclosed in this announcement, during the reporting period, the Group has no other significant investment, acquisition and disposal of subsidiaries and associates.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

INTEREST RATE AND FOREIGN EXCHANGE RISKS

Interest rate risk

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

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

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

Foreign exchange risk

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

Pledge of assets

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

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

Information on employees and remuneration policies

As at 31 December 2018, the number of full-time employees stood at 4,634 (2016: 4,534) with a total staff cost of approximately RMB578,363,692.98 (2017: approximately RMB464,401,022.22). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund, and medical insurance.

Contingent liabilities

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

Save as disclosed above, the Group had no significant contingent liabilities for the years ended 31 December 2018.

Capital commitment

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

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

FUTURE PROSPECTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIVIDENDS

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

OTHER EVENTS DURING THE REPORTING PERIOD

Renewal of financial services agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Registration and issuance of perpetual medium-term notes

On 3 July 2018, the Board announced that in order to support the business development of the Company, optimize the debt structure, broaden the financing channels, it approved the Company to apply to the National Association of Financial Market Institutional Investors (the "**NAFMII**") for registration and issuance of perpetual medium-term notes with size not exceeding RMB1.5 billion (included).

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

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

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

EVENTS WITH SIGNIFICANT EFFECTS TO THE GROUP AFTER 31 DECEMBER 2018

Entering into the second supplemental agreement on the equity transfer agreement

Capitalised terms used below shall have the same meanings as those defined in the announcement of the Company dated 18 March 2019 above unless the context requires otherwise.

In view of changes in shareholders of Jieyang ALBA, the new shareholder, Chuangyi Environmental Protection is to confirm and comply with the original supplemental agreement, who shall agree on the respective rights and obligations in connection with its 9.30% of the equity interest of Jieyang ALBA. Therefore, the Company entered into the second Supplemental Agreement on the Equity Transfer Agreement with Hong Kong ALBA and Chuangyi Environmental Protection to replace the original Supplemental Agreement. The second Supplemental Agreement on the Equity Transfer Agreement shall not increase the rights and obligations of the Company.

The registered capital currently agreed by the Target Company is RMB168,000,000. After the three parties fulfill the capital contribution obligations according to their respective equity ratio, if the total investment of the Target Company exceeds RMB498,000,000, the three parties undertake that for the amount exceeding RMB498,000,000, 33.33% of such exceeding amount shall be settled by the three parties by making additional investment in accordance with their respective equity ratios; 66.67% of such exceeding amount shall be settled by the corresponding financing to be obtained by the Target Company as procured by Hong Kong ALBA.

However, if the three parties need to make additional investment in proportion to their respective shareholding, the parties will enter into relevant separate agreements.

As at the date of this announcement, Hong Kong ALBA holds 53.60% of the equity interest of Jieyang ALBA. The Company holds 37.10% of the equity interest of Jieyang ALBA and Chuangyi Environmental Protection holds 9.30% of the equity interest of Jieyang ALBA.

For details, please refer to the announcement of the Company dated 18 March 2019.

Capital reduction and amendment of articles of association

Capitalised terms used herein shall have the same meanings as those defined in the announcements of the Company dated 19 March 2019 and 1 March 2019 above unless the context requires otherwise.

The "Resolution in relation to the repurchase and cancellation of restricted shares granted but not yet unlocked in the restrictive stock incentive plan 2016" and "Proposed Reduction of the Registered Capital" (the "**Resolutions**") were passed at the first extraordinary general Meeting in 2019, the first A shares class meeting in 2019 and the first H shares class meeting in 2019 of the Company. Since twenty-two resigned former participants have terminated their labor contracts with the Company, one participant died due to non-work related reason and one participant did not reach the performance evaluation index in 2017, the above 24 persons are not qualified under the conditions of "2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited (Revised Draft)", the Company has decided to repurchase and cancel a total of 1,138,000 restrictive A Shares granted to them but not yet unlocked. As a result, the total capital of the Company will decrease to 885,962,102 shares (comprising 685,824,602 A shares and 200,137,500 H shares) from 887,100,102 shares (comprising 686,962,602 A shares and 200,137,500 H shares), while the registered capital of the Company will decrease from RMB887,100,102 to RMB885,962,102.

Due to the changes in the number of total share capital and registered capital of the Company, amendments of the Articles of Association of the Company regarding to share capital and registered capital were passed at the first extraordinary general Meeting in 2019.

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

Agreement on purchase and sale of industrial and mining products

Capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 22 February 2019 above unless the context requires otherwise.

On 22 February 2019, Qingyuan Xinlv, a non-wholly owned subsidiary of the Company, (as the supplier) and Danxia Smelter (as the purchaser) entered into the Agreement on Purchase and Sale of Industrial and Mining Products to determine the annual caps for the transactions contemplated under the Purchase and Sale Agreement on Industrial and Mining Products. Pursuant to the Agreement on Purchase and Sale of Industrial and Mining Products, the parties agreed that Qingyuan Xinlv (a non-wholly owned subsidiary of the Company) supplied copper sulphate to Danxia Smelter (a branch of Zhongjin Lingnan). Pursuant to the Agreement on Purchase and Sale of Industrial and Mining Products, the annual transaction cap in 2019 shall not exceed RMB10,000,000.

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

Renewal of financial services agreement

Capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 1 March 2019 and the announcement of the Company dated 24 January 2019 above unless the context requires otherwise.

On 23 January 2019, the Company re-entered into the Financial Services Agreement with Rising Finance, in relation to the provision of Financial Services by Rising Finance to the Company with a term of one year commencing from the Financial Services Agreement being signed by both parties and which will take effect after the conclusion of the EGM.

The resolution regarding to signing of financial services agreement and connected transaction was passed at the first extraordinary general Meeting in 2019 of the Company dated 1 March 2019.

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

SECURITIES TRANSACTIONS BY DIRECTORS/SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct for securities transaction by Directors and supervisors. Having made specific enquiries by the Company, all Directors and supervisors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance and has always recognised the importance of accountability and communication with shareholders 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 the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018 and up to the date of this announcement.

SCOPE OF WORK OF SHINEWING CERTIFIED PUBLIC ACCOUNTANTS

The figures of the Group's financial results for the year ended 31 December 2018 contained in this announcement have been agreed by the Group's auditors, SHINEWING Certified Public Accountants, to the amounts set out in the Group's financial statements for the year ended 31 December 2018. The work performed by SHINEWING Certified Public Accountants in this respect did not constitute an assurance engagement in accordance with the PRC Accounting Standards issued by China Ministry of Finance and consequently, no assurance has been expressed by SHINEWING Certified Public Accountants on this announcement.

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Hin Wing, Mr. Qu Yong Hui and Mr. Zhu Zhengfu. Mr. Wong Hin Wing has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the Company's financial statements for the year ended 31 December 2018 and this announcement.

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

Shenzhen, the PRC, 28 March 2019

As at the date of this announcement, the Board of Directors of the Company comprises two executive Director, being Mr.Tan Kan,Mr.Yao Shu; four non-executive Directors, being Mr. Liu Boren, Mr. Huang Yiming, Mr. Lu Bei and Mr.Jin Yongfu and three independent non-executive Directors, being Mr. Zhu Zhengfu, Mr. Qu Jiu Hui and Mr. Wong Hin Wing,

* *For identification purpose only*