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DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

東江環保股份有限公司

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

(Stock code: 00895)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of the Company dated 27 March 2020 in relation to its unaudited preliminary financial data for the year ended 31 December 2019 (the “**Announcement**”).

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 2019 (the “**Reporting Period**”), together with the comparative figures of the year ended 31 December 2018 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 2019

Unit: RMB

Items	Notes	2019	2018
I. Total operating revenue	3	3,458,591,061.22	3,284,080,652.02
Including: Operating revenue		3,458,591,061.22	3,284,080,652.02
Interest income		—	—
Premium income		—	—
Handling charges and commission income		—	—

Items	Notes	2019	2018
II. Total operating cost		3,010,805,058.83	2,868,975,692.48
Including: Cost of operation		2,210,633,262.30	2,125,240,410.09
Interest expenses		—	—
Handling charges and commission expenses		—	—
Surrenders		—	—
Net claims expenses		—	—
Net provisions for insurance contracts reserve		—	—
Insurance policy dividend paid		—	—
Reinsurance costs		—	—
Tax and levies		45,932,734.63	45,084,094.12
Selling expenses		122,308,761.20	98,523,251.47
Administrative expenses		363,904,047.17	374,454,834.60
Research and development expenses		127,360,440.74	91,549,223.31
Finance costs	7	140,665,812.79	134,123,878.89
Including: Interest expense		155,505,661.06	136,104,319.99
Interest income		16,392,157.46	8,522,617.55
Add: Other gains		164,236,575.76	209,390,075.45
Gain from investment			
(Loss represented in “-” signs)		13,375,034.40	13,259,079.56
Including: Investment revenue in associates			
and joint ventures		5,924,330.98	12,905,848.59
Derecognition of gain from financial assets at			
amortized cost		—	—
Exchange gain (Loss represented in “-” signs)		—	—
Gain from net exposure hedges			
(Loss represented in “-” signs)		—	—
Gain on fair value changes			
(Loss represented in “-” signs)		8,894,318.93	16,548,839.01
Credit impairment losses			
(Loss represented in “-” signs)		-75,869,450.72	-60,716,979.16
Asset impairment losses			
(Loss represented in “-” signs)		-40,875,993.86	-27,996,984.18
Disposal gain on asset			
(Loss represented in “-” signs)		548,355.22	61,388.93
III. Operating profit (Loss represented in “-” signs)		518,094,842.12	565,650,379.15
Add: Non-operating income		12,977,503.46	3,815,958.55
Less: Non-operating expenses		6,667,418.44	11,147,159.96
IV. Total profit (Total loss represented in “-” signs)		524,404,927.14	558,319,177.74
Less: Income tax expenses	8	57,686,984.46	84,202,020.25

Items	Notes	2019	2018
V. Net profit (Net loss represented in “-” signs)		466,717,942.68	474,117,157.49
(1) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss represented in “-” signs)		469,020,404.59	472,064,927.81
2. Net profit from discontinued operations (Net loss represented in “-” signs)		-2,302,461.91	2,052,229.68
(2) Classified according to the ownership			
1. Net profit attributable to owners of the parent company		423,929,691.12	407,917,006.14
2. Profit and loss attributable to minority interests		42,788,251.56	66,200,151.35
VI. Other comprehensive income, net of tax		73,655.53	23,776,176.15
Other comprehensive income attributable to owners of the parent company, net of tax		73,655.53	14,362,814.47
(1) Items cannot be reclassified to profit and loss			
1. Changes arising from remeasuring defined benefit plan		—	—
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		—	—
3. Change in fair value of other equity instrument investments		—	—
4. Change in fair value due to enterprise’s own credit risk		—	—
5. Others		—	—
(2) Items can be reclassified to profit and loss		73,655.53	14,362,814.47
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		—	—
2. Change in fair value of other debt investments		—	—
3. Change in fair value gain or loss of available-for-sale financial assets		—	—
4. Amount of financial assets reclassified into other comprehensive income		—	—
5. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		—	—
6. Credit impairment reserve for other debt investment		—	—
7. Reserve for cash flow hedging		—	—
8. Exchange difference on translation of financial statements in foreign currency		73,655.53	242,771.95
9. Others		—	14,120,042.52
Other comprehensive income attributable to minority interests, net of tax		—	9,413,361.68

Items	Notes	2019	2018
VII. Total comprehensive income		466,791,598.21	497,893,333.64
Attributable to owners of the parent company		424,003,346.65	422,279,820.61
Attributable to minority interests		42,788,251.56	75,613,513.03
VIII. Earnings per share:			
(1) Basic earnings per share	9	0.48	0.47
(2) Diluted earnings per share		0.48	0.47

For the merger of enterprise under common control during the Reporting Period, the net profit recorded by the merged party before the merger was RMB0.00, and the net profit recorded by the merged party in the previous period was RMB0.00.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Unit: RMB

Items	Notes	31 December 2019	31 December 2018
Current assets:			
Monetary fund		1,104,760,604.12	1,054,068,992.47
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 receivable	11	–	76,700.60
Accounts receivable	11	843,722,663.17	690,806,931.89
Receivables financing		82,320,731.83	62,032,264.42
Prepayments		45,138,920.21	43,155,392.19
Premium receivable		–	–
Reinsurance accounts receivable	11	–	–
Provision for reinsurance contract receivable		–	–
Other accounts receivable		206,849,864.62	334,623,903.72
Including: Interest receivable		–	–
Dividend receivable		–	–
Purchase and resale of financial assets		–	–
Inventories		299,713,491.05	299,706,172.78
Loans		160,230,200.00	372,628,000.00
Contractual assets		117,916,128.85	95,704,312.32
Assets held-for-sale		–	–
Non-current asset due within one year		41,252,309.46	2,965,177.96
Other current assets		123,768,237.84	107,354,560.79
Total current assets		3,025,673,151.15	3,088,057,329.14

Items	Notes	31 December 2019	31 December 2018
Non-current assets:			
Granted loans and advances		–	–
Debt investments		–	–
Available-for-sale financial assets		–	–
Other debt investments		–	–
Held-to-maturity investment		–	–
Long-term accounts receivable		8,961,990.00	48,736,094.93
Long-term equity investment		252,750,134.50	303,461,055.34
Investment in other equity instruments		–	–
Other non-current financial assets		–	–
Investment properties		433,545,129.00	423,598,931.13
Fixed assets		2,813,344,463.38	2,253,551,471.72
Construction in progress		1,242,121,933.61	1,253,654,558.40
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		15,085,259.91	–
Intangible assets		1,105,036,034.35	875,193,511.63
Development expenditure		17,824,511.89	17,861,081.17
Goodwill		1,287,972,708.47	1,213,137,618.89
Long-term unamortized expenses		39,936,272.55	44,450,361.11
Deferred income tax assets		38,423,861.41	26,002,037.95
Other non-current assets		114,756,634.20	196,753,629.70
Total non-current assets		7,369,758,933.27	6,656,400,351.97
Total assets		10,395,432,084.42	9,744,457,681.11

Items	Notes	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings	12	1,744,166,400.00	1,834,096,571.16
Borrowings from central bank		–	–
Loans from other banks		–	–
Held-for-trading financial liabilities		–	–
Financial liabilities at fair value through profit or loss		–	–
Derivative financial liabilities		–	–
Notes payable		100,360,000.00	150,000,000.00
Accounts payable		685,891,301.15	558,358,310.28
Receipts in advance		427,500.00	2,986,660.00
Contractual liabilities		169,267,583.05	151,968,538.09
Proceeds from disposal of financial assets under agreements to repurchase		–	–
Receipt of deposits and deposits from other banks		–	–
Funds received as agent of stock exchange		–	–
Funds received as stock underwriter		–	–
Employee benefits payables		80,092,436.28	82,753,967.08
Tax payable		60,094,844.63	81,242,211.56
Other accounts payable		607,792,930.28	212,943,150.59
Including: Interest payable		2,664,917.36	2,106,252.25
Dividend payable		–	3,260,310.01
Handling fees and commission payable		–	–
Reinsurance accounts payable		–	–
Liabilities held-for-sale		–	–
Non-current liabilities due within one year		948,934,124.61	440,977,675.35
Other current liabilities		–	–
Total current liabilities		4,397,027,120.00	3,515,327,084.11

Items	Notes	31 December 2019	31 December 2018
Non-current liabilities:			
Provision for insurance contracts		–	–
Long-term borrowings		769,659,397.28	435,798,387.82
Bonds payable		–	902,807,955.52
Including: Preferred shares		–	–
Perpetual bond		–	–
Lease liabilities		10,652,315.39	–
Long-term accounts payables		2,957,612.44	5,329,251.18
Long-term employee benefits payables		–	–
Estimated liabilities		–	–
Deferred income		164,927,855.66	184,675,393.59
Deferred income tax liabilities		15,364,414.14	14,359,029.67
Other non-current liabilities		–	–
Total non-current liabilities		963,561,594.91	1,542,970,017.78
Total liabilities		5,360,588,714.91	5,058,297,101.89
Owners' equity:			
Share capital		879,267,102.40	887,100,102.40
Other equity instruments		–	–
Including: Preferred shares		–	–
Perpetual bond		–	–
Capital reserve		438,712,765.03	498,652,595.03
Less: Treasury stock		–	67,772,830.00
Other comprehensive income		17,001,236.23	16,927,580.70
Special reserves		5,499,114.43	5,561,004.28
Surplus reserves		219,355,623.05	202,915,933.37
Provision for normal risks		5,611,350.00	5,611,350.00
Undistributed profits		2,779,184,572.18	2,492,936,395.01
Total equity attributable to owners of the parent company		4,344,631,763.32	4,041,932,130.79
Minority interests		690,211,606.19	644,228,448.43
Total owners' equity		5,034,843,369.51	4,686,160,579.22
Total liabilities and owners' equity		10,395,432,084.42	9,744,457,681.11

CONSOLIDATED CASH FLOW STATEMENT

Year 2019

Unit: RMB

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

Items	2019	2018
II. Cash flows from investing activities:		
Cash received from investments	25,850,000.00	–
Cash received from returns on investments	7,500,000.00	12,269,981.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	749,128.45	1,679,707.54
Net cash received from disposal of subsidiaries and other operating units	–	–
Other cash receipts relating to investing activities	–	1,383,469.85
Sub-total of cash inflows from investing activities	34,099,128.45	15,333,158.93
Cash paid to acquire fixed assets, intangible assets and other long-term assets	899,190,249.26	846,811,360.11
Cash paid on investments	10,388,000.00	123,302,842.60
Net increase in pledged loans	–	–
Net cash paid on acquisition of subsidiaries and other operating units	57,604,469.51	–
Other cash payments relating to investing activities	–	–
Sub-total of cash outflows from investing activities	967,182,718.77	970,114,202.71
Net cash flows from investing activities	-933,083,590.32	-954,781,043.78
III. Cash flows from financing activities:		
Cash received from financing	30,750,000.00	13,050,000.00
Including: Cash received by subsidiaries from investment from minority shareholders	30,750,000.00	–
Cash received from borrowings	2,646,398,104.50	2,207,760,874.88
Cash received from other financing activities	–	3,850,000.00
Sub-total of cash inflows from financing activities	2,677,148,104.50	2,224,660,874.88
Cash payments for settlement of borrowings	2,470,593,968.88	1,999,705,351.69
Cash payments for distribution of dividend, profit or interests expenses	380,899,131.82	360,568,969.24
Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders	67,438,400.00	40,107,800.00
Other cash payments relating to financing activities	59,889,729.53	445,834.75
Sub-total of cash outflows from financing activities	2,911,382,830.23	2,360,720,155.68
Net cash flows from financing activities	-234,234,725.73	-136,059,280.80
IV. Effect of foreign exchange rate changes on cash and cash equivalents	73,655.54	242,771.95
V. Net increase in cash and cash equivalents	67,752,452.65	-192,938,937.96
Add: Balances of cash and cash equivalents at beginning of period	1,028,991,292.47	1,221,930,230.43
VI. Balances of cash and cash equivalents at end of period	1,096,743,745.12	1,028,991,292.47

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Year 2019

Unit: RMB

Items	2019														
	Attributable to owners of the parent company														
	Share capital	Other equity instruments			Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Provision for normal risks	Undistributed profits	Others	Sub-total	Minority interests	Total owners' equity
		Preferred shares	Perpetual bond	Others											
I. Balance at the end of last year	887,100,102.40	-	-	-	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	-	4,041,932,130.79	644,228,448.43	4,686,160,579.22
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of previous years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at beginning of year	887,100,102.40	-	-	-	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	-	4,041,932,130.79	644,228,448.43	4,686,160,579.22
III. Movement of the year (Decrease represented by “-” signs)	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	73,655.53	-61,889.85	16,439,689.68	-	286,248,177.17	-	302,699,632.53	45,983,157.76	348,682,790.29
(1) Total comprehensive income	-	-	-	-	-	-	73,655.53	-	-	-	423,929,691.12	-	424,003,346.65	42,788,251.56	466,791,598.21
(2) Contribution from owners and reduction of capital	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	-	-	-	-	0.00	70,614,906.20	70,614,906.20
1. Injection of ordinary shares from owners	-	-	-	-	-	-	-	-	-	-	-	-	-	30,750,000.00	30,750,000.00
2. Injection from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment included in the amount of owners' equity	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	-	-	-	-	0.00	-	0.00
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	39,864,906.20	39,864,906.20
(3) Profits appropriation	-	-	-	-	-	-	-	-	16,439,689.68	-	(137,681,513.95)	-	-121,241,824.27	-67,420,000.00	-188,661,824.27
1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	-	16,439,689.68	-	(16,439,689.68)	-	-	-	-
2. Withdrawn from provision for normal risks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-121,241,824.27	-	-121,241,824.27	-67,420,000.00	-188,661,824.27
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal transfer of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to capital (share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve to compensate deficit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-61,889.85	-	-	-	-	-61,889.85	-	-61,889.85
1. Withdrawn during this year	-	-	-	-	-	-	-	6,118,661.33	-	-	-	-	6,118,661.33	-	6,118,661.33
2. Usage during this year	-	-	-	-	-	-	-	6,180,551.18	-	-	-	-	6,180,551.18	-	6,180,551.18
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at end of year	879,267,102.40	-	-	-	438,712,765.03	-	17,001,236.23	5,499,114.43	219,355,623.05	5,611,350.00	2,779,184,572.18	-	4,344,631,763.32	690,211,606.19	5,034,843,369.51

Year 2018

Unit: RMB

Items	2018														
	Attributable to owners of the parent company														
	Share capital	Other equity instruments			Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Provision for normal risks	Undistributed profits	Others	Sub-total	Minority interests	Total owners' 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 owners and reduction of capital	-1,137,000.00	-	-	-	-7,174,777.64	-56,904,680.00	-	-	-	-	-		48,592,902.36	12,357,893.19	60,950,795.55
1. Injection of ordinary shares from owners														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 owners' equity	-1,137,000.00				-10,025,930.00	-56,904,680.00							45,741,750.00		45,741,750.00
4. Others					2,851,152.36								2,851,152.36	5,774,082.05	8,625,234.41
(3) Profits appropriation	-	-	-	-	-	-	-	-	3,660,211.93	1,497,225.00	-147,522,060.35		-142,364,623.42	-36,495,000.00	-178,859,623.42
1. Withdrawn from surplus reserve									3,660,211.93		-3,660,211.93				-
2. Withdrawn from provision for normal risks										1,497,225.00	-1,497,225.00				-
3. Distribution to owners (or shareholders)											-142,364,623.42		-142,364,623.42	-36,495,000.00	-178,859,623.42
4. Others															-
(4) Internal transfer of owners' equity	-	-	-	-	-	-	-	-	-	-	-			-	-
1. Transfer of capital reserve to capital (or share capital)															-
2. Transfer of surplus reserve to capital (or 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

Note 1: Implementation of the New Lease Standard

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

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

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

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

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

The affected items are as follows:

1) *Consolidated Balance Sheet*

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

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

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

1) *Consolidated Balance Sheet*

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

2) *Balance Sheet of the Parent Company*

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

3) *Consolidated Income Statement*

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

4) *Income Statement of the Parent Company*

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

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

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

(3) **Adjustment to opening amounts of relevant items in the financial statements from initial implementation of New Financial Instrument Standards, New Revenue Standard or New Lease Standard in 2019**

Consolidated Balance Sheet

Unit: RMB

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

Item	31 December 2018	1 January 2019	Adjustment
Non-current assets:			
Granted and entrusted loans and advances			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investment			
Long-term accounts receivable	48,736,094.93	48,736,094.93	
Long-term equity investment	303,461,055.34	303,461,055.34	
Other equity instruments investment			
Other non-current financial assets			
Investment properties	423,598,931.13	423,598,931.13	
Fixed assets	2,253,551,471.72	2,252,196,745.46	-1,354,726.26
Construction in progress	1,253,654,558.40	1,253,654,558.40	
Productive biological assets			
Oil and gas assets			
Right-of-use assets	0.00	20,781,297.81	20,781,297.81
Intangible assets	875,193,511.63	875,193,511.63	
Development expenditure	17,861,081.17	17,861,081.17	
Goodwill	1,213,137,618.89	1,213,137,618.89	
Long-term unamortized expenses	44,450,361.11	44,450,361.11	
Deferred income tax assets	26,002,037.95	26,002,037.95	
Other non-current assets	196,753,629.70	196,753,629.70	
Total non-current assets	6,656,400,351.97	6,675,826,923.52	19,426,571.55
Total assets	9,744,457,681.11	9,763,884,252.66	19,426,571.55
Current liabilities:			
Short-term borrowings	1,834,096,571.16	1,834,096,571.16	
Borrowings from the central bank			
Deposit funds			
Held for trading financial liabilities			
Financial liabilities at fair value through profit and loss of the period			
Derivative financial liabilities			
Notes payable	150,000,000.00	150,000,000.00	
Accounts payable	558,358,310.28	558,358,310.28	
Receipts in advance	2,986,660.00	2,986,660.00	
Contract liabilities	151,968,538.09	151,968,538.09	
Funds from sales of financial assets with repurchasement agreement			
Deposits from customers and interbank			
Funds received as agent of stock exchange			
Funds received as stock underwriter			
Employee benefits payables	82,753,967.08	82,753,967.08	
Tax payable	81,242,211.56	81,242,211.56	
Other accounts payable	212,943,150.59	212,943,150.59	
Including: Interest payable	2,106,252.25	2,106,252.25	
Dividend payable	3,260,310.01	3,260,310.01	
Handling fees and commission payable			
Reinsurance accounts payable			
Liabilities held-for-sale			
Non-current liabilities due within one year	440,977,675.35	444,905,965.58	3,928,290.23
Other current liabilities			
Total current liabilities	3,515,327,084.11	3,519,255,374.34	3,928,290.23

Item	31 December 2018	1 January 2019	Adjustment
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	435,798,387.82	435,798,387.82	
Bonds payable	902,807,955.52	902,807,955.52	
Including: Preferred shares			
Perpetual bond			
Lease liabilities	0.00	16,392,397.33	16,392,397.33
Long-term accounts payables	5,329,251.18	4,435,135.17	-894,116.01
Long-term employee benefits payables			
Estimated liabilities			
Deferred income	184,675,393.59	184,675,393.59	
Deferred income tax liabilities	14,359,029.67	14,359,029.67	
Other non-current liabilities			
Total non-current liabilities	1,542,970,017.78	1,558,468,299.10	15,498,281.32
Total liabilities	5,058,297,101.89	5,077,723,673.44	19,426,571.55
Owners' equity:			
Share capital	887,100,102.40	887,100,102.40	
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve	498,652,595.03	498,652,595.03	
Less: Treasury stock	67,772,830.00	67,772,830.00	
Other comprehensive income	16,927,580.70	16,927,580.70	
Special reserves	5,561,004.28	5,561,004.28	
Surplus reserves	202,915,933.37	202,915,933.37	
Provision for normal risks	5,611,350.00	5,611,350.00	
Undistributed profits	2,492,936,395.01	2,492,936,395.01	
Total equity attributable to owners of			
the parent company	4,041,932,130.79	4,041,932,130.79	
Minority interests	644,228,448.43	644,228,448.43	
Total owners' equity	4,686,160,579.22	4,686,160,579.22	
Total liabilities and owners' equity	9,744,457,681.11	9,763,884,252.66	19,426,571.55

(4) Correction of significant previous errors and the effects

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

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.

	2019	2018
Business segment		
Industrial waste recycling	1,075,315,594.63	1,228,371,673.60
Industrial waste treatment and disposal	1,667,032,150.56	1,286,740,266.05
Municipal waste treatment and disposal	230,026,079.09	262,002,747.67
Renewable energy utilization	91,393,039.66	91,446,521.00
Environmental engineering and services	176,430,506.80	173,303,221.53
Trading and others	59,013,071.19	104,516,046.14
Waste Electrical Appliance Dismantling Treatment	159,380,619.29	137,700,176.03
Total	3,458,591,061.22	3,284,080,652.02

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 2019

Unit: RMB

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	1,075,315,594.63	1,692,402,667.88	230,026,079.09	91,393,039.66	213,927,781.87	74,513,503.67	159,380,619.29	60,409,732.87	-138,777,957.74	3,458,591,061.22
Including:										
Revenue from external transactions	1,075,315,594.63	1,667,032,150.56	230,026,079.09	91,393,039.66	176,430,506.80	59,013,071.19	159,380,619.29	-	0.00	3,458,591,061.22
Revenue from intra-segment transactions	-	25,370,517.32	-	-	37,497,275.07	15,500,432.48	-	60,409,732.87	-138,777,957.74	-
Operating costs	821,957,606.68	860,385,181.70	224,323,433.54	63,447,119.50	155,054,517.11	10,504,757.72	112,330,102.06	2,754,331.19	5,808,947.43	2,256,565,996.93
Total profit for segment (total loss)	153,076,408.92	363,164,672.19	3,247,378.18	34,716,799.66	38,129,665.98	41,399,108.13	22,857,085.55	103,593,844.60	-235,780,036.07	524,404,927.14
Total assets	2,900,179,169.69	3,110,339,538.37	499,654,372.29	254,104,152.26	554,479,831.70	864,886,943.79	578,070,520.29	4,519,898,119.69	2,886,180,563.66	-10,395,432,084.42
Total liabilities	318,384,852.11	1,914,066,842.16	441,950,658.15	31,550,732.25	279,416,596.28	79,818,332.12	307,873,244.38	2,282,021,340.53	294,493,883.07	5,360,588,714.91
Additional information										
Asset impairment losses recognized in current period	-156,718.55	-37,683,384.33	264,860.77	-	1,283,738.17	-6,280,967.11	151,669.48	-74,324,643.02	-	-116,745,444.58
Including: Share of goodwill impairment	-	-33,627,760.66	-	-	-	-5,368,275.95	-	-	-	-38,996,036.61
Share of impairment of fixed assets and construction in progress	-	-	-	-	-	-	-	-	-	-

Segment information for Year 2018

Unit: RMB

Items	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy 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	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	-	558,319,177.74
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	-140,480,452.27	5,058,297,101.89
Impairment losses recognized in current period	-2,019,006.34	-36,607,232.12	-444,327.54	-270,006.12	-14,964,205.29	-3,338,570.96	-160,919.99	-30,909,694.98	-	-88,713,963.34
Including:										
Share of goodwill impairment	-	-22,856,832.59	-	-	-	-	-	-	-	-22,856,832.59
Share of impairment of fixed assets and construction in progress	-	-4,919,723.52	-	-	-	-	-	-	-	-4,919,723.52

5. GROSS PROFIT

	2019	2018
Total operating revenue	3,458,591,061.22	3,284,080,652.02
Less: Cost of operations	2,210,633,262.30	2,125,240,410.09
	<u>1,247,957,798.92</u>	<u>1,158,840,241.93</u>

6. TOTAL PROFIT

	2019	2018
Total profit has been arrived at after charging/(crediting):		
Staff costs (including directors' emolument)		
– Wages, salaries and other benefits	589,778,196.61	578,363,692.98
– Retirement scheme contribution	36,290,388.92	37,932,779.20
Total staff costs	626,068,585.53	616,296,472.18
Amortisation of intangible assets	73,550,523.48	87,626,317.16
Auditor's remuneration	1,350,000.00	1,350,000.00
Recognised cost of inventories	2,210,633,262.30	2,125,240,410.09
Depreciation on fixed assets	307,102,750.27	227,904,789.21
Provision (reversal of provision) for bad debts of accounts receivable	75,869,450.72	60,716,979.16
Impairment loss on inventories	1,879,957.25	220,428.07
Impairment loss on goodwill	38,996,036.61	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	29,026,801.98	23,970,292.60
Research and development expenses	127,360,440.74	91,549,223.31
Loss on disposal of fixed assets, net	548,355.22	61,388.93
(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	-8,894,318.93	-5,045,619.01
Government grants	60,286,673.06	94,570,898.62
	<u>60,286,673.06</u>	<u>94,570,898.62</u>

7. FINANCE COSTS

	2019	2018
Interest expenses	155,505,661.06	136,104,319.99
Less: Interest income	16,392,157.46	8,522,617.55
Add: Exchange difference	520,448.11	1,181,450.11
Add: Other expenses	1,031,861.08	5,360,726.34
	<u>1,031,861.08</u>	<u>5,360,726.34</u>
Total	<u>140,665,812.79</u>	<u>134,123,878.89</u>

Breakdown of interest expenses is as follows:

	2019	2018
Interest on bank loans wholly repayable within 5 years	145,319,865.72	124,898,212.47
Bond interest based on effective interest rate	45,983,989.04	54,860,216.32
Finance leases charges	902,522.52	125,186.80
	<u>192,206,377.28</u>	<u>179,883,615.59</u>
Less: Interest capitalised	<u>36,700,716.22</u>	<u>43,779,295.60</u>
Total	<u>155,505,661.06</u>	<u>136,104,319.99</u>

Borrowing cost capitalized during the year ended 31 December 2019 is calculated by applying a capitalization rate of 5.20% (2018: 5.27%) per annum to expenditure on qualifying assets.

8. INCOME TAX

(1) Income tax expenses:

	2019	2018
Current income tax	64,933,754.34	87,743,112.55
Deferred income tax	<u>-7,246,769.88</u>	<u>-3,541,092.3</u>
Total	<u>57,686,984.46</u>	<u>84,202,020.25</u>

(2) Current income tax

	2019	2018
Current income tax		
– PRC	78,980,649.16	85,025,520.91
– Hong Kong	–	–
Over-provision in prior years		
– PRC	<u>-14,046,894.82</u>	<u>2,717,591.64</u>
Total	<u>64,933,754.34</u>	<u>87,743,112.55</u>

Enterprise Income Tax Incentives

- a) The Company is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% Enterprise Income Tax (“EIT”) tax rate, and its research and development fees enjoy EIT reduction of 25% before tax.
- b) Longgang Dongjiang is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2019 to 2021, and its research and development fees enjoy EIT reduction of 25% before tax.
- c) Huizhou Dongjiang is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2019 to 2021. In addition, its revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax, and its research and development fees enjoy EIT reduction of 25% before tax.
- d) Qiandeng Wastes Treatment is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2019 to 2022. In addition, its revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax, and its research and development fees enjoy EIT reduction of 25% before tax.
- e) Huabao Technology is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2017 to 2019, and its research and development fees enjoy EIT reduction of 25% before tax.
- f) Jiangxi Huabao is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- g) Shaoguan Green is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2017 to 2019, and its research and development fees enjoy EIT reduction of 25% before tax.
- h) Dongjiang Properties is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- i) Baoan energy is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- j) Huizhou Transport is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- k) Zhuhai Qingxin is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- l) Qingxuan Xinlv’s revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax.
- m) Jiaxing Deda is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2019 to 2021. In addition, its revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax, and its research and development fees enjoy EIT reduction of 25% before tax.
- n) Jiangmen Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys full EIT exemption from 2015 to 2017 and 50% EIT reduction from 2018 to 2020. It is also entitled to tax incentive as a new and high technology enterprise, and its research and development fees enjoy EIT reduction of 25% before tax.
- o) Dongguan Hengjian is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys full EIT exemption from 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- p) Dongjiang Kaida is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- q) Coastal Solid Waste is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2019 to 2021, and its research and development fees enjoy EIT reduction of 25% before tax.

- r) Xiamen Oasis's revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax, and its research and development fees enjoy EIT reduction of 25% before tax.
- s) Wosen Environmental is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2015 to 2017 and 50% EIT reduction from 2018 to 2020. It is also entitled to tax incentive as a new and high technology enterprise, and its research and development fees enjoy EIT reduction of 25% before tax.
- t) Jiangxi Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys full EIT exemption from 2016 to 2018 and 50% EIT reduction from 2019 to 2021. It is also entitled to tax incentive as a new and high technology enterprise and enjoys 15% EIT tax rate according to relevant policies from 2017 to 2019.
- u) Humen Lyuan is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2018 to 2020, and its research and development fees enjoy EIT reduction of 25% before tax.
- v) Tianyin Hazardous Waste is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2017 to 2019 and 50% EIT reduction from 2020 to 2022.
- w) Zhuhai Yongxingsheng is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2017 to 2019. It also enjoys full EIT exemption for revenue from engaging in incineration of hazardous wastes in line with environmental protection and energy-saving and water-saving projects, and its research and development fees enjoy EIT reduction of 25% before tax.
- x) Jiangsu Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys full EIT exemption from 2016 to 2018 and 50% EIT reduction from 2019 to 2021.
- y) Hengshui Ruitao is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2014 to 2016 and 50% EIT reduction from 2017 to 2019.
- z) Baoan Dongjiang is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2018 to 2020. In addition, its revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax, and its research and development fees enjoy EIT reduction of 25% before tax.
- aa) Huaxin Environmental is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys full EIT exemption for new incineration projects from 2017 to 2019 and 50% EIT reduction for new incineration projects from 2020 to 2022, and its research and development fees enjoy EIT reduction of 25% before tax.
- bb) Zhenjiang Dongjiang is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- cc) Weifang Blue Sea is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- dd) Xiamen Dongjiang is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2018 to 2020, and its research and development fees enjoy EIT reduction of 25% before tax.
- ee) Fujian Oasis Solid Waste is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2014 to 2016 and 50% EIT reduction from 2017 to 2019.
- ff) Longyan Oasis Environmental is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- gg) Nanping Oasis Environmental is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- hh) Sanming Oasis Environmental is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.

- ii) Nantong Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys full EIT exemption for new incineration projects from 2019 to 2021 and 50% EIT reduction for new incineration projects from 2022 to 2024.
- jj) Huangshi Dongjiang is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- kk) Huateng Environmental is qualified as a small-scale enterprises with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- ll) Xiantao Dongjiang is entitled to income tax incentive on environmental protection projects that meet certain requirements, and enjoys full EIT exemption from 2018 to 2020 and 50% EIT reduction from 2021 to 2023.
- mm) Foshan Fulong is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2018 to 2020, and its research and development fees enjoy EIT reduction of 25% before tax.

Value-added Tax Incentives

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

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

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

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

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

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

9. EARNINGS PER SHARE

The earnings per share for the year ended 31 December 2019 is calculated based on the net profit for the year attributable to shareholders of the Company of RMB423,929,691.12 (2018: RMB407,917,006.14), and the weighted average of approximately 879,267,102.00 shares (2018: 865,497,102 shares) of ordinary shares in issue during the year ended 31 December 2019.

Diluted earnings per share was same as basic earnings per share for the two years ended 31 December 2019 as there were no diluting events during both years.

10. DIVIDENDS

Dividends attributable to the year are as follows:

	2019	2018
Interim dividend declared and distributed of RMB0 per share (2018: RMB0)	–	–
Final dividend proposed after the balance sheet date of RMB0.150 per share (2018: RMB0.140)	131,890,065.30	123,097,394.28
Total	131,890,065.30	123,097,394.28

The Board recommends the payment of a final dividend of RMB0.150 per share of the Company (inclusive of tax) (2018: RMB0.140) to all the shareholders of the Company based on the total number of shares of 879,267,102 shares of the Company upon obtaining the approval from the shareholders of the Company at the 2019 annual general meeting (“AGM”). Accordingly, the total amount of dividend to be paid is RMB131,890,065.30. No bonus 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

	2019	2018
Accounts receivable	862,658,276.50	710,055,395.90
Less: Provision for bad debts of accounts receivable	18,935,613.33	19,248,464.01
	843,722,663.17	690,806,931.89
Bills receivable	0.00	76,700.60
Receivables financing	82,320,731.83	62,032,264.42
Prepayments	45,138,920.21	43,155,392.19
Other receivables	363,775,633.80	415,034,413.33
Less: Provision for bad debts of other receivables	156,925,769.18	80,410,509.61
Long term accounts receivable	50,214,299.46	64,701,272.89
Total	1,228,246,479.29	1,195,396,465.71

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:

	2019	2018
Aged		
Within 1 year	496,728,719.31	445,069,795.29
1-2 years	144,210,013.41	77,379,319.70
2-3 years	53,549,662.49	71,251,791.43
Over 3 years	149,234,267.96	97,106,025.47
Total	843,722,663.17	690,806,931.89

12. TRADE AND OTHER PAYABLES

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

	2019	2018
Aged		
Within 90 days	443,764,765.25	313,200,928.43
91 to 180 days	78,561,155.44	90,682,256.12
181 to 365 days	80,189,595.75	25,632,419.50
Over 1 year	83,375,784.71	128,842,706.23
Accounts payable	685,891,301.15	558,358,310.28
Receipts in advance	427,500.00	2,986,660.00
Other payables	607,792,930.28	212,943,150.59
Total	1,294,111,731.43	774,288,120.87

13. NET CURRENT ASSETS

	2019	2018
Current assets	3,025,673,151.15	3,088,057,329.14
Less: Current liabilities	4,397,027,120.00	3,524,008,760.87
Net current assets	-1,371,353,968.85	-435,951,431.73

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2019	2018
Total assets	10,395,432,084.42	9,744,457,681.11
Less: Current liabilities	4,397,027,120.00	3,524,008,760.87
Total assets less current liabilities	5,998,404,964.42	6,220,448,920.24

15. LEASE

(1) As lessor

The rental income from lands and buildings (net of government rent, rates and other expenditure) for the year was RMB15,260,524.21 (last year: RMB15,738,179.08).

As at the end of the year, the Company as lessor had minimum future rent receivable under non-cancellable operating leases in respect of office and plants leased properties in the following periods summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	10,790,235.44	11,440,783.19
1 to 2 years	11,113,942.50	10,614,842.62
Total	21,904,177.94	22,055,625.81

(2) As lessee

Leases of the Company as lessee

Type	Amount
Short-term lease expense included in profit or loss	22,585,568.96
Lease expense of low value assets	634,418.41
Variable lease payments not included in the measurement of the lease liability	
Income from sublease of right-of-use assets	
Total cash outflow related to lease	29,026,801.98
Gain or loss from sales and leaseback transactions	

OPERATION DISCUSSION AND ANALYSIS

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

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

(i) Development trend of hazardous waste disposal industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Budget for Year 2020

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 2020. 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 2019 and analysis of the circumstances of the operation in 2020, 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 2020.
5. No material changes in the relevant market of products by the Company in 2020.
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 2020.
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. Key indicators of the budget of 2020

The revenue is expected to record a year-on-year increase of no less than 10% in 2020.

The net profit attributable to shareholders of the parent company is expected to record a year-on-year increase of no less than 10% in 2020.

IV. Measures to ensure the performance of financial budget

1. To strengthen efforts in research and development and market expansion and enhance production capacity 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 use of 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 continuous 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 2020 and is not representative of the Company's profit forecast in 2020. Whether the budget could be realized depends on a number of factors including changes in macro-economic environment and market conditions and operation management, and is subject to a high degree of uncertainty and investors should pay attention to investment risks.

FINANCIAL REVIEW

Total operating revenue

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

Profit

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

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

Sales expenses

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

FINANCIAL POSITION AND LIQUIDITY

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

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

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

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

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

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

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

Save as disclosed in this 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, 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, 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.

Contingent liabilities

Due 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 PRC 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 other significant contingent liabilities for the year ended 31 December 2019.

Capital commitment

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

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

FUTURE PROSPECTS

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

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

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

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

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

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

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

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

(ii) Make plan to expand the environmental protection business

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

(iii) Adhere to innovation-driven development

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

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

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

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

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

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

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

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

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

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.150 per share of the Company (inclusive of tax) (2018: RMB0.140) to all shareholders of the Company based on the total number of shares of 879,267,102 shares of the Company upon obtaining the approval from the shareholders of the Company at the 2019 annual general meeting (“AGM”). Accordingly, the total amount of dividend to be paid is RMB131,890,065.30. No bonus shares will be awarded and no capital reserves will be converted into shares. The above said proposal is subject to, among other things, approval by the shareholders of the Company at the AGM to be convened and held. Subject to the approval of the final dividend by the shareholders, the final dividend is expected to be paid on or about 21 August 2020. The Company will make further announcement in accordance with the Listing Rules upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends is determined.

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

MATTERS DURING THE REPORTING PERIOD

Renewal of Financial Services Agreement

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

On 23 January 2019, the Company re-entered into the Financial Services Agreement with Rising Finance, in relation to the provision of Financial Services by Rising Finance to the Company with a term of one year commencing from the Financial Services Agreement being signed by both parties. The Financial Services Agreement and the transaction contemplated thereunder were approved at the 2019 first extraordinary general meeting of the Company on 19 March 2019.

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

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

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

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

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

Registration and Issue of Medium-Term Notes

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

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

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

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

Connected Transaction in Relation to Capital Increase Agreement

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

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

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

SUBSEQUENT EVENTS WITH MATERIAL IMPACT ON THE GROUP AFTER 31 DECEMBER 2019

Confirmation in Relation to Equity Transfer Agreement

Unless otherwise required by the context, the terms used below shall have the same meaning as defined in the announcement of the Company dated 23 January 2020.

On 22 January 2020, the Company and Sound Sustainable Resources Holding Co., Ltd* (桑德再生資源控股有限公司) (“**Sound Company**”) entered into a confirmation, the main content of which is as follows: 1) both parties unanimously agreed to accelerate and facilitate the resolution of the issue relating to the restoration of the vetting for types and quantity of dissembled abandoned electrical appliances and electronic products; 2) the actual loss of Qingyuan Dongjiang shall be determined by Qingyuan Dongjiang in accordance with the outcome arising from the approach taken in accordance with the interview and discussion opinion of the relevant industry supervising authorities. If that leads to obligations arising between the parties, such obligations shall be negotiated and confirmed in accordance with the Equity Transfer Agreement and such other relevant documents executed by the parties. The payment of the outstanding sums such as the consideration for the equity transfer and the shareholders’ loan by Sound Company to the Company as agreed in the Equity Transfer Agreement shall be resolved by negotiations between both parties; 3) both parties agreed to facilitate the resolution of relevant issues based on the principles of respect of fact, friendly negotiation and fairness and reasonableness.

For details, please refer to the announcement dated 23 January 2020.

Early Termination of the “Guangfa Hengjin-Guangsheng Dongjiang Environmental Humen Lvyuan PPP Project Asset Support Special Plan”

Unless otherwise required by the context, the terms used below shall have the same meaning as defined in the announcement of the Company dated 5 February 2020.

In order to optimise the Company's debt structure and reduce financing costs, after careful consideration, the Company decided to terminate the "Guangfa Hengjin-Guangsheng Dongjiang Environmental Humen Lvyuan PPP Project Asset Support Special Plan* (廣發恒進－廣晟東江環保虎門綠源PPP項目資產支持專項計劃)".

For details, please refer to the announcement of the Company dated 5 February 2020.

Renewal of Financial Services Agreement

Unless otherwise required by the context, the terms used below shall have the same meaning as defined in the announcement of the Company dated 25 February 2020.

On 25 February 2020, 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 being approved at the extraordinary general meeting.

The resolution on the connected transaction in relation to the entering into of the Financial Services Agreement has yet to be considered and approved at the general meeting. For details, please refer to the announcement of the Company dated 25 February 2020.

AMENDMENT OF ARTICLES OF ASSOCIATION

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

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

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

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

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

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

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company had repurchased a total of 1,138,000 of its own Restricted A Shares of RMB1.00 each (the “**First Repurchased A Shares**”) on 9 April 2019 on the Shenzhen Stock Exchange at the price of approximately RMB8.71 per share (for 1,043,000 First Repurchased A Shares) and approximately RMB8.09 per share (for 95,000 First Repurchased A Shares) respectively (the “**First Repurchase**”). The aggregate purchase price paid for the First Repurchase was approximately RMB9,853,080. The First Repurchased A Shares represented approximately 0.1283% of the total capital of the Company immediately prior to the First Repurchase. Cancellation of the First Repurchased A Shares has already been completed on 9 April 2019. For details, please refer to the announcement of the Company dated 9 April 2019.

The Company had repurchased a total of 6,695,000 of its own Restricted A Shares of RMB1.00 each (the “**Second Repurchased A Shares**”) on 27 June 2019 on the Shenzhen Stock Exchange at the price of approximately RMB8.71 per share (for 6,060,000 Second Repurchased A Shares) and approximately RMB8.09 per share (for 635,000 Second Repurchased A Shares) respectively (the “**Second Repurchase**”). The aggregate purchase price paid for the Second Repurchase was approximately RMB57,919,750. The Second Repurchased A Shares represented approximately 0.7557% of the total capital of the Company immediately prior to the Second Repurchase. Cancellation of the Second Repurchased A Shares has already been completed on 27 June 2019. For details, please refer to the announcement of the Company dated 27 June 2019.

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

CORPORATE GOVERNANCE PRACTICES

The Company has been firmly committed to achieving and maintaining high overall standards of corporate governance and has always recognised the importance of accountability and communication with Shareholders through continuous effort in improving its corporate governance practices and processes. Through the establishment of a quality and effective Board, a comprehensive internal control system and a stable corporate structure, the Company strives to achieve completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase shareholders’ value and profit.

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 2019 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 2019 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 2019. 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 has set up an audit committee of the Company (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, and reviewing and providing supervision over the Group’s financial reporting process and internal controls of the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zhengfu. Mr. Wong Hin Wing has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated results for the year ended 31 December 2019 and this announcement.

PUBLICATION OF ANNUAL REPORT

As announced in the Announcement, due to the outbreak of the COVID-19 pandemic at the beginning of 2020, it was difficult for the auditors of the Company to complete certain on-site inspection and audit procedures as originally scheduled. As a result, the Company expects to publish the 2019 annual report of the Company on or before 15 May 2020.

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

Shenzhen, Guangdong, the PRC
22 April 2020

As at the date of this announcement, the Board of Directors of the Company comprises two executive Directors, being Mr. Tan Kan and Mr. Yao Shu; three non-executive Directors, 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