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DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

東江環保股份有限公司

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

(Stock code: 00895)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS (UNAUDITED)

The board (the “**Board**”) of directors (the “**Directors**”) of Dongjiang Environmental Company Limited (the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**” or “**Period**”), together with the comparative figures of the corresponding period of 2019, as follows:

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

* For identification purpose only

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2020

Unit: RMB

Items	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
I. Total operating revenue	2	1,479,030,093.03	1,689,879,261.29
Including: Operating revenue		1,479,030,093.03	1,689,879,261.29
Interest income		—	—
Premium income		—	—
Handling charges and commission income		—	—
II. Total operating cost		1,340,142,470.69	1,432,543,142.88
Including: Cost of operation		990,286,132.04	1,069,809,076.63
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		20,268,736.74	22,280,664.26
Selling expenses		48,484,602.72	55,527,811.05
Administrative expenses		165,919,001.02	163,530,206.55
Research and development expenses		51,787,340.10	51,776,104.93
Finance costs	4	63,396,658.07	69,619,279.46
Including: Interest expense		69,435,493.68	76,508,617.13
Interest income		6,594,973.16	7,486,072.26
Add: Other gains		56,940,104.37	74,200,780.20
Gain from investment Loss represented in “-” signs)		9,069,337.93	11,486,629.08
Including: Investment revenue in associates and joint ventures		9,274,771.49	6,460,085.06
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)		—	—
Credit impairment losses (Loss represented in “-” signs)	5	-3,307,198.40	-8,144,231.62
Asset impairment losses (Loss represented in “-” signs)		—	—
Disposal gain on asset (Loss represented in “-” signs)		-739,797.70	335,632.80
III. Operating profit (Loss represented in “-” signs)		200,850,068.54	335,214,928.87
Add: Non-operating income		1,827,177.21	1,395,606.92
Less: Non-operating expenses		5,745,114.02	2,164,245.82

Items	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
IV. Total profit (Total loss represented in “-” signs)		196,932,131.73	334,446,289.97
Less: Income tax expenses	6	39,236,495.48	43,425,028.65
V. Net profit (Net loss represented in “-” signs)		157,695,636.25	291,021,261.32
(1) Classified on a going concern basis		—	—
1. Net profit from continuing operations (Net loss represented in “-” signs)		157,695,636.25	291,021,261.32
2. Net profit from discontinued operations (Net loss represented in “-” signs)		—	—
(2) Classified according to the ownership		—	—
1. Net profit attributable to owners of the parent company		160,541,955.22	252,435,142.23
2. Profit and loss attributable to minority interests		-2,846,318.97	38,586,119.09
VI. Other comprehensive income, net of tax		1,128,213.20	-1,403,785.87
Other comprehensive income attributable to owners of the parent company, net of tax		1,128,213.20	-1,403,785.87
(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		1,128,213.20	-1,403,785.87
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. Amount of financial assets reclassified into other comprehensive income		—	—
4. Credit impairment reserve for other debt investment		—	—
5. Reserve for cash flow hedging		—	—
6. Exchange difference on translation of financial statements in foreign currency		1,128,213.20	-1,403,785.87
7. Others		—	—
Other comprehensive income attributable to minority interests, net of tax		—	—
VII. Total comprehensive income		158,823,849.45	289,617,475.45
Attributable to owners of the parent company		161,670,168.42	251,031,356.36
Attributable to minority interests		-2,846,318.97	38,586,119.09
VIII. Earnings per share:	7		
(1) Basic earnings per share		0.18	0.29
(2) Diluted earnings per share		0.18	0.29

INCOME STATEMENT OF THE PARENT COMPANY (UNAUDITED)

For the six months ended 30 June 2020

Unit: RMB

Items	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
I. Operating revenue	226,054,891.08	293,371,416.88
Less: Operating cost	201,812,457.38	235,193,491.91
Tax and levies	922,178.16	1,420,913.03
Selling expenses	1,557,145.19	2,166,003.27
Administrative expenses	23,400,323.15	18,567,717.21
Research and development expenses	5,248,710.36	3,727,716.13
Finance costs	26,246,604.55	40,556,510.98
Including: Interest expense	30,183,009.16	45,256,440.18
Interest income	5,345,021.44	4,929,960.29
Add: Other gains	1,734,884.46	3,527,501.55
Gain from investment		
(Loss represented in “-” signs)	72,663,696.22	162,064,595.89
Including: Investment revenue in associates and joint ventures	9,274,771.49	6,460,085.06
Derecognition of gain from financial assets at amortized cost (Loss represented in “-” signs)	—	—
Gain from net exposure hedges		
(Loss represented in “-” signs)	—	—
Gain on fair value changes		
(Loss represented in “-” signs)	—	—
Credit impairment losses		
(Loss represented in “-” signs)	-1,576,473.47	6,232,667.69
Asset impairment losses		
(Loss represented in “-” signs)	—	—
Disposal gain on asset		
(Loss represented in “-” signs)	1,333,517.34	95,230.12
II. Operating profit (Loss represented in “-” signs)	41,023,096.84	163,659,059.60
Add: Non-operating income	39,685.99	391,739.34
Less: Non-operating expenses	11,716.31	26,757.51
III. Total profit (Total loss represented in “-” signs)	41,051,066.52	164,024,041.43
Less: Income tax expenses	-364,556.51	2,040.14
IV. Net profit (Net loss represented in “-” signs)	41,415,623.03	164,022,001.29
(1) Net profit from continuing operations		
(Net loss represented in “-” signs)	41,415,623.03	164,022,001.29
(2) Net profit from discontinued operations		
(Net loss represented in “-” signs)	—	—

Items	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
V. Other comprehensive income, net of tax		
(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	–	–
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. Amount of financial assets reclassified into other comprehensive income	–	–
4. Credit impairment reserve for other debt investment	–	–
5. Reserve for cash flow hedging	–	–
6. Exchange difference on translation of financial statements in foreign currency	–	–
7. Others	–	–
VI. Total comprehensive income	41,415,623.03	164,022,001.29
VII. Earnings per share:		
(1) Basic earnings per share	–	–
(2) Diluted earnings per share	–	–

CONSOLIDATED BALANCE SHEET

As at 30 June 2020

Unit: RMB

Items	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets:			
Monetary fund		788,810,734.98	1,104,760,604.12
Settlement Deposits		—	—
Placements with banks and other financial institutions		—	—
Held-for-trading financial assets		—	—
Derivative financial assets		—	—
Notes receivable		—	—
Accounts receivable	9	883,666,929.67	843,722,663.17
Receivables financing		75,701,866.73	82,320,731.83
Prepayments		59,466,329.81	45,138,920.21
Premium receivable		—	—
Reinsurance accounts receivable		—	—
Provision for reinsurance contract receivable		—	—
Other accounts receivable		138,936,735.47	206,849,864.62
Including: Interest receivable		—	—
Dividend receivable		—	—
Purchase and resale of financial assets		—	—
Inventories		292,216,116.36	299,713,491.05
Loans		137,298,200.00	160,230,200.00
Contractual assets		117,047,024.28	117,916,128.85
Assets held-for-sale		—	—
Non-current asset due within one year		41,252,309.46	41,252,309.46
Other current assets		120,599,170.74	123,768,237.84
Total current assets		2,654,995,417.50	3,025,673,151.15

Items	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Non-current assets:			
Granted loans and advances		–	–
Debt investments		–	–
Other debt investments		–	–
Long-term accounts receivable		9,382,379.47	8,961,990.00
Long-term equity investment		280,574,905.99	252,750,134.50
Investment in other equity instruments		–	–
Other non-current financial assets		–	–
Investment properties		433,545,129.00	433,545,129.00
Fixed assets		2,804,219,690.04	2,813,344,463.38
Construction in progress		1,213,210,277.30	1,242,121,933.61
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		12,332,988.05	15,085,259.91
Intangible assets		1,219,177,608.71	1,105,036,034.35
Development expenditure		19,532,632.21	17,824,511.89
Goodwill		1,287,972,708.47	1,287,972,708.47
Long-term unamortized expenses		42,187,524.73	39,936,272.55
Deferred income tax assets		41,435,773.09	38,423,861.41
Other non-current assets		205,619,314.06	114,756,634.20
Total non-current assets		7,569,190,931.12	7,369,758,933.27
Total assets		10,224,186,348.62	10,395,432,084.42

Items		30 June 2020 (Unaudited)	31 December 2019 (Audited)
	Notes		
Current liabilities:			
Short-term borrowings		1,736,686,700.00	1,744,166,400.00
Borrowings from central bank		–	–
Loans from other banks		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Notes payable		100,144,500.00	100,360,000.00
Accounts payable	10	690,526,077.72	685,891,301.15
Receipts in advance		243,750.00	427,500.00
Contractual liabilities		140,402,437.96	169,267,583.05
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		86,182,958.77	80,092,436.28
Tax payable		52,928,424.76	60,094,844.63
Other accounts payable		735,436,838.06	607,792,930.28
Including: Interest payable		3,856,454.42	2,664,917.36
Dividend payable		131,890,065.30	–
Handling fees and commission payable		–	–
Reinsurance accounts payable		–	–
Liabilities held-for-sale		–	–
Non-current liabilities due within one year		78,974,971.85	948,934,124.61
Other current liabilities		–	–
Total current liabilities		3,621,526,659.12	4,397,027,120.00

Items	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings		691,187,811.60	769,659,397.28
Bonds payable		602,429,313.07	–
Including: Preferred shares		–	–
Perpetual bond		–	–
Lease liabilities		7,620,767.00	10,652,315.39
Long-term accounts payables		2,315,591.68	2,957,612.44
Long-term employee benefits payables		–	–
Estimated liabilities		–	–
Deferred income		160,500,539.37	164,927,855.66
Deferred income tax liabilities		15,364,414.14	15,364,414.14
Other non-current liabilities		–	–
Total non-current liabilities		1,479,418,436.86	963,561,594.91
Total liabilities		5,100,945,095.98	5,360,588,714.91
Owners' equity:			
Share capital		879,267,102.40	879,267,102.40
Other equity instruments		–	–
Including: Preferred shares		–	–
Perpetual bond		–	–
Capital reserve		438,712,765.03	438,712,765.03
Less: Treasury stock		–	–
Other comprehensive income		18,129,449.43	17,001,236.23
Special reserves		4,263,213.41	5,499,114.43
Surplus reserves		219,355,623.05	219,355,623.05
Provision for normal risks		5,611,350.00	5,611,350.00
Undistributed profits		2,807,836,462.10	2,779,184,572.18
Total equity attributable to owners of the parent company		4,373,175,965.42	4,344,631,763.32
Minority interests		750,065,287.22	690,211,606.19
Total owners' equity		5,123,241,252.64	5,034,843,369.51
Total liabilities and owners' equity		10,224,186,348.62	10,395,432,084.42

BALANCE SHEET OF THE PARENT COMPANY*As at 30 June 2020**Unit: RMB*

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets:		
Monetary fund	481,193,219.69	578,525,911.40
Held-for-trading financial assets	—	—
Derivative financial assets	—	—
Notes receivable	—	—
Accounts receivable	303,350,520.76	238,897,083.09
Receivables financing	6,538,015.10	16,373,751.31
Prepayments	3,736,217.38	3,428,438.14
Other accounts receivable	2,421,242,448.81	2,492,136,490.13
Including: Interest receivable	—	—
Dividend receivable	—	—
Inventories	8,521,972.65	10,502,398.38
Contractual assets	87,909,911.76	87,686,156.86
Assets held-for-sale	—	—
Non-current asset due within one year	41,252,309.46	41,252,309.46
Other current assets	1,528,126.10	4,335,342.89
Total current assets	3,355,272,741.71	3,473,137,881.66

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Non-current assets:		
Debt investments	–	–
Other debt investments	–	–
Long-term accounts receivable	765,161.47	700,000.00
Long-term equity investment	4,157,935,364.39	3,827,810,592.90
Investment in other equity instruments	–	–
Other non-current financial assets	–	–
Investment properties	80,717,000.00	80,717,000.00
Fixed assets	83,912,639.62	92,925,512.36
Construction in progress	8,404,465.78	9,486,978.89
Productive biological assets	–	–
Oil and gas assets	–	–
Right-of-use assets	–	–
Intangible assets	87,847,890.08	95,495,975.84
Development expenditure	17,863,485.03	16,155,364.71
Goodwill	–	–
Long-term unamortized expenses	7,011,450.99	3,403,706.11
Deferred income tax assets	22,947,052.89	22,947,052.89
Other non-current assets	52,072,905.60	62,221,560.10
Total non-current assets	4,519,477,415.85	4,211,863,743.80
Total assets	7,874,750,157.56	7,685,001,625.46

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current liabilities:		
Short-term borrowings	1,574,389,500.00	1,592,000,000.00
Held-for-trading financial liabilities	–	–
Derivative financial liabilities	–	–
Notes payable	100,000,000.00	100,000,000.00
Accounts payable	73,158,425.59	142,912,588.21
Receipts in advance	–	–
Contractual liabilities	5,213,375.83	774,080.52
Employee benefits payables	2,673,829.61	3,091,271.03
Tax payable	2,227,385.05	3,022,552.00
Other accounts payable	2,557,214,220.19	2,093,865,668.97
Including: Interest payable	3,209,081.01	1,770,389.13
Dividend payable	131,890,065.30	–
Liabilities held-for-sale	–	–
Non-current liabilities due within one year	18,200,000.00	619,201,904.88
Other current liabilities	–	–
Total current liabilities	4,333,076,736.27	4,554,868,065.61
Non-current liabilities:		
Long-term borrowings	34,500,000.00	134,600,000.00
Bonds payable	602,429,313.07	–
Including: Preferred shares	–	–
Perpetual bond	–	–
Lease liabilities	–	–
Long-term accounts payables	–	–
Long-term employee benefits payables	–	–
Estimated liabilities	–	–
Deferred income	11,247,191.83	11,562,201.19
Deferred income tax liabilities	6,026,751.69	6,026,751.69
Other non-current liabilities	–	–
Total non-current liabilities	654,203,256.59	152,188,952.88
Total liabilities	4,987,279,992.86	4,707,057,018.49

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Owners' equity:		
Share capital	879,267,102.40	879,267,102.40
Other equity instruments	–	–
Including: Preferred shares	–	–
Perpetual bond	–	–
Capital reserve	533,103,277.48	533,103,277.48
Less: Treasury stock	–	–
Other comprehensive income	3,509,701.20	3,509,701.20
Special reserves	–	–
Surplus reserves	202,844,347.95	202,844,347.95
Undistributed profits	<u>1,268,745,735.67</u>	<u>1,359,220,177.94</u>
Total owners' equity	<u>2,887,470,164.70</u>	<u>2,977,944,606.97</u>
Total liabilities and owners' equity	<u><u>7,874,750,157.56</u></u>	<u><u>7,685,001,625.46</u></u>

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2020

Unit: RMB

Items	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	1,610,522,490.35	1,939,942,140.60
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	5,165,191.52	19,401,973.23
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	26,794,607.52	38,426,146.85
Other cash receipts relating to operating activities	21,882,709.65	30,890,549.51
Sub-total of cash inflows from operating activities	1,664,364,999.04	2,028,660,810.19
Cash paid for goods and services	822,808,353.52	992,839,286.99
Net increase in customer loans and advances	-22,932,000.00	-111,260,000.00
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	270,244,486.36	322,047,309.93
Payments of taxes and levies	147,178,943.08	194,299,463.78
Other cash payments relating to operating activities	47,990,014.21	47,296,661.65
Sub-total of cash outflows from operating activities	1,265,289,797.17	1,445,222,722.35
Net cash flows from operating activities	399,075,201.87	583,438,087.84

Items	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
II. Cash flows from investing activities:		
Cash received from investments	–	25,850,000.00
Cash received from returns on investments	–	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,307,356.26	580,412.45
Net cash received from disposal of subsidiaries and other operating units	–	–
Other cash receipts relating to investing activities	–	–
Sub-total of cash inflows from investing activities	1,307,356.26	26,430,412.45
Cash paid to acquire fixed assets, intangible assets and other long-term assets	323,495,947.09	299,595,101.18
Cash paid on investments	18,550,000.00	10,388,000.00
Net increase in pledged loans	–	–
Net cash paid on acquisition of subsidiaries and other operating units	–	62,346,247.39
Other cash payments relating to investing activities	–	–
Sub-total of cash outflows from investing activities	342,045,947.09	372,329,348.57
Net cash flows from investing activities	-340,738,590.83	-345,898,936.12

Items	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
III. Cash flows from financing activities:		
Cash received from financing	51,450,000.00	21,750,000.00
Including: Cash received by subsidiaries from investment from minority shareholders	51,450,000.00	21,750,000.00
Cash received from borrowings	1,972,640,572.00	1,104,358,028.84
Cash received from other financing activities	<u>—</u>	<u>—</u>
Sub-total of cash inflows from financing activities	<u>2,024,090,572.00</u>	<u>1,126,108,028.84</u>
Cash payments for settlement of borrowings	2,300,776,101.92	916,044,778.66
Cash payments for distribution of dividend, profit or interest expenses	97,070,390.24	112,916,336.05
Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders	<u>—</u>	<u>44,000,000.00</u>
Other cash payments relating to financing activities	<u>—</u>	<u>58,826,475.00</u>
Sub-total of cash outflows from financing activities	<u>2,397,846,492.16</u>	<u>1,087,787,589.71</u>
Net cash flows from financing activities	<u>-373,755,920.16</u>	<u>38,320,439.13</u>
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-1,235,901.02	-1,403,785.86
V. Net increase in cash and cash equivalents	-316,655,210.14	274,455,804.99
Add: Balances of cash and cash equivalents at beginning of period	1,096,743,745.12	1,028,991,292.47
VI. Balances of cash and cash equivalents at end of period	780,088,534.98	1,303,447,097.46

CASH FLOW STATEMENT OF THE PARENT COMPANY (UNAUDITED)*For the six months ended 30 June 2020**Unit: RMB*

Items	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	198,986,199.79	370,745,423.95
Refund of taxes and levies	104,996.80	1,015,658.18
Other cash receipts relating to operating activities	2,079,504,325.95	6,033,726.89
Sub-total of cash inflows from operating activities	2,278,595,522.54	377,794,809.02
Cash paid for goods and services	199,327,153.43	214,147,409.21
Cash paid to and on behalf of employees	30,380,998.21	59,608,613.42
Payments of taxes and levies	1,490,048.97	11,717,727.46
Other cash payments relating to operating activities	1,735,530,295.66	171,397,416.94
Sub-total of cash outflows from operating activities	1,966,728,496.27	456,871,167.03
Net cash flows from operating activities	311,867,026.27	-79,076,358.01
II. Cash flows from investing activities:		
Cash received from investments	–	–
Cash received from returns on investments	63,388,924.73	61,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	245,577.87	–
Net cash received from disposal of subsidiaries and other operating units	–	–
Other cash receipts relating to investing activities	–	–
Sub-total of cash inflows from investing activities	63,634,502.60	61,000,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	3,821,806.30	9,639,520.25
Cash paid on investments	320,850,000.00	54,638,000.00
Net cash paid on acquisition of subsidiaries and other operating units	–	63,956,600.00
Other cash payments relating to investing activities	–	–
Sub-total of cash outflows from investing activities	324,671,806.30	128,234,120.25
Net cash flows from investing activities	-261,037,303.70	-67,234,120.25

Items	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
III. Cash flows from financing activities:		
Cash received from financing		
Cash received from borrowings	1,738,389,500.00	970,000,000.00
Cash received from other financing activities	<u>–</u>	<u>967,768,949.15</u>
Sub-total of cash inflows from financing activities	<u>1,738,389,500.00</u>	<u>1,937,768,949.15</u>
Cash payments for settlement of borrowings	1,831,212,000.00	711,503,132.08
Cash payments for distribution of dividend, profit or interests expenses	55,339,914.28	44,769,691.37
Other cash payments relating to financing activities	<u>–</u>	<u>801,295,734.23</u>
Sub-total of cash outflows from financing activities	<u>1,886,551,914.28</u>	<u>1,557,568,557.68</u>
Net cash flows from financing activities	<u>-148,162,414.28</u>	<u>380,200,391.47</u>
IV. Effect of foreign exchange rate changes on cash and cash equivalents	–	–
V. Net increase in cash and cash equivalents	-97,332,691.71	233,889,913.21
Add: Balances of cash and cash equivalents at beginning of period	578,025,911.40	711,461,806.71
VI. Balances of cash and cash equivalents at end of period	480,693,219.69	945,351,719.92

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Amount of current period

Unit: RMB

Items	For the first half of 2020														
	Attributable to owners of the parent company														Total owners' equity
	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	
I. Balance at the end of last period	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
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of previous years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at beginning of period	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
III. Movement of the period															
(Decrease represented by "+" signs)	-	-	-	-	-	-	1,128,213.20	-1,235,901.02	-	-	28,651,889.92	-	28,544,202.10	59,853,681.03	88,397,883.13
(1) Total comprehensive income	-	-	-	-	-	-	1,128,213.20	-	-	-	160,541,955.22	-	161,670,168.42	-2,846,318.97	158,823,849.45
(2) Contribution from owners and reduction of capital	-	-	-	-	-	-	-	-	-	-	-	-	-	62,700,000.00	62,700,000.00
1. Injection of ordinary shares from owners	-	-	-	-	-	-	-	-	-	-	-	-	-	62,700,000.00	62,700,000.00
2. Injection from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment included in the amount of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profits appropriation	-	-	-	-	-	-	-	-	-	-	-131,890,065.30	-	-131,890,065.30	-	-131,890,065.30
1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawn from provision for normal risks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-131,890,065.30	-	-131,890,065.30	-	-131,890,065.30
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	-	-	-	-	-	-	-	-1,235,901.02	-	-	-	-	-1,235,901.02	-	-1,235,901.02
1. Withdrawn during this period	-	-	-	-	-	-	-	6,565,148.30	-	-	-	-	6,565,148.30	-	6,565,148.30
2. Usage during this period	-	-	-	-	-	-	-	7,801,049.32	-	-	-	-	7,801,049.32	-	7,801,049.32
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of period	879,267,102.40	-	-	-	438,712,765.03	-	18,129,449.43	4,263,213.41	219,355,623.05	5,611,350.00	2,807,836,462.10	-	4,373,175,965.42	750,065,287.22	5,123,241,252.64

Amount of last period

Unit: RMB

Items	For the first half of 2019															
	Attributable to owners of the parent company															
	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	
Share capital	Preferred shares	Perpetual bond	Others													
I.	Balance at the end of last period	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 period	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 period															
	(Decrease represented by "+" signs)	-7,833,000.00	-	-	-	-61,802,195.79	-67,772,830.00	-1,403,785.87	235,754.17	-	-	131,193,317.96	-	128,162,920.47	69,763,583.46	197,926,503.93
	(1) Total comprehensive income	-	-	-	-	-	-	-1,403,785.87	-	-	-	252,435,142.23	-	251,031,356.36	38,586,119.09	289,617,475.45
	(2) Contribution from owners and reduction of capital	-7,833,000.00	-	-	-	-61,802,195.79	-67,772,830.00	-	-	-	-	-	-	-1,862,365.79	75,177,464.37	73,315,098.58
	1. Injection of ordinary shares from owners	-	-	-	-	-	-	-	-	-	-	-	-	-	24,000,000.00	24,000,000.00
	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	-	-	-	-	-	-	-	-	-
	4. Others	-	-	-	-	-1,862,365.79	-	-	-	-	-	-	-	-1,862,365.79	51,177,464.37	49,315,098.58
	(3) Profits appropriation	-	-	-	-	-	-	-	-	-	-	-121,241,824.27	-	-121,241,824.27	-44,000,000.00	-165,241,824.27
	1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2. Withdrawn from provision for normal risks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-121,241,824.27	-	-121,241,824.27	-44,000,000.00	-165,241,824.27
	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 (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	-	-	-	-	-	-	-	235,754.17	-	-	-	-	235,754.17	-	235,754.17
	1. Withdrawn during this period	-	-	-	-	-	-	-	6,988,928.27	-	-	-	-	6,988,928.27	-	6,988,928.27
	2. Usage during this period	-	-	-	-	-	-	-	6,753,174.10	-	-	-	-	6,753,174.10	-	6,753,174.10
	(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Balance at the end of period	879,267,102.40	-	-	-	436,850,399.24	-	15,523,794.83	5,796,758.45	202,915,933.37	5,611,350.00	2,624,129,712.97	-	4,170,095,051.26	713,992,031.89	4,884,087,083.15

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY

Amount of current period

Unit: RMB

Items	For the first half of 2020										
	Other equity instruments				Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
	Share capital	Preferred shares	Perpetual bond	Others							
I. Balance at the end of last period	879,267,102.40	-	-	-	533,103,277.48	-	3,509,701.20	-	202,844,347.95	1,359,220,177.94	- 2,977,944,606.97
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Correction of previous years	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at beginning of period	879,267,102.40	-	-	-	533,103,277.48	-	3,509,701.20	-	202,844,347.95	1,359,220,177.94	- 2,977,944,606.97
III. Movement of the period											
(Decrease represented by “-” signs)	-	-	-	-	-	-	-	-	-	-90,474,442.27	- -90,474,442.27
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	41,415,623.03	- 41,415,623.03
(2) Contribution from owners and reduction of capital	-	-	-	-	-	-	-	-	-	-	-
1. Injection of ordinary shares from owners	-	-	-	-	-	-	-	-	-	-	-
2. Injection from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment included in the amount of owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profits appropriation	-	-	-	-	-	-	-	-	-	-131,890,065.30	- -131,890,065.30
1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-131,890,065.30	- -131,890,065.30
3. 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	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawn during this period	-	-	-	-	-	-	-	-	-	-	-
2. Usage during this period	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of period	879,267,102.40	-	-	-	533,103,277.48	-	3,509,701.20	-	202,844,347.95	1,268,745,735.67	- 2,887,470,164.70

Amount of last period

Unit: RMB

Items	For the first half of 2019										
	Other equity instruments				Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
	Share capital	Preferred shares	Perpetual bond	Others							
I. Balance at the end of last period	887,100,102.40	-	-	-	593,043,107.48	67,772,830.00	3,509,701.20	-	186,404,658.27	1,332,504,795.10	- 2,934,789,534.45
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Correction of previous years	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at beginning of period	887,100,102.40	-	-	-	593,043,107.48	67,772,830.00	3,509,701.20	-	186,404,658.27	1,332,504,795.10	- 2,934,789,534.45
III. Movement of the period											
(Decrease represented by “-” signs)	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	-	42,780,177.02	- 42,780,177.02
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	164,022,001.29	- 164,022,001.29
(2) Contribution from owners and reduction of capital	-7,833,000.00	-	-	-	-59,939,830.00	-67,772,830.00	-	-	-	-	-
1. Injection of ordinary shares from owners	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profits appropriation	-	-	-	-	-	-	-	-	-	-121,241,824.27	- -121,241,824.27
1. Withdrawn from surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-121,241,824.27	- -121,241,824.27
3. 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	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawn during this period	-	-	-	-	-	-	-	-	-	-	-
2. Usage during this period	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of period	879,267,102.40	-	-	-	533,103,277.48	-	3,509,701.20	-	186,404,658.27	1,375,284,972.12	- 2,977,569,711.47

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS:

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICES

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

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2019. This interim result has not been audited by the auditor of the Company but has been reviewed by the audit committee of the Company.

2. OPERATING REVENUE

Operating revenue represents the net amount received and receivable for goods sold and services rendered by the Group to external customers, less trade discounts. Analysis of the Group’s operating revenue during the Period is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Industrial waste recycling	481,624,599.08	565,662,430.25
Industrial waste treatment and disposal	690,562,901.50	796,882,986.93
Municipal waste treatment and disposal	61,304,968.85	106,423,903.40
Renewable energy utilization	43,659,915.42	44,879,738.42
Environmental engineering and services	124,257,574.36	74,549,762.17
Trading and others	11,466,993.48	12,903,595.27
Waste electrical appliance dismantling treatment	66,153,140.34	88,576,844.85
Total	<u>1,479,030,093.03</u>	<u>1,689,879,261.29</u>

3. SEGMENT INFORMATION

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

i) For the six months ended 30 June 2020 (unaudited)

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
Operating revenue	481,624,599.08	710,904,279.28	61,304,968.85	43,659,915.42	141,156,608.92	17,114,991.66	66,153,140.34	29,690,797.34	-72,579,207.86	1,479,030,093.03
Including: revenue from external transactions	481,624,599.08	690,562,901.50	61,304,968.85	43,659,915.42	124,257,574.36	11,466,993.48	66,153,140.34			1,479,030,093.03
Revenue from intra-segment transactions		20,341,377.78			16,899,034.56	5,647,998.18		29,690,797.34	-72,579,207.86	
Operating cost	366,880,020.93	378,280,453.43	82,909,264.01	32,430,099.19	108,167,194.70	8,009,940.86	48,280,079.55	922,178.16	-15,324,362.05	1,010,554,868.78
Total segment profit (loss)	51,128,079.23	119,948,111.76	-18,952,959.85	12,780,446.62	19,406,073.27	5,323,436.82	10,666,352.48	63,504,253.75	-66,871,662.35	196,932,131.73
Total assets	2,794,745,959.69	3,129,102,189.37	583,810,265.45	311,985,674.79	567,935,938.71	429,830,388.18	574,310,403.47	4,712,512,234.85	-2,880,046,705.89	10,224,186,348.62
Total liabilities	307,650,822.94	2,486,743,118.38	396,013,516.40	35,615,017.76	289,872,703.29	42,307,264.95	295,654,372.54	2,516,792,756.59	-1,269,704,476.87	5,100,945,095.98
Supplemental information										
Impairment loss recognized during the current period	-276,940.97	-1,744,139.32	-57,081.52	-97,626.14	-957,847.25	-25,640.87	-147,922.33			-3,307,198.40
Including: share of goodwill impairment										
Share of impairment of fixed assets and construction in progress										

ii) For the six months ended 30 June 2019 (unaudited)

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
Operating revenue	565,662,430.25	823,423,536.82	106,423,903.40	44,879,738.42	81,857,229.15	16,952,520.56	88,576,844.85	30,412,263.43	-68,309,205.59	1,689,879,261.29
Including: revenue from external transactions	565,662,430.25	796,882,986.93	106,423,903.40	44,879,738.42	74,549,762.17	12,903,595.27	88,576,844.85			1,689,879,261.29
Revenue from intra-segment transactions		26,540,549.89			7,307,466.98	4,048,925.29		30,412,263.43	-68,309,205.59	
Operating cost	420,765,852.16	443,961,616.03	99,441,455.42	32,668,044.16	66,185,521.33	11,139,932.14	55,896,442.11	1,420,913.03	-39,390,035.49	1,092,089,740.89
Total segment profit	89,031,031.06	225,336,776.65	6,918,166.52	14,864,800.30	12,191,597.52	8,226,890.11	25,818,955.77	102,636,038.85	-150,577,966.81	334,446,289.97
Impairment losses recognized for the current period	-1,068,022.08	-5,813,563.46	-252,562.80	-372,735.06	-534,848.08	-25,326.04	-77,174.10			-8,144,231.62
Total assets	3,160,552,215.01	3,177,050,083.50	571,912,127.03	286,724,262.86	458,495,117.94	809,010,202.36	536,674,979.96	3,892,129,680.92	-2,447,302,485.56	10,445,246,184.02
Total liabilities	302,148,724.99	1,494,234,027.63	525,217,914.75	36,297,399.10	247,845,695.26	79,968,246.85	269,318,371.72	2,716,368,946.71	-110,240,226.14	5,561,159,100.87

4. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interest expenses	69,435,493.68	76,508,617.13
Interest income	6,594,973.16	7,486,072.26
Profit or loss from exchange	323,021.90	170,173.48
Bank charges and others	233,115.65	426,561.11
	<u>63,396,658.07</u>	<u>69,619,279.46</u>
Total	<u>63,396,658.07</u>	<u>69,619,279.46</u>

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interests on bank borrowings		
Bank borrowings fully repayable within five years	80,789,087.00	58,634,361.76
Interest expenses on lease liabilities	362,166.68	34,314.28
Bond interests calculated based on actual interest rates	10,900,007.06	35,624,576.05
Sub-total	92,051,260.74	94,293,252.09
Less: capitalized interests	-22,615,767.06	-17,784,634.96
	<u>69,435,493.68</u>	<u>76,508,617.13</u>
Total	<u>69,435,493.68</u>	<u>76,508,617.13</u>

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 4.92% (2019: 5.21%) per annum to expenditure on qualifying assets.

5. CREDIT IMPAIRMENT LOSSES

Items	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Provisions for bad debts of other receivables	-72,019.08	-10,726,974.62
Provisions for bad debts of accounts receivable	-3,335,617.42	2,582,743.00
Loss on impairment of contract assets	-367,561.90	—
Loss on impairment of loans	468,000	—
	<u>-3,307,198.40</u>	<u>-8,144,231.62</u>
Total	<u>-3,307,198.40</u>	<u>-8,144,231.62</u>

6. INCOME TAX EXPENSES

(1) 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 before tax.
- e) Huabao Technology is entitled to tax incentive as a new and high technology enterprise, and enjoys 15% EIT tax rate from 2020 to 2022, and its research and development fees enjoy EIT reduction of 25% before tax.
- f) Jiangxi Huabao is qualified as a small-scale enterprise 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 2020 to 2022, and its research and development fees enjoy EIT reduction of 25% before tax.
- h) Dongjiang Properties is qualified as a small-scale enterprise 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 enterprise 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 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 research and development fees enjoy EIT reduction of 25% before tax, and its revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax.
- k) Huizhou Transport is qualified as a small-scale enterprise 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) Zhuhai Qingxin is qualified as a small-scale enterprise with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- m) Qingxuan Xinlv’s revenue from resources recycling business enjoys 10% reduction on assessable total revenue of EIT tax.
- n) 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.

- o) 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.
- p) 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.
- q) Dongjiang Kaida is qualified as a small-scale enterprise with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- r) 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.
- s) Nanchang Xinguan is qualified as a small-scale enterprise with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- t) Hefei Xinguan is qualified as a small-scale enterprise with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- u) 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.
- v) 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 before tax.
- w) Jiangxi Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, and enjoys 50% EIT reduction from 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 2020 to 2022.
- x) Humen Lvyuan 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.
- y) 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.
- z) 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.
- aa) 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.
- bb) 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.

- cc) 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.
- dd) Zhenjiang Dongjiang is qualified as a small-scale enterprise with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- ee) 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.
- ff) Fujian Oasis 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. In particular, its incineration project is entitled to income tax incentive as an environmental protection project that meets certain requirements, and its revenue enjoys full EIT exemption from 2020 to 2022 and 50% EIT reduction from 2023 to 2025.
- gg) Longyan Oasis Environmental is qualified as a small-scale enterprise 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) Nanping Oasis Environmental is qualified as a small-scale enterprise 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) Sanming Oasis Environmental is qualified as a small-scale enterprise with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- jj) 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.
- kk) Jingzhou 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 2020 to 2022 and 50% EIT reduction for new incineration projects from 2023 to 2025.
- ll) 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.
- mm) Huateng Environmental is qualified as a small-scale enterprise with low profitability under the relevant requirements of the Ministry of Finance, and enjoys 25% reduction of assessable revenue and 20% EIT tax rate.
- nn) 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.
- oo) 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.

(2) 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 2020.

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 2020.

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 2020.

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 2020.

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 2020.

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 January to December 2020.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the unaudited net profit for the Period attributable to shareholders of the Company of approximately RMB160,541,955.22 (2019: approximately RMB252,435,142.23), and the weighted average number of approximately 879,267,102 ordinary shares (2019: 878,698,102 shares) in issue during the Period.

The Company had no diluting events in the interim periods of 2020 and 2019 and the diluted earnings per share was the same as basic earnings per share.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2019: Nil).

9. ACCOUNTS RECEIVABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Accounts receivables	905,938,160.42	862,658,276.50
Less: Provision for bad debts of accounts receivable	22,271,230.75	18,935,613.33
	<u>883,666,929.67</u>	<u>843,722,663.17</u>

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:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Aged		
Within 1 year	597,476,576.13	496,728,719.31
1-2 years	157,312,053.94	144,210,013.41
2-3 years	78,482,348.96	53,549,662.49
Over 3 years	50,395,950.64	149,234,267.96
Total	883,666,929.67	843,722,663.17

10. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables based on the invoice date as at the end of the Reporting Period:

	30 June 2020	31 December 2019
Aged		
Within 1 year	598,332,420.43	602,515,516.44
1-2 years	69,674,695.54	58,226,762.56
2-3 years	16,423,470.12	19,293,100.76
Over 3 years	6,095,491.63	5,855,921.39
Total	690,526,077.72	685,891,301.15

11. COMMITMENT

	Closing balance	Opening balance
Capital expenditures contracted for but not recognized in the financial statements		
– External investment	21,160,000.00	21,160,000.00
– Construction in progress	181,080,785.03	144,556,726.34
– Acquisition of machinery and equipment	39,396,419.89	42,426,718.41
Total	241,637,204.92	208,143,444.75

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Operation Analysis

Overview

In the first half of 2020, the outbreak of COVID-19 and fluctuation in global economy have presented unprecedented challenges. Under the strong leadership of the CPC Central Committee with President Xi Jinping at the core, the whole nation made concerted efforts to effectively control the pandemic and has resume operation and production in a timely manner. As such, China's economy began to improve from the decline with growth momentum emerged in the second quarter of 2020, showing a trend of steady recovery in domestic economy. Meanwhile, the increasing uncertainties and challenging situation at international level continued to weigh on China's economy and created numerous challenges for hazardous waste disposal industry.

During the Reporting Period, the Company achieved operating revenue of approximately RMB1,479 million, representing a year-on-year decrease of 12.48%; and the net profit attributable to shareholders of the Company of approximately RMB161 million, representing a year-on-year decrease of 36.40%. The year-on-year decrease in the operating revenue and net profit attributable to shareholders of the Company was mainly because affected by the pandemic of COVID-19, upstream and downstream enterprises suspended their operation and reduced the production capacity, which led to decrease in demand for hazardous waste disposal and the decrease in overall demand and price of recycling products. As of 30 June 2020, the Company's total assets amounted to RMB10,224 million, representing a year-on-year decrease of 1.65%; and the owners' equity attributable to shareholders of the Company amounted to approximately RMB4,373 million, representing a year-on-year increase of 0.66%.

- (I) Implementing pandemic prevention and control measures and achieving great results in resumption of operation and production

Facing the harsh challenges from the pandemic of COVID-19, the Company assumed its responsibilities as a state-owned enterprise, promptly initiated the emergency prevention and control plan and organized all staff of the Company to participate in pandemic prevention and control, which ensured "zero infection". The Company has also actively supported the pandemic prevention and control by fully strengthening the efforts in collection, transportation and disposal of medical waste, and safely disposed of over 9,000 tons of medical waste during the first half of the year, actively contributing to the pandemic prevention and control.

Meanwhile, the Company accelerated market expansion, made steady investment in the industry and service upgrade, strengthened internal management, focused on cost reduction and efficiency enhancement, actively organized the resumption of operation and production, and recorded operating revenue of RMB821 million in the second quarter of 2020, representing a period-on-period of 24.76%, and net profit attributable to parent company of RMB105 million, representing a period-on-period increase of 88.94%.

(II) Focusing on harmless treatment capacity and facilitating project construction

In view of the insufficient disposal capacity of incineration and landfill, the Company continued to accelerate the construction of relevant capacity and actively facilitated the completion and commencement of operation of projects. As of the date of this announcement, four projects of the Company has obtained the hazardous waste disposal business license and commenced operation, which provided additional hazardous waste disposal capacity of 83,800 tons per year, including incineration capacity of 49,800 tons per year and landfill capacity of 10,600 tons per year, contributing to continuous improvement of capacity structure. New projects which commenced include Tangshan Wandesi Project (29,000 tons per year in total, including 9,900 tons per year for incineration, 10,600 tons per year for landfill and 8,500 tons per year for physical and chemical treatment), Fujian Oasis Incineration Project (19,900 tons per year), Fujian Oasis Incineration Project (19,900 tons per year), Nantong Dongjiang Physical and Chemical Treatment Project (14,900 tons per year) and Shaoxing Huaxin Incineration Project (20,000 tons per year). In addition, Xiamen Dongjiang Incineration Project (20,000 tons per year) is expected to obtain hazardous waste disposal business license during the year.

(III) Implementing refined management to enhance management efficiency

During the Reporting Period, the Company adjusted and optimized the organizational management structure, organized and established the Guangdong business division, Central China business division, Eastern China business division and ecological and environmental service business division, improved the three-tier management system including headquarter, business divisions and branches and subsidiaries. It also strengthened the market expansion and operation management functions of our business divisions to organize and coordinate the operation and collaborative development of different regions and business sectors in a flexible and timely manner. The Company developed its proprietary safety and environmental protection management information platform named “Safe Dongjiang”, which utilizes information technology to comprehensively monitor the data related to safety, environmental protection, production and operation of its subsidiaries and branches, enabling real-time and intelligent management and effectively reduces the management cost and management delay. The Company also continued to improve the waste incineration indicator matching process and reduced the consumption of fuel and other raw material, thereby enhancing the disposal efficiency and effectively controlling the disposal cost.

For market management, to respond to the continuously intensifying competition, the Company strived to maintain the relationship with its customers, strengthened the business cooperation with core customers, and ensured orderly production at the facilities. The Company adjusted the market price management and control mechanism and authorization system, adopted flexible market pricing based on the costs of production and operation, market competition and other relevant factors, and optimized the contract signing procedures, which effectively accelerated its response to the market and enhanced the level of matching. The Company also actively overcame the impact from the pandemic and continued to optimize the layout in overseas market. In particular, during the Reporting Period, the Company obtained 6 new overseas customers and completed the registration of its copper sulfate product with the Ministry of Agriculture of Vietnam.

(IV) Optimizing debt structure and expanding financing channels

In April 2020, the Company successfully registered medium-term notes of RMB1.5 billion and issued the first trench of RMB600 million at an interest rate of 3.2%, which effectively reduced the financing cost. Currently, the Company had an overall financing interest rate of 4.35%, representing a decrease of 0.55 percentage point as compared to 4.9% of last year, and recorded a year-on-year decrease of approximately RMB6.22 million in finance cost.

The Company continuously strengthened capital management. While ensuring the capital sufficiency, the Company reduced its bank deposit by RMB316 million and interest-bearing liabilities by RMB353 million, achieving decrease in both deposits and loans during the Reporting Period. As at the end of the Reporting Period, the gearing ratio was 49.89%, representing a decrease of 1.68 percentage points as compared to that at the end of last year.

The Company's overall financing channels runs smoothly, and its comprehensive financing capability is excellent. As of 30 June 2020, the Company was granted comprehensive credit facilities of RMB7,904 million in total, of which RMB5,163 million were not utilized, providing sufficient liquidity to the future development of the Company.

(V) Adhering to innovation-driven development and establishing core technology competitiveness

During the Reporting Period, the Company and its subsidiaries obtained 35 new patents, including 5 invention patents, 29 utility model patents and 1 design patent. As of 30 June 2020, the Company obtained as total of 375 patents, which provided technical support for production, operation and expansion in domestic and international markets. The Company continued to increase its efforts in the development of key technologies and further strengthened the cooperation between industries, universities and research institutes. For application of national major project of science and technology, the “Technology for Recycling and Pollution Control of High Concentration Industrial Hazardous Waste” (《高濃工業危廢資源化回收與污染控制技術》) jointly applied with Tsinghua University passed the assessment for solid waste recycling technology key project conducted by the Ministry of Science and Technology of the PRC, and the “Integration and Demonstration of Recycling Facilities in Megacities in the Guangdong-Hong Kong-Macao Greater Bay Area” (《粵港澳大灣區特大城市資源化利用基地集成示範》) is applying for national major project of science and technology. For research and development, the Company is making steady progress in 8 independent research and development projects, including the “Commercialization of Technology for In-depth Treatment of Wastewater from Electroless Nickel Plating” (《化學鍍鎳廢水深度處理技術業化》), has reached a cooperation intention with Guangdong Academy of Sciences for 9 projects including the “Technology for Harmless Treatment and Recycling of Waste Catalyst used in Petrochemical Industry” (《廢石化催化劑無害化處理與資源回收技術》), entered into a framework cooperation agreement with Research Institute of Tsinghua University for the project of “High-value Recycling of Waste Traction Battery” (《廢動力電池高價值化回收》), and entered into a cooperation agreement with South China Normal University for the project of “Research of Technology for Subcritical/Supercritical Incineration of Flue Ash” (《亞臨界／超臨界焚燒飛灰技術研究》).

(VI) Making expansion in different segments to cultivate new profit growth drivers

The Company fully utilized its core advantages in market layout and technology innovation to cultivate new profit growth drivers based on the development trend of the environmental protection industry. Firstly, the Company put great efforts in the development of disposal of hazardous waste with high value such as laboratory waste, drug precursor waste and waste pesticide, further standardized the disposal process of these specialized business, and accelerated the construction of production lines. Secondly, based on different production bases, the Company applied for hazardous waste collection license to increase its hazardous waste collection capacity and establish first-mover advantage in the market. Thirdly, leveraging on the platform advantage of the Xiamen Oasis “City Mineral” Demonstration Base, the Company continued to develop the waste electrical appliance dismantling treatment business, and facilitated the development of new projects such as in-depth processing and recycling of waste steel and plastic.

Financial Review

Total Operating Revenue

During the Period, the Group's total operating revenue decreased by approximately 12.48% to approximately RMB1,479,030,093 (2019: approximately RMB1,689,879,261) as compared to the corresponding period in 2019. The net profit attributable to shareholders of the Company decreased by approximately 36.40% to approximately RMB160,541,955 (2019: approximately RMB252,435,142). The decrease in total operating revenue was mainly because affected by the pandemic of COVID-19, certain waste-generating enterprises temporarily suspended their operation, and the waste liquid generated by certain recyclable waste customers was shared by various environmental protection service providers due to intensive market competition, which led to decrease in demand for hazardous waste disposal and overall demand for recycling products, resulting in the decrease in total operating revenue of the Company. In particular, the operating revenue of the industrial waste treatment business decrease by approximately 13.34% to RMB690,562,902 (2019: approximately RMB796,882,986) over the same period last year. The operating revenue of industrial waste recycling business decrease by approximately 14.86% to RMB481,624,599 (2019: approximately RMB565,662,430) over the same period last year.

Profit

During the Period, the Group's integrated gross profit margin was approximately 33.04% (2019: approximately 36.69%), representing a decrease of 3.65 percentage points as compared to the corresponding period in last year. Net profit attributable to shareholders of the parent company decreased by approximately 36.40% to approximately RMB160,541,955 (2019: approximately RMB252,435,142) as compared to the corresponding period in last year. The decrease in gross profit margin and profit was mainly because the production and operation of upstream and downstream enterprises were affected by the pandemic of COVID-19 during the Reporting Period, which led to decrease in demand for hazardous waste disposal and thus the decrease in overall demand for recycling products and metal price. However, the Company continued to incur fixed costs and expenses, which resulting in significant decrease in gross profit margin and net profit.

Selling Expenses

During the Period, the Group's selling expenses were approximately RMB48,484,603 (2019: approximately RMB55,527,811), representing approximately 3.28% of the Group's total operating revenue (2019: approximately 3.29%). The decrease in selling expenses as compared to the corresponding period in last year was mainly because during the Reporting Period, our business operation was affected by the pandemic of COVID-19, which led to decrease in business scale and thus the decrease in selling expenses.

Administrative Expenses

During the Period, the Group's administrative expenses were approximately RMB165,919,001 (2019: approximately RMB163,530,207), representing approximately 11.22% of the Group's total operating revenue (2019: approximately 9.49%). The administrative expenses increased slightly, and its proportion to total operating revenue increased by approximately 1.54 percentage points. As such, the Company will strictly control the expenses by strengthening budget management.

Finance Cost

During the Period, the Group's finance cost was approximately RMB63,396,658 (2019: approximately RMB69,619,279), representing approximately 4.29% of the Group's total operating revenue (2019: approximately 4.12%). The decrease in finance cost as compared to the corresponding period in last year was mainly because the Company optimized its financing structure to effectively control the finance cost.

Income Tax Expenses

During the Period, the Group's income tax expenses were approximately RMB39,236,495 (2019: approximately RMB43,425,029), representing approximately 19.92% of the Group's profit before tax (2019: approximately 12.98%).

Financial Resources and Liquidity

As at 30 June 2020, the Group had net current assets of approximately RMB-966,531,242 (31 December 2019: approximately RMB-1,371,353,969) and current liabilities of approximately RMB3,621,526,659 (31 December 2019: approximately RMB4,397,027,120). The current assets include cash and cash equivalents of approximately RMB780,088,535 (31 December 2019: approximately RMB1,096,743,745). As at 30 June 2020, the Group had total liabilities of approximately RMB5,100,945,096 (31 December 2019: approximately RMB5,360,588,715). The Group's gearing ratio was approximately 49.89% (31 December 2019: approximately 51.57%), which was calculated based on the Group's total liabilities over total assets. As at 30 June 2020, the Group had bank loans of approximately RMB2,500,839,550 (31 December 2019: approximately RMB2,593,317,680).

Substantial Investments, Acquisitions and Disposals of Subsidiaries and Associates

In January and February 2020, the Company made investment of RMB18,550,000.00 in Ousheng Green Fuel (Jieyang) Co., Ltd.* (歐晟綠色燃料(揭陽)有限公司), an associate owned as to 37.1% by the Company.

In March 2020, the Company made investment of RMB35,000,000.00 in Shenzhen Qianhai Dongjiang Environment Technology Service Co., Ltd. (深圳市前海東江環保科技服務有限公司), a wholly owned subsidiary of the Company.

In March 2020, the Company made investment of RMB63,750,000.00 in Jieyang Dongjiang Guoye Environmental Protection Technology Co., Ltd. (揭陽東江國業環保科技有限公司), a subsidiary owned as to 85% by the Company.

In April 2020, the Company made investment of RMB50,000,000.00 in Jiangsu Dongjiang Environmental Services Co., Ltd. (江蘇東江環境服務有限公司), a wholly owned subsidiary of the Company.

In April and May 2020, the Company made investment of RMB53,550,000.00 in Mianyang Dongjiang Environmental Technology Co., Ltd. (綿陽東江環保科技有限公司), a subsidiary owned as to 51% by the Company.

In June 2020, the Company made investment of RMB100,000,000.00 in Zhuhai Dongjiang Environment Technology Co., Ltd. (珠海市東江環保科技有限公司), a subsidiary owned as to 60% by the Company.

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

Interest Rate and Foreign Exchange Risks

Interest Rate Risk

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

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

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

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2020, certain assets of the Group were pledged to secure bank borrowings, guarantees and letter of credit facilities granted to the Group, details of which are set out as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash and bank balances	8,722,200.00	8,016,859.00
Fixed assets	315,537,926.04	202,989,444.983
Intangible assets	195,195,967.60	141,692,384.44
Construction in progress	132,691,148.58	217,113,062.28
Other receivables	–	56,922,177.91
Accounts receivable	–	7,262,389.6
Total	<u>652,147,242.22</u>	<u>633,996,318.27</u>

Information on Employees and Remuneration Policies

As at 30 June 2020, the number of full-time employees of the Group was 4,778 (2019: 4,807) with total staff cost for the period ended 30 June 2020 of approximately RMB275,647,732.64 (2019: RMB296,366,863.11). The Group offers continuous training, remuneration package and additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Contingent Liabilities

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

Save as disclosed above, the Group had no other significant contingent liabilities as at 30 June 2020.

Capital Commitment

As at 30 June 2020, the capital commitment of the Group was as follows:

Items	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Capital expenditures contracted for but not provided for in the financial statement:		
– Foreign investment	21,160,000.00	21,160,000.00
– Construction in progress	181,080,785.03	144,556,726.340
– Acquisition of machinery and equipment	39,396,419.89	42,426,718.41
Total	241,637,204.92	208,143,444.75

Future and Prospects

In the second half of 2020, the Company will continue to focus on its main business of hazardous waste disposal, strive to stabilize its position and expand in the market, accelerate project construction, strengthen the research, development and innovation of technology, control its costs and expenses, put more efforts in safety and environmental protection management, stick to the predetermined goals, and strive to complete all tasks and meet all targets for the year, thereby facilitating the stable, healthy and orderly development of the Company.

(I) *Striving to facilitate project construction and focusing on development of the main business of hazardous waste disposal*

The Company has 7 projects under construction or proposed to be constructed, including Foshan Fulong Incineration Project, Zhuhai Fushan Project, Shaoguan Green Landfill Project, Fujian Nanping Landfill Project, Jiangsu Dongjiang Landfill Project (Phase II), Jieyang Dongjiang Project and Mianyang Dongjiang Project with total designed capacity of approximately 517,500 tons per year, including recycling capacity of 175,500 tons per year, incineration capacity of 100,000 tons per year, landfill capacity of 172,000 tons per year and physical and chemical treatment capacity of 70,000 tons per year.

In the second half of 2020, the Company will focus on completing the construction of Shaoguan Green Landfill Project, Foshan Fulong Incineration Project and Fujian Oasis Landfill Project, which can provide additional landfill capacity of 97,400 tons per year and incineration capacity of 30,000 tons per year. Meanwhile, the Company will also actively facilitate the technical modification and expansion of existing production capacity, accelerate the optimization and adjustment of qualified disposal capacity, improve the matching between actual disposal ability and market demand, and continuously optimize the Company's industry layout.

(II) *Strengthening refined management to prevent risks and control costs*

The Company will continue to improve the management quality and operation efficiency through refined management. Firstly, the Company will accelerate the construction of a standardized system, formulate the standardized business operation manual and effectively control the costs and expenses through standardization of project management, production process and product quality. Secondly, the Company will actively carry out special tasks of internal control improvement and construction and sort out all business rules to enable their regulating and guiding functions, thereby ensuring stable operation and development of the Company. Thirdly, the Company will thoroughly implement all the rules and regulations of risk management, establish an interactive and collaborative working mechanism and conscientiously implement comprehensive risk management in order to effectively prevent and control different risks. Fourthly, the Company will promote information-based management, regulate and facilitate business operation, and improve the ability in data archiving, processing and analysis, thereby providing reliable support to the operation management and strategic development of the Company.

(III) Responding to industry trend and enhancing operation efficiency

Based on the industry policies and market trend, the Company will further facilitate service improvement and business expansion. Firstly, the Company will increase its efforts in development of leading business in the market and improvement of service quality, strengthen the collaboration and market interaction among hazardous waste disposal facilities, enhance the Company's service ability under the "collaborative, one-stop and specialized" new business model, and provide high-quality customized services to the customers. Secondly, the Company will make timely adjustment to the recycling product structure based on market demand and produce products with great market demand and high gross profit in order to increase its market share. Thirdly, the Company will optimize the innovative production techniques and process, improve the recycling rate of valuable resources, reduce the content of secondary waste and residue, enhance the production efficiency and reduce the disposal cost. Fourthly, leveraging on its comprehensive advantages in environmental protection engineering, solid waste treatment, wastewater treatment, environmental protection project operation, and research, development and innovation, the Company will improve its ability in providing ecological and environmental comprehensive services, establish technological core competitiveness, and develop in "asset-light" business sectors. Fifthly, the Company will facilitate the expansion in market segments such as hazardous waste with high value, city mineral and hazardous waste collection, and explore the development opportunities in solid waste disposal businesses such as dismantling and recycling of waste motor vehicles and recycling of traction battery.

(IV) Adhering to innovation-driven development and improving the quality of scientific research and innovation

The Company will adhere to the innovation-driven development strategy, maintain its investment in scientific research and innovation to strengthen the reserve of professional technologies. Firstly, the Company will promote the market-oriented reform of research institutes, focus on product production and customer demand, strengthen technical assessment of projects, process supervision, assessment on inspection and acceptance, increase the technological achievement transformation rate, and fully utilize the leading effects of innovative technology in collection and transportation, production, treatment and disposal as well as product sales. Secondly, the Company will also actively introduce national and provincial environmental protection engineering centers or research centers, actively establish national and provincial key laboratories and engineering technology centers to form a high quality technology innovation platform, focus on addressing a number of applied technology-related research topics regarding hazardous waste management and disposal, and strengthen the cooperation between industries, universities and research institutes to maximize the synergy of innovative research elements.

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

The Company will continue to implement the pilot program of comprehensive reform under the theme of “incentive, constraint and fault tolerance”, actively explore effective incentives under the state-owned shareholding system, adhere to the results-oriented and market-oriented approach, establish a horizontally competitive remuneration system linked to economic benefits of enterprises, and improve the merit-based recruitment and promotion mechanism. By adhering to the principle of reasonable allocation and general regulation and control, the Company will identify its shortfall of and demand for talents, pay attention to nurturing junior staff, stabilize senior management personnel, establish a talent pool and improve its talent reserve, and develop a comprehensive and talented management team equipped with professionalism, technical and managerial knowledge, thereby providing talent support for the Company's operation and management, project development and industrial upgrading. The Company will also explore mid to long-term equity incentive mechanism that meets the management requirements of state-owned enterprises, thereby further motivating the backbone staff to work diligently and proactively with enterprising spirit and strengthening the sense of fulfillment and sense of belonging of all staff.

(VI) *Adhering to the safe development concept to ensure stable operation of the Company*

The Company will uphold the safe development concept, adhere to problems-oriented, goals-oriented and results-oriented approaches, and increase its efforts in source improvement, systematic improvement and comprehensive improvement, thereby ensuring production safety and facilitating high-quality development of the Company. The Company will increase efforts in identifying and eliminating safety hazard in key areas and aspects, and organize inspection and special rectification activities in respect of production safety and fire safety. It will also strengthen the construction of dual-prevention system by establishing a dual-prevention system featuring hierarchical control of safety risks and identification and elimination of safety hazards and accidents, thereby controlling the risks to prevent safety hazard and eliminating the safety hazards to prevent accidents.

The Company will further improve the construction and application of the “Safe Dongjiang” platform, establish a full set of standardized systems for incineration, physical and chemical treatment, landfill and recycling business sectors and information-based management of waste disposal, improve the construction, operation and maintenance systems of the facilities, and carry out intelligent management pilot program based on the “Safe Dongjiang” platform, thereby fully enhancing the information-based and intelligent management of the Company in aspects of safety and environmental protection.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the Period.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

REVIEW OF THE INTERIM RESULTS

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code for the purpose of reviewing and supervising the Group's financial reporting process, risk management and internal audit functions and control. The audit committee of the Company, comprising three independent non-executive Directors, namely Mr. Zhu Zhengfu, Mr. Qu Jiu Hui and Mr. Wong Hin Wing, has reviewed the results and financial statements of the Group for the six months ended 30 June 2020. In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have not been audited by the auditor of the Company.

EVENTS DURING THE PERIOD

Registration and issuance of medium-term notes

During the Reporting Period, the Company proposed to register and issue not exceeding RMB1.5 billion (included) of mid-term notes with a maturity date of not more than three years. The resolution on the registration and issue of medium-term notes was passed at the first extraordinary general meeting in 2020 of the Company dated 11 February 2020. The Company has completed the first trench of the issuance of the medium-term notes on 11 May 2020. The issue size was RMB600 million and the proceeds have all been received by the Company on 12 May 2020.

For details, please refer to the Company's announcements dated 26 December 2019 and 13 May 2020 and circular dated 21 January 2020.

Agreement on purchase and sale of industrial and mining products

On 11 February 2020, Qingyuan Xinlv Environmental Technology Co., Ltd* (清遠市新綠環境技術有限公司) (“**Qingyuan Xinlv**”, as supplier) and Danxia Smelter of Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd.* (深圳市中金嶺南有色金屬股份有限公司丹霞冶煉廠) (“**Danxia Smelter**”, as purchaser) entered into an agreement on purchase and sale of industrial and mining products. Pursuant to the agreement on purchase and sale of industrial and mining products, the parties agreed that Qingyuan Xinlv shall supply copper sulphate to Danxia Smelter and the annual cap shall be not exceeding RMB4,500,000.

For details, please refer to the Company’s announcement dated 11 February 2020.

Renewal of financial services agreement

On 25 February 2020, the Company entered into the Financial Services Agreement with Guangdong Rising Finance Co., Ltd.* (廣東省廣晟財務有限公司) (“**Rising Finance**”) in relation to the provision of the financial services by Rising Finance to the Company. The financial service agreement and the transactions contemplated thereunder were passed at the Company’s second extraordinary general meeting in 2020 held on 12 May 2020 and the term of such agreement is one year.

For details, please refer to the Company’s announcement dated 25 February 2020 and circular dated 24 April 2020.

Amendment of articles of association

During the Reporting Period, it was passed at the first extraordinary general meeting in 2020 of the Company held on 11 February 2020 that certain amendments should be made to the articles of association pursuant to 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)* (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》國函[2019] 97號)) issued by the State Council, the “Company Law of the People’s Republic of China (Revised in 2018)”, the “Guidelines for the Governance of Listed Companies (Revised in 2018)” and the “Guidelines on the Articles of Association of Listed Companies (Revised in 2020)”, promulgated by the CSRC and relevant stipulations and taking into account the operation of the Company.

For details, please refer to the Company’s announcement dated 9 December 2019 and circular dated 21 January 2020.

Election of executive director

The resolution on the election of Mr. Lin Peifeng as an executive director of the Sixth Session of the Board of the Company has been approved by the Shareholders at the 2019 AGM. The term of office of Mr. Lin Peifeng will take effect from the date of approval at the 2019 AGM until the expiration of the term of the Sixth Session of the Board of the Company.

For details, please refer to the Company’s announcements dated 26 May 2020 and 29 June 2020 and circular dated 26 May 2020.

Public issue of corporate bonds

On 10 April 2020, the Board of the Company approved and resolved to submit to the shareholders for considering, and if thought fit, approving the public issue of the corporate bonds with an aggregate principal amount of not exceeding RMB1.5 billion (inclusive of RMB1.5 billion) (the “**Corporate Bonds**”) to professional investors in the People’s Republic of China according to relevant laws and regulations. Such resolution was passed at the second extraordinary general meeting in 2020 of the Company held on 12 May 2020.

For details, please refer to the Company’s announcement dated 13 April 2020 and circular dated 24 April 2020.

Change of auditors

As SHINEWING has been providing audit services to the Company for 15 consecutive years, according to the requirements of State-owned Assets Management Department on the continuous term of service of auditors, SHINEWING shall retire after the conclusion of the annual general meeting of the Company held on 29 June 2020 (i.e. the expiry of its current term of office). The Company proposed to engage Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) as the PRC auditors of the Company and Mazars CPA Limited as the international auditors of the Company for the provision of financial statement audit and internal control audit services for the year 2020. The relevant resolution has been approved by the shareholders in the 2019 annual general meeting of the Company held on 29 June 2020.

For details, please refer to the Company’s announcement dated 26 May 2020 and circular dated 26 May 2020.

EVENTS AFTER THE PERIOD

Fulong Environmental Project Construction Contract

On 9 July 2020, Foshan City Fulong Environmental Technology Limited* (佛山市富龍環保科技有限公司) (“**Fulong Environmental**”), a holding subsidiary of the Company, awarded the Exterior project of Foshan City Fulong Environmental Technology Limited* (佛山市富龍環保科技有限公司) Industrial Solid Waste Comprehensive Utilization and Disposal Project Fulong Environmental Project (“**Fulong Environmental Project**”) construction contract to Guangdong Yixin Great Wall Construction Group Limited* (廣東一新長城建築集團有限公司) (“**Guangdong Yixin**”) a project tender; and a notice of award has been delivered to Guangdong Yixin. Pursuant to the Fulong Environmental Project construction contract, Fulong Environmental agreed to engage Guangdong Yixin as the general contractor to carry out the construction works for the Fulong Environmental Project, at the bid-winning price of RMB7,470,000 (approximately HK\$8,250,790.98).

For details, please refer to the Company’s announcement dated 9 July 2020.

Supplemental Financial Services Agreement

On 14 August 2020, the Company entered into a supplemental financial services agreement with Guangdong Rising Finance Co., Ltd.* (廣東省廣晟財務有限公司) (“**Rising Finance**”), pursuant to which the maximum daily deposit amount of deposit services shall be revised as RMB385 million. The term shall be two years taking effect upon the supplemental financial services agreement and the transaction contemplated under the Financial Services Agreement (as supplemented by the supplemental financial services agreement) having been approved by the independent shareholders at an extraordinary general meeting. Save as disclosed above, the terms and conditions of the financial services agreement entered into between the Company and Rising Finance on 25 February 2020 in respect of the provision of the financial services by Rising Finance to the Company (the “**Financial Services Agreement**”) remain unchanged.

For details, please refer to the Company’s announcements dated 14 August 2020 and 25 February 2020.

RESIGNATION OF EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

On 12 August 2020, the board of directors received a resignation letter from Mr. Yao Shu (“**Mr. Yao**”) resigning as an executive director, chief executive officer and the member of strategic development committee due to his other work arrangements, effective from 12 August 2020. Following Mr. Yao’s resignation, the Company has appointed Mr. Tan Kan, the chairman and an executive director of the Company, as acting chief executive officer, pending the appointment of a new chief executive officer of the Company.

For details, please refer to the Company’s announcement dated 14 August 2020.

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

Shenzhen, Guangdong, the PRC
25 August 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. Lin Peifeng; three non-executive Directors, being 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