DONGJIANG ENVIRONMENTAL COMPANY LIMITED*
東江環保股份有限公司
(a joint stock limited company incorporated in the People's Republic of China)
(Stock code: 00895)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Dongjiang Environmental Company Limited* (the "**Company**") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**"), together with the comparative figures of the year ended 31 December 2020 are as follows:

(Unless specified otherwise, the financial information of the Group in this announcement is stated in Renminbi and rounded in thousand ("**RMB'000**").)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 *RMB'000*	2020 *RMB'000* (Restated)
Revenue	*4*	**4,015,230**	3,308,295
Cost of sales and services		**(2,911,653)**	(2,179,636)
Gross profit		**1,103,577**	1,128,659
Other income	*5*	**89,124**	157,705
Selling expenses		**(109,381)**	(100,869)
Administrative expenses		**(407,590)**	(361,726)
Other operating expenses		**(249,710)**	(233,336)
Net provision for loss allowance on trade, loans and other receivables		**(16,368)**	(45,095)
Impairment loss on goodwill		**(55,707)**	(34,535)
Impairment loss on construction in progress		**(41,015)**	–
Finance costs		**(135,010)**	(127,066)
Share of results of associates		**(2,166)**	547
Share of results of joint ventures		**15,753**	19,287
Profit before taxation	*6*	**191,507**	403,571
Income tax expenses	*7*	**(35,665)**	(68,225)
Profit for the year		**155,842**	335,346
Other comprehensive income			
Items that are reclassified or may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		**22**	408
Items that will not be reclassified to profit or loss			
Revaluation on transfer of property, plant and equipment to investment properties, net of tax		**–**	393
Other comprehensive income for the year, net of tax		**22**	801
Total comprehensive income for the year		**155,864**	336,147
Profit (Loss) for the year attributable to:			
Equity holders of the Company		**160,745**	304,920
Non-controlling interests		**(4,903)**	30,426
Profit for the year		**155,842**	335,346
Total comprehensive income (loss) for the year attributable to:			
Equity holders of the Company		**160,767**	305,549
Non-controlling interests		**(4,903)**	30,598
Total comprehensive income for the year		**155,864**	336,147
		RMB cents	*RMB cents*
Earnings per share			
Basic and diluted	*8*	**18**	35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000 (Restated)	As at 1 January 2020 RMB'000 (Restated)
Non-current assets				
Investment properties		**456,663**	449,741	433,545
Property, plant and equipment		**4,367,619**	3,275,325	2,884,124
Construction in progress		**1,015,213**	1,088,214	1,242,122
Right-of-use assets		**774,965**	764,065	612,950
Intangible assets		**539,893**	564,043	422,178
Goodwill		**1,182,402**	1,229,438	1,287,973
Interests in associates		**194,812**	196,978	166,881
Interests in joint ventures		**103,409**	95,156	85,869
Designated financial assets at fair value through other comprehensive income ("**FVOCI**")		**4,243**	–	–
Trade receivables and contract assets	*11*	**96,931**	99,088	101,727
Other non-current assets		**49,341**	76,786	114,757
Deferred tax assets		**50,389**	51,282	36,664
		8,835,880	7,890,116	7,388,790
Current assets				
Inventories		**550,902**	267,105	299,713
Loans receivables	*10*	**103,576**	125,724	160,230
Trade receivables and contract assets	*11*	**1,277,855**	1,147,944	1,087,819
Prepayment, deposits and other receivables		**491,767**	351,176	372,923
Prepaid income tax		**2,809**	3,775	2,834
Cash and cash equivalents		**550,421**	661,657	1,104,761
		2,977,330	2,557,381	3,028,280
Current liabilities				
Trade payables	*12*	**839,976**	729,967	786,251
Contract liabilities		**138,257**	131,915	169,267
Lease liabilities		**5,011**	8,461	5,858
Current portion of interest-bearing borrowings		**2,186,375**	1,971,310	1,823,658
Bond payables		**19,422**	12,800	863,584
Due to controlling shareholder		**332,742**	430,637	436,745
Income tax payables		**15,709**	33,068	33,068
Other payables		**268,029**	258,136	278,744
		3,805,521	3,576,294	4,397,175
Net current liabilities		**(828,191)**	(1,018,913)	(1,368,895)
Total assets less current liabilities		**8,007,689**	6,871,203	6,019,895

	As at 31 December 2021 *RMB'000*	As at 31 December 2020 *RMB'000* (Restated)	As at 1 January 2020 *RMB'000* (Restated)
Non-current liabilities			
Lease liabilities	**3,525**	3,571	10,653
Interest-bearing borrowings	**1,173,418**	661,588	769,659
Bond payables	**1,099,387**	599,438	–
Provisions	**77,924**	27,734	–
Deferred income	**162,774**	161,769	164,928
Deferred tax liabilities	**37,780**	19,939	15,364
Other payables	**5,086**	5,433	8,208
	2,559,894	1,479,472	968,812
NET ASSETS	**5,447,795**	5,391,731	5,051,083
Capital and reserves			
Share capital	**879,267**	879,267	879,267
Reserves	**3,725,652**	3,677,483	3,480,792
Equity attributable to equity holders of the Company	**4,604,919**	4,556,750	4,360,059
Non-controlling interests	**842,876**	834,981	691,024
TOTAL EQUITY	**5,447,795**	5,391,731	5,051,083

1. CORPORATE INFORMATION

Dongjiang Environmental Company Limited (the "**Company**") was incorporated as a joint stock limited company in the People's Republic of China (the "**PRC**") in accordance with the Company Law of the PRC (the "**Company Law**") on 18 July 2002. The registered address and the principal place of business of the Company is 1st Floor, 3rd Floor, North of 8th Floor, 9th-12th Floor, Dongjiang Environmental Building, No. 9 Langshan Road, North Zone of Hi-tech Industrial Park, Nanshan District, Shenzhen, the PRC.

The Company's shares are listed on both the Shenzhen Stock Exchange (the "**Shenzhen Stock Exchange**") ("**A shares**") and the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") ("**H shares**"). As at 31 December 2021, the Company had 679,129,602 A shares and 200,137,500 H shares.

In the opinion of the directors, the ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of the People's Government of Guangdong Province* (廣東省人民政府國有資產監督管理委員會).

The principal activities of the Company are processing and sales of recycled products, provision of waste treatment services, provision of environmental protection systems and services, and trading of chemical products. The Company and its subsidiaries are herein collectively referred to as the "Group".

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable IFRSs, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**"), the disclosure requirements of the Companies Ordinance and the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs that are relevant to the Group:

Amendments to IAS 39, IFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in September 2019 and relate to:

- changes to contractual cash flows–a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting–a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and

- disclosures–a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Future changes in IFRSs

At the date of this announcement, the IASB has issued new/revised IFRSs that are not yet effective for the current year, which the Group has not early adopted. The directors are in the process of assessing the possible impact on the future adoption of the new/revised IFRSs, but are not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. At the end of the reporting period, the Group's current liabilities exceeded its current assets by approximately RMB828,191,000.

The directors have evaluated all the relevant facts available to them and are of the opinion that there are no significant adverse conditions precluding the Group from obtaining sufficient available funding. The Group maintained cash and time deposits at banks and other financial institutions of approximately RMB521,425,000 as at 31 December 2021.

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

(i) the unutilised banking facilities readily available to the Group amounted to approximately RMB6,625,000,000 as at 31 December 2021;

(ii) the Company received the Registration Acceptance Notice (Zhong Shi Xie Shu [2021] SCP32) issued by the National Association of Financial Market Institutional Investors (the "**NAFMII**") on 2 February 2021 for issuance of super short-term financing bonds (the "**Super Short-Term Financing Bonds**") with an amount of not exceeding RMB1,500,000,000. The Super Short-Term Financing Bonds will be mainly for refinancing and replenishing the working capital of the Group. On 14 January 2022, the Company issued the first tranche of the Super Short-Term Financing Bonds with issuance size of RMB500,000,000; and

(iii) the Company will actively proceed with financial plans such as medium-term notes with an amount of RMB400,000,000 based on actual needs, optimise the debt structure of the Company and effectively supplement the working capital.

3. SEGMENT INFORMATION

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

For the purposes of assessing the performance of operating segments and allocating resources between segments, the executive directors assess the performance of reportable segments based on profit before taxation, share of results of associates and joint ventures.

Segment assets include all assets except for interests in associates and joint ventures. Segment liabilities include all liabilities.

Inter-segment sales are priced at cost plus profit margin.

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

2021 Reporting Segments

	Industrial waste recycling	Industrial waste treatment and disposal	Precious metal recycling	Municipal waste treatment and disposal	Renewable energy utilisation	Environmental engineering and services	Trading and others	Household appliance dismantling	Unallocated amounts	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,565,155	1,785,807	198,628	170,512	51,115	145,499	71,116	158,142	80,738	(211,482)	4,015,230
Inter-segment revenue	–	(73,643)	–	–	–	(36,626)	(20,475)	–	(80,738)	211,482	–
Revenue from external customers	1,565,155	1,712,164	198,628	170,512	51,115	108,873	50,641	158,142	–	–	4,015,230
Cost of sales	(1,246,900)	(1,021,304)	(190,696)	(167,159)	(44,817)	(90,189)	(19,804)	(130,784)	–	–	(2,911,653)
	318,255	690,860	7,932	3,353	6,298	18,684	30,837	27,358	–	–	1,103,577
Segment operating cost, net	(163,522)	(560,883)	(6,807)	(9,197)	(8,601)	(6,190)	(14,419)	(26,447)	(129,591)	–	(925,657)
Segment profit (loss) before tax	154,733	129,977	1,125	(5,844)	(2,303)	12,494	16,418	911	(129,591)	–	177,920
Share of results of associates											(2,166)
Share of results of joint ventures											15,753
Income tax expense											(35,665)
Profit for the year											155,842
Segment assets											
Segment assets	2,616,321	4,392,333	770,381	510,790	235,857	534,103	896,434	636,806	4,929,603	(4,007,639)	11,514,989
Interest in associates	–	–	–	–	–	–	–	–	194,812	–	194,812
Interest in joint ventures	–	–	–	–	–	–	–	–	103,409	–	103,409
Total assets											11,813,210
Segment liabilities	344,623	2,782,200	270,217	186,937	14,564	245,756	97,862	340,222	2,297,543	(214,509)	6,365,415

2020 Reporting Segments

	Industrial waste recycling *RMB'000*	Industrial waste treatment and disposal *RMB'000*	Precious metal recycling *RMB'000*	Municipal waste treatment and disposal *RMB'000*	Renewable energy utilisation *RMB'000*	Environmental engineering and services *RMB'000*	Trading and others *RMB'000*	Household appliance dismantling *RMB'000*	Unallocated amounts *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue (restated)	1,054,328	1,635,345	–	174,044	92,752	208,563	40,840	161,859	67,768	(127,204)	3,308,295
Inter-segment revenue	–	(35,836)	–	–	–	(23,600)	–	–	(67,768)	127,204	–
Revenue from external customers (restated)	1,054,328	1,599,509	–	174,044	92,752	184,963	40,840	161,859	–	–	3,308,295
Cost of sales (restated)	(843,407)	(814,550)	–	(186,779)	(66,179)	(143,105)	(11,995)	(113,621)	–	–	(2,179,636)
	210,921	784,959	–	(12,735)	26,573	41,858	28,845	48,238	–	–	1,128,659
Segment operating (cost) income, net (restated)	(65,520)	(480,155)	–	3,067	(538)	(5,227)	(15,263)	(18,857)	(162,429)	–	(744,922)
Segment profit (loss) before tax (restated)	145,401	304,804	–	(9,668)	26,035	36,631	13,582	29,381	(162,429)	–	383,737
Share of results of associates											547
Share of results of joint ventures											19,287
Income tax expense											(68,225)
Profit for the year (restated)											335,346
Segment assets											
Segment assets (restated)	2,709,835	3,486,426	–	555,153	262,489	578,396	881,130	592,906	4,940,836	(3,851,808)	10,155,363
Interest in associates	–	–	–	–	–	–	–	–	196,978	–	196,978
Interest in joint ventures	–	–	–	–	–	–	–	–	95,156	–	95,156
Total assets (restated)											10,447,497
Segment liabilities (restated)	306,991	2,091,752	–	165,527	35,446	297,453	82,190	297,184	2,330,018	(550,795)	5,055,766

4. REVENUE

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

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers within IFRS 15		
Recognised at a point in time		
Industrial waste recycling	**1,565,155**	1,054,328
Renewable energy utilisation	**51,115**	92,752
Household appliance dismantling	**158,142**	161,859
Precious metal recycling	**198,628**	–
Others	**36,838**	19,948
Recognised over time		
Industrial waste treatment and disposal	**1,712,164**	1,599,509
Municipal waste treatment and disposal	**170,512**	174,044
Environmental engineering and services	**108,873**	184,963
	4,001,427	3,287,403
Revenue from other sources		
Rental income	**9,785**	12,279
Interest income from loans receivables	**4,018**	8,613
	13,803	20,892
	4,015,230	3,308,295

5. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Interest revenue calculated using the effective interest method from banks and other financial institutions	**11,765**	11,394
Interest income from contract assets	**4,146**	4,266
Gain on change in fair value of investment properties	**6,922**	13,547
Gain on disposal of property, plant and equipment	**3,907**	19,338
Amortisation of deferred government grants *(Note)*	**11,646**	15,009
Government subsidies	**28,971**	35,702
Value-added tax refunds	**17,996**	52,256
Sundry income	**3,771**	6,193
	89,124	157,705

Note: The amount mainly represents the amortisation of government grants received from the environmental protection projects fund, energy saving emission reduction subsidies and resources recycling subsidies etc. The government grants are recognised as deferred income and credited to profit or loss in the period over the expected useful life of the relevant assets or the expected construction period of the relevant assets.

6. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Staff costs (including directors' emoluments)		
Salaries, bonus and other emoluments	**577,839**	547,226
Contribution to defined contribution retirement schemes **	**104,394**	47,372
Total staff costs	**682,233**	594,598
Other items		
Auditor's remuneration		
– Audit services	**2,080**	2,080
– Other services	**400**	400
Cost of sales	**1,633,000**	1,035,202
Cost of services	**1,278,653**	1,144,434
Depreciation and amortisation		
– Property, plant and equipment *	**469,300**	402,713
– Intangible assets *	**55,780**	52,625
– Right-of-use assets *	**23,580**	26,387
Exchange loss, net	**395**	1,884
Research and development expenses	**163,283**	126,314
Provision for (Reversal of) loss allowance on		
– Trade receivables and contact assets	**13,254**	5,705
– Other receivables	**3,566**	39,084
– Loans receivables	**(452)**	306
Impairment loss on goodwill	**55,707**	34,535
Write down of inventories, net	**441**	121
Provision for (Reversal of) impairment loss on property, plant and equipment	**841**	(54)
Reversal of impairment loss on intangible assets	**–**	(22)
Provision for impairment loss on construction in progress	**41,015**	–
Gain on disposal of property, plant and equipment	**(3,907)**	(19,338)
Gain on change in fair value of investment properties	**(6,922)**	(13,547)
Loss on disposal of a subsidiary	**323**	–
Gain on deregistration of subsidiaries	**(148)**	(3)
Written off of other non-current assets	**–**	24,500
Direct operating expenses arising from investment properties that generated rental income	**2,315**	1,709
Increase in provisions	**50,190**	27,734

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

** During the year ended 31 December 2020, the Group received the PRC government subsidy related to Covid-19 in the form of reduction in social securities contribution, which was recognised as a reduction to the related expenses when it was granted.

7. TAXATION

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Enterprise Income Tax of the PRC		
Current year	**43,712**	79,057
Overprovision in prior year	**(8,883)**	(658)
	34,829	78,399
Deferred tax charge (credit)	**836**	(10,174)
Total tax expenses for the year	**35,665**	68,225

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

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

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit attributable to the ordinary equity holders of the Company of approximately RMB160,745,000 (2020 (Restated): RMB304,920,000) and the weighted average number of 879,267,102 shares (2020: 879,267,102 shares) in issue during the year.

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

9. DIVIDEND

	Note	2021 RMB'000	2020 RMB'000
Dividend approved and paid during the year			
Final dividend in respect of 2020 of RMB0.11 (2019: RMB0.15) per ordinary share		**96,719**	131,890
Dividend proposed after the reporting period			
Final dividend in respect of 2021 of RMB0.055 (2020: RMB0.11) per ordinary share	*(a)*	**48,360**	96,719

(a) The final dividend in respect of 2021 of RMB0.055 per ordinary share amounting to RMB48,360,000 is proposed by the board of directors after the reporting period. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2022 if it is approved at the forthcoming annual general meeting.

10. LOANS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Loans receivables from money lending business	**105,690**	128,290
Less: Loss allowance	**(2,114)**	(2,566)
	103,576	125,724

The ageing analysis of loans receivables, net of loss allowance, by start date of loan period is summarised as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**–**	–
1 to 2 years	**–**	2,600
2 to 3 years	**2,600**	72,200
Over 3 years	**103,090**	53,490
	105,690	128,290

11. TRADE RECEIVABLES AND CONTRACT ASSETS

	31 December 2021	31 December 2020	1 January 2020
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Trade receivables			
From third parties	**487,255**	423,513	319,846
From the government	**558,644**	486,203	535,474
From joint ventures	**43,325**	43,294	28,911
From associates	**8,983**	6,929	27,701
From fellow subsidiaries	**1,237**	4,134	940
	1,099.444	964,073	912,872
Less: Loss allowance	**(36,568)**	(25,250)	(18,936)
	1,062,876	938,823	893,936
Less: Non-current portion of trade receivables	**–**	(9,058)	(8,962)
	1,062,876	929,765	884,974
Bills receivables	**87,830**	117,691	82,321
Contract assets			
Government construction projects	**88,998**	97,753	99,246
Municipal waste treatment projects	**90,030**	92,765	95,373
Water treatment projects	**–**	–	19,346
Subsidised power generation projects	**35,283**	–	–
Other construction and waste treatment projects	**9,769**	–	–
	224,080	190,518	213,965
Less: Loss allowance	**–**	–	(676)
	224,080	190,518	213,289
Less: Non-current portion of contract assets	**(96,931)**	(90,030)	(92,765)
	127,149	100,488	120,524
	1,277,855	1,147,944	1,087,819

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

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**496,931**	337,524
91 to 180 days	**104,103**	111,416
181 to 365 days	**75,589**	119,591
1 to 2 years	**141,705**	183,069
2 to 3 years	**98,761**	106,875
Over 3 years	**182,355**	105,598
	1,099.444	964,073

12. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables		
To third parties	**819,963**	715,651
To an associate	**9,007**	10,948
To joint ventures	**2,695**	2,696
To fellow subsidiaries	**8,178**	672
	839,843	729,967
Bills payables	**133**	–
	839,976	729,967

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

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**540,743**	542,471
91 to 180 days	**24,674**	17,763
181 to 365 days	**177,300**	79,637
1 to 2 years	**51,120**	58,979
2 to 3 years	**17,768**	11,884
Over 3 years	**28,238**	19,233
	839,843	729,967

13. PRIOR YEAR ADJUSTMENTS

The Group has applied, for the first time, the Interpretation No. 14 of the Accounting Standards for Business Enterprises (企業會計準則解釋第14號) ("**Interpretation No. 14**") issued by the Ministry of Finance of the PRC in the preparation of the consolidated financial statements for A shares for the year ended 31 December 2021, which applies to public-to-private service concession arrangements. In the preparation of these consolidated financial statements, the International Financial Reporting Interpretations Committee Interpretation 12 is applicable for such public-private service concession arrangement. Following the first adoption of Interpretation No. 14, the financial results and presentation of these consolidated financial statements are consistent with the consolidated financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. In preparing the consolidated financial statements of the Group for the year ended 31 December 2021, accounting treatments in respect of a service concession contract of a municipal waste treatment project adopted by the Group in its previously issued consolidated financial statements were inconsistent with the requirements of the International Financial Reporting Interpretations Committee Interpretation 12. The amounts presented in the consolidated financial statements in respect of the year ended 31 December 2020 have been restated to adjust those matters identified. The effects of the restatements to the amounts presented in the consolidated statement of financial position and the consolidated statement of comprehensive income are summarised as below:

In prior financial years, in relation to a municipal waste treatment project of Hunan Dongjiang which consisted of construction and operating of a municipal waste treatment landfill, intangible assets were recognized for the construction costs and operating rights of the municipal waste treatment landfill. The intangible assets as of 1 January 2020 and 31 December 2020 were RMB102,818,000 and RMB111,280,000 respectively. The intangible assets were amortised over the operating period of the landfill and recognised as cost of services. Revenue was recognized based on the actual volume of municipal waste processed. Corresponding adjustments were made to revenue and cost of services.

Upon reassessment, the Company concluded that such arrangement should be accounted for using financial asset model by recognizing contract assets as Hunan Dongjiang has an unconditional contractual right to receive a specified amount of cash from the government in return for operating the landfill in accordance with the contract signed with the government. Contract assets should be recognised for the construction services and operating services. The contract assets as of 1 January 2020 and 31 December 2020 were RMB95,373,000 and RMB92,765,000 respectively. Revenue and costs for construction services should be recognised overtime by completion to date and have been fully recognised upon completion of construction of the landfill in 2011. Revenue for operating services and the interest income arising from the contract assets are recognised over the operating period of the landfill. Costs are recognised upon incurred.

The above prior year's matters, after taking into consideration the above-mentioned previous tax effect for the respective years, gave rise to an understatement of accumulated profits of the Group by RMB15,428,000 and RMB17,186,000 as of 1 January 2020 and 31 December 2020 respectively and an understatement of non-controlling interests by RMB812,000 and RMB905,000 as of 1 January 2020 and 31 December 2020 respectively. The prior year adjustments as at 1 January 2020 were related to the period from 1 January 2011 to 31 December 2019.

The following tables disclose the adjustments that have been made by the Group to the applicable line items in the consolidated statement of comprehensive income for the year ended 31 December 2020, and the consolidated statement of financial position as at 1 January 2020 and 31 December 2020.

Consolidated statement of comprehensive income for the year ended 31 December 2020

	As previously reported *RMB'000*	Prior year adjustments *RMB'000*	As restated *RMB'000*
Revenue	**3,315,021**	**(6,726)**	**3,308,295**
Cost of sales and services	**(2,183,947)**	**4,311**	**(2,179,636)**
Other income	**153,439**	**4,266**	**157,705**
Profit before taxation	**401,720**	**1,851**	**403,571**
Profit for the year attributable to:			
Equity holders of the Company	**303,162**	**1,758**	**304,920**
Non-controlling interests	**30,333**	**93**	**30,426**
Profit for the year	**333,495**	**1,851**	**335,346**
Total comprehensive income for the year attributable to:			
Equity holders of the Company	**303,791**	**1,758**	**305,549**
Non-controlling interests	**30,505**	**93**	**30,598**
Total comprehensive income for the year	**334,296**	**1,851**	**336,147**

	As previously reported *RMB cents*	Prior year adjustments *RMB cents*	As restated *RMB cents*
Earnings per share			
Basic and diluted	**34**	**1**	**35**

Consolidated statement of financial position as at 1 January 2020

	As previously reported *RMB'000*	Prior year adjustments *RMB'000*	As restated *RMB'000*
Non-current assets			
Property, plant and equipment	2,853,281	30,843	2,884,124
Intangible assets	524,996	(102,818)	422,178
Trade receivables and contract assets	8,962	92,765	101,727
Deferred tax assets	38,424	(1,760)	36,664
Current assets			
Trade receivables and contract assets	1,085,211	2,608	1,087,819
Current liabilities			
Other payables	278,596	148	278,744
Non-current liabilities			
Other payables	2,958	5,250	8,208
Capital and reserves			
Reserves	3,465,364	15,428	3,480,792
Non-controlling interests	690,212	812	691,024

Consolidated statement of financial position as at 31 December 2020

	As previously reported *RMB'000*	Prior year adjustments *RMB'000*	As restated *RMB'000*
Non-current assets			
Property, plant and equipment	3,231,707	43,618	3,275,325
Intangible assets	675,323	(111,280)	564,043
Trade receivables and contract assets	9,058	90,030	99,088
Deferred tax assets	53,042	(1,760)	51,282
Current assets			
Trade receivables and contract assets	1,145,209	2,735	1,147,944
Current liabilities			
Other payables	257,980	156	258,136
Non-current liabilities			
Other payables	337	5,096	5,433
Capital and reserves			
Reserves	3,660,297	17,186	3,677,483
Non-controlling interests	834,076	905	834,981

MANAGEMENT DISCUSSION AND ANALYSIS

The year 2021 marked the start of the Company's new journey in the "14th Five-Year" plan period, and was also a critical year for deepening corporate reform. Currently, the hazardous waste disposal industry is undergoing profound changes with overcapacity in certain areas, significant reduction at source, emergence of "cement kiln", increasing industry competition and intensifying "price war", which caused serious difficulties and challenges to the development of hazardous waste disposal industry. Meanwhile, with the in-depth implementation of the strategy of "carbon peaking" and "carbon neutrality", the environmental protection industry in China is set for a new round of strategic development in the context of building a resource-saving society and a green, low-carbon circular economy. Facing such opportunities and challenges, the Company focused on its objectives and tasks in the "14th Five-Year" plan period, tackled challenges with diligence, hard work and firm belief, boosted its growth drivers through comprehensive and in-depth reform, maintained stable operation of its main business, made structural adjustment and promoted transformation, enhanced quality and efficiency through refined management, and actively addressed the changes in competitive landscape of hazardous waste market, thereby achieving a smooth start to the "14th Five-Year" plan period.

In 2021, increasing competition in the industry led to continuous increase in the cost of collection and transportation of recycled hazardous waste and a significant drop in the price of collection and transportation for harmless treatment of wastes. Based on the Company's market research, prices of collection and transportation for waste incineration and landfill fell by an average of over 20%, with over 30% drop for waste incineration in Central China. The price of collection and transportation for year-based customers also recorded an average decline of 15%, while the average discount rate for collection and transportation of recycled metal-containing wastewater rose by over 5%. Facing the challenging market environment for hazardous waste treatment, the Company actively responded to the changes in the market environment and took various measures to increase its efforts in market expansion and customer development. In particular, the Company actively adjusted its market strategy, flexibly applied the pricing mechanism, adopted the strategy of "capturing market share by securing business with competitive price", expanded its business regions, increased its market share in core regions such as Guangdong and Jiangsu, and empowered standardized and refined management through the Company's self-developed intelligent environmental protection system, thus achieving record highs in total volume of hazardous waste collection and transportation and sales of recycled products for the year. In particular, total volume of collection and transportation for waste incineration and landfill increased by 28% and 120%, respectively, and revenue from harmless treatment business amounted to approximately RMB1,712 million for the year, representing a growth rate of approximately 7.04% despite the significant drop of disposal price. In addition, by producing high-value-added recycled products, expanding sales in overseas market, developing recycling business and customer base, and based on the recycled product gross margin linkage mechanism, the operating revenue of the industrial waste recycling segment was approximately RMB1,565 million, representing an increase of 48.45% over the same period last year, which contributed profit before tax of approximately RMB155 million.

With the Group's concerted efforts and the above measures, the Company achieved an operating revenue of RMB4,015 million for the year, representing an increase of 21.37% as compared to the same period of last year. However, affected by the competition in the hazardous waste treatment market, the profitability of the Company's main business of harmless treatment was subject to a certain degree of impact with a decrease in gross profit margin ratio of 8.72% as compared to the same period of last year, thus affecting the overall profitability of the Company. In addition, considering the adverse impact of the industry in which it operates and the impact of changes in the operating environment on certain long-term assets and contingencies of the Company, the Company took prudent approach to make reasonable provision for asset impairment and estimated liabilities, which caused certain impact on the profit for the year. During the Reporting Period, our net profit attributable to parent company amounted to approximately RMB161 million, representing a decrease of 47.28% as compared to the same period of last year, and the net profit attributable to parent company after deducting non-recurring items amounted to approximately RMB155 million, representing a year-on-year decrease of 42.31%.

In response to changes in the market environment, the Company accelerated its strategic transformation, actively adjusted its business structure, and developed and improved its industrial chain. During the Reporting Period, the Company actively responded to the national strategies of "carbon peaking" and "carbon neutrality" and the industry guidance of "development of a green and low-carbon circular economic development system" and facilitated industry upgrade with large-scale project investment and construction based on the Company's "14th Five-Year" development plan.

For project investment, the Company successfully acquired 70% equity interest in Chenzhou Xiongfeng Environment Technology Company Limited* (郴州雄風環保科技有限公司) ("**Xiongfeng Environment**") at a consideration of RMB429 million, officially entering the rare and precious metals recycling sector and optimising the layout of our recycling business segment. By leveraging the strength of Xiongfeng Environment, the Company will bridge the key links to extend the industrial chain and expand the operation scale of recycling business, fully enhance the Company's internal collaborative disposal capability, and promote in-depth and high-quality development of the traditional recycling business. In the future, as one of the important business of the Company, rare and precious metals recycling business will further expand the Company's revenue stream and profitability, enhance the proportion of recycling business, and accelerate the Company's shift towards recycling business.

For project construction, the Company implemented various key projects during the Reporting Period. In particular, a total of six new construction or expansion project of waste incineration and landfill completed construction and commenced operation, contributing hazardous waste disposal capacity of 169,500 tonnes per year. In addition, the three provincial key projects in Zhuhai and Jieyang were currently under construction with total designed capacity of 355,500 tonnes per year, which were expected to be completed and commence operation within two years. As of the end of the Reporting Period, benefited from the commencement of operation of newly constructed projects and the implementation of proactively market strategies, the total treatment capacity of the Company exceeded 2,300,000 tonnes per year for hazardous waste treatment.

In order to ensure the smooth operation of the Company's businesses and accelerate the transformation and upgrading of the Company, during the Reporting Period, the Company successfully issued medium-term notes of RMB500 million and the first tranche of super short-term financing bonds of RMB500 million in January 2022 with interest rates of 3.79% and 3.2% respectively, which were at a relatively low level in the market for the same period, further reducing the Company's finance costs and optimising its debt structure. Meanwhile, the Company will accelerate the project of non-public issuance of A shares to implement equity financing, reduce the Company's gearing ratio and provide capital support for the Company's steady development.

During the Reporting Period, the Company carried out various special tasks such as "removing loss-making projects and compressing business scale", "asset revitalization" and "benchmarking world leading companies", actively implemented special rectification work, and further enhanced production and operation efficiency. During the Reporting Period, the Company also formulated scientific "14th Five-Year" plan which expressly proposed to shift the strategic focus towards recycling and integrated utilization sector with focus on main businesses. In addition, the Company adhered to the idea of innovation-driven development, continued to put great efforts in research and development based on research institutes. During the year, the Company was granted 93 new patents and has obtained over 500 patents, and 19 entities within the Group were recognized as high technology enterprises.

FINANCIAL REVIEW

Total operating revenue

For the year ended 31 December 2021, the Group's total operating revenue increased by 21.37% as compared with 2020 to approximately RMB4,015,230,000 (2020 (restated): approximately RMB3,308,295,000). The increase in total operating revenue was mainly due to the fact that in facing the changes in the economic environment and intensive market competition, the Company aimed to increase its market share and business volume by optimizing and adjusting its market management model to ensure stable development of the principal business of the Company, and captured the opportunities from increase in metal prices by increasing the sales of recycled products. In particular, the operating revenue of industrial waste treatment and disposal increased by approximately 7.04% as compared with the same period of last year to approximately RMB1,712,164,000 (2020: approximately RMB1,599,509,000). The operating revenue of industrial waste recycling products increased by approximately 48.45% as compared with the same period of last year to approximately RMB1,565,155,000 (2020: approximately RMB1,054,328,000).

Profit

For the year ended 31 December 2021, the Group's integrated gross profit margin was 27.48% (2020 (restated): 34.12%). The integrated gross profit margin decreased by approximately 6.64% points as comparing to last year, which was mainly because of the commencement of operation on new production capacity in the industry, the industry became increasingly competitive, the cost of recycling business increased, and the market prices for collection and transportation of non-hazardous waste decreased, which led to the decrease in profit margin of the Company.

For the year ended 31 December 2021, net profit attributable to equity holders of the Company was approximately RMB160,745,000 (2020 (restated): approximately RMB304,920,000), which decreased by approximately 47.28% compared with 2020. This was mainly due to the further intensified competition in the hazardous waste market and the overcapacity of hazardous waste disposal and price competition in several provinces in China, which led to the continuous increase in the cost of collection and transportation of recycled hazardous waste and a significant drop in the price of collection, transportation and harmless treatment of waste, resulting in a decline in the Company's net profit under pressure; and the fact that considering the adverse impact of the Company's engaged industry and the change in operating environment and the actual impact of certain long-term assets and legal proceedings, the Company made prudential and reasonable provision on impartment of long-term assets and estimated liabilities, which constituted significant impact on the annual profit of the Company.

Selling expenses

For the year ended 31 December 2021, the Group's selling expenses were approximately RMB109,381,000 (2020: approximately RMB100,869,000), accounting for 2.72% of the total operating revenue (2020 (restated): 3.05%). The increase in selling expense was mainly due to the increase in operating revenue and the consequent increase in selling expenses as well as the impact of the reduction of social insurance expenses benefited from the government subsidy related to the COVID-19 pandemic in the same period of last year.

Administrative expenses

For the year ended 31 December 2021, the Group's administrative expenses were approximately RMB407,590,000 (2020: approximately RMB361,726,000), accounting for 10.15% of the total operating revenue (2020 (restated): 10.93%). The increase in administrative expenses during the Reporting Period was mainly due to the expanded scope of consolidation and reduction and exemption of social insurance expenses benefited from the government subsidy related to the COVID-19 pandemic in the same period of last year.

Finance costs

For the year ended 31 December 2021, the Group's finance costs were approximately RMB135,010,000 (2020: approximately RMB127,066,000), accounting for 3.36% of the total operating revenue (2020 (restated): 3.84%). The increase in finance costs charged to the profit or loss was mainly due to the decrease in capitalization of borrowing costs directly attributable to construction in progress during the Reporting Period.

Income tax expenses

For the year ended 31 December 2021, the Group's income tax expenses were approximately RMB35,665,000 (2020: approximately RMB68,225,000), accounting for 18.62% of total profit (2020 (restated): 16.91%). The decrease in income tax expenses was mainly due to the decrease in profit before taxation for the Reporting Period.

FINANCIAL POSITION AND LIQUIDITY

As of 31 December 2021, net current liabilities of the Group amounted to approximately RMB828,191,000 (2020 (restated): approximately RMB1,018,913,000), including cash and time deposits at banks and other financial institution of approximately RMB521,425,000 in total (2020: approximately RMB653,579,000).

As of 31 December 2021, total liabilities of the Group amounted to approximately RMB6,365,415,000 (2020 (restated): approximately RMB5,055,766,000). The Group's gearing ratio was 53.88% (2020 (restated): 48.39%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to approximately RMB3,805,521,000 (2020 (restated): approximately RMB3,576,294,000). As of 31 December 2021, the Group's outstanding bank and other loans reached approximately RMB3,359,793,000 (2020: approximately RMB2,632,898,000). In the opinion of the directors of the Company, the Group can meet its financial obligations through the unused banking facilities and the registered Super Short-term Financing Bonds available to the Group.

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

In September 2021, the Company made investment of RMB429,000,000 in Xiongfeng Environment, a subsidiary owned as to 70% by the Company.

In September 2021, the Company acquired 15% equity interest in Qingyuan Xinlv Environmental Technology Co., Ltd.* (清遠市新綠環境技術有限公司), a subsidiary owned as to 62.5% by the Company, at a consideration of RMB16,200,000, thereby increasing its shareholding to 77.5%.

In December 2021, the Company acquired 40% equity interest in Xiamen Oasis Environmental Industrial Co., Ltd.* (廈門綠洲環保產業股份有限公司), a subsidiary owned as to 60% by the Company, at a consideration of approximately RMB131,727,000, thereby increasing its shareholding to 100%.

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

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group does not have other future plans for material investments or capital assets, except for the capital commitment of RMB424,218,000.

INTEREST RATE AND FOREIGN EXCHANGE RISKS

Interest rate risk

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

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

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

Foreign exchange risk

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

Capital commitment

As at 31 December 2021, the capital commitment of the Group was as follows:

Item	**2021** ***RMB'000***	2020 *RMB'000*
Significant outsourcing contracts	**304,782**	338,433
Commitment to acquisition of long-term assets	**119,436**	30,232
Total	**424,218**	368,665

Contingent liabilities

As of 31 December 2021, the Group had no material contingent liabilities.

FINANCIAL BUDGET FOR YEAR 2022

I. Explanation for preparation of budget

This budget is prepared based on the principle of prudence, together with market situation and business expansion plan according to the preparation of the consolidated statements and based on the Company's budget and the business development plan of each business segment, waste treatment and disposal plan, production and sales plan of recycled products for Year 2022. This budget is prepared based on the assumption that the operation plans of the Company are completed on time and in volume as specified in the plans.

The budget is summarized the operation condition in 2021 and analysis of the circumstances of the operation in 2022, as well as the Company's corporate development strategy. Moreover, this budget has taken into consideration the impacts of factors, including market environment, business expansion and sales prices. This budget includes the parent company, its controlling subsidiaries and branches.

II. Basic assumptions

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

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

3. No adverse impacts will arise from material changes in objective factors including transportation, telecommunication, severe shortage in water and electricity and raw materials which will affect production and operation of the Company in 2022.

4. Fluctuation of the credit interest rate, taxation policy regarding production and operation of the Company are within normal scope.

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

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

III. Key indicators of the budget of 2022

The revenue is expected to record a year-on-year increase of no less than 20% in 2022.

The net profit attributable to shareholders of the parent company is expected to record a year-on-year increase of no less than 10% in 2022.

IV. Measures to ensure the performance of financial budget

1. To maintain stable production and operation, improve management standards, promote standardized operation of production processes, management, control of costs and expense to achieve cost reduction and efficiency enhancement.

2. To accelerate the construction of key projects, focus on project quality, reduce construction costs, further expand the scale of the Company's hazardous waste operations, continue to promote market reform and increase market share.

3. To optimize the strategic layout and industry collaboration, invest in and acquire high-quality assets, expand the scale of revenue and gradually optimize and adjust the business structure of the Company.

4. Further strengthen financial management, improve overall budget management, strengthen the supervision of costs and expenses, meanwhile increasing the proportion of direct financing, optimizing the financing structure, reducing financial costs, preventing financial risks and ensuring the achievement of various financial targets.

Special notice: The budget is a control indicator for internal management for the Company's business plan in 2022 and is set out for the information of the shareholders of the Company and potential investors, but does not constitute the Company's profit forecast in 2022. Whether the budget could be realized depends on a number of factors including changes in market conditions and the efforts of the operation team, and is subject to a high degree of uncertainties and investors should pay attention to investment risks. The Company's shareholders and potential investors are advised not to place undue reliance on the budget and to exercise caution in dealing in securities of the Company.

FUTURE PROSPECTS

(I) Future outlook

Since the start of the "14th Five-Year" plan period in 2021, China has focused on the development strategy of "carbon peaking" and "carbon neutrality", and low-carbon operation and emission reduction have become market development trend. The reshaping of energy structure is of great importance to China's development of a green, low-carbon and circular economy. In the coming years, driven by the industry policy of sustainable development of green economy, low-carbon economy and circular economy, enterprises in environmental protection industry will continue to expand their business scope and explore frontier areas. In the new green, low-carbon and circular economy, the environmental protection industry is bound to upgrade to green industry. Environmental protection enterprises will adjust their business activities and scope to better serve the "14th Five-Year" plan and the more distant goals of "carbon peaking" and "carbon neutrality", seize development opportunities in the changing situation and strive to participate in carbon emission reduction for long-term development.

In 2022, as a pioneer and leader in China's hazardous waste treatment industry, the Company will actively play an exemplary and leading role as a state-owned environmental protection enterprise, proactively support national strategies, follow industry policies and guidance, focus on the development goals of "stabilizing main business while seeking transformation", pursue development amidst the challenges and opportunities in the hazardous waste treatment industry with the business objective of "intelligent upgrade, collective development, service expansion, safety management and control and green transformation", consolidate the main business of hazardous waste treatment while capturing market opportunities to refine, develop and expand the recycling business and accelerate business transformation and upgrade.

In 2022, leveraging on the strength of existing main business of hazardous waste treatment, the Company will facilitate the construction and commencement of operation of incineration, landfill and other hazardous waste treatment projects of the Company, strive to enhance its hazardous waste treatment capacity to 250,000 tonnes by the end of 2022, optimize the qualification structure of hazardous waste treatment, further align the qualifications with market demand, enhance the capacity utilization efficiency of the Company, increase hazardous waste treatment volume and market share, and steadily expand the revenue scale of hazardous waste treatment business. It will also increase the proportion of and investment in recycling business and expand the revenue stream and profitability of the rare and precious metals recycling business through technological modification and upgrading. Moreover, the Company will enhance, optimize and upgrade its market service model, seize opportunities from favourable policy of circular transformation of industrial parks under the "14th Five-Year" plan, fully utilize its advantages in wastewater treatment, intelligent safety and environmental management, environmental testing, comprehensive utilization of solid waste, optimization and upgrade of technology and equipment, and put more efforts in developing integrated "environmental caretaker" service, thereby strengthening the core competitive strength of the Company. It will simultaneously carry out various special tasks such as "intelligent environmental protection operation management platform", "removing loss-making projects and compressing business scale", "ultimate cost reduction" and "project of non-public issuance of A shares", improve its operational efficiency and management effectiveness, improve its operational efficiency and management effectiveness while addressing historical problems, adjusting its asset structure, expanding its income sources and cutting costs to improve the overall profitability of the Company.

In order to accelerate the business transformation and upgrading of the Company, the Group will continuously monitor the industry development trend and conduct research on relevant policies, markets and technologies to identify better markets, more advanced technologies and high-value projects, thereby creating momentum for the Company's business transformation. In 2022, under the strategy of "carbon peaking" and "carbon neutrality", China will frequently introduce relevant policies and plans. Against such backdrop, the Company will continue to focus on power battery recycling, photovoltaic power generation industry chain and aluminum ash treatment and disposal, and seek opportunities to expand to new business sectors. It will also cooperation with relevant research institutes to jointly promote the power battery green recycling and integrated utilization project, carry out in-depth technological research and explore cooperation models in such field, actively expand in the new sector of power battery recycling, and explore the potential of full industrial chain coverage of recycling business. Meanwhile, the Company will pay close attention to the relevant policies and development trends of the photovoltaic power generation industry chain, and take advantage of the strategy and huge market demand of "carbon peaking" and "carbon neutrality" to facilitate its development in new energy sector and gradually establish a new energy business system, thereby creating new profit growth drivers.

(II) Potential risks and countermeasures

1. Risk related to intensified competition in the industry

With the growing awareness of environmental protection among the general public, the tightening of national regulation on environmental protection and the increasing policy support for the circular economy, the environmental protection industry has become increasingly attractive to various investors, with large state-owned enterprises and private capital entering the market in recent years. If more enterprises enter the industry in the future, it will significantly increase the production capacity of hazardous waste treatment in China, resulting in a decrease in the price of hazardous waste treatment, which will have an adverse impact on the Company's revenue and profit. In response, the Company will continue to improve its capabilities in market services, technology innovation and business management, focus on development of its core business, strengthen its "internal strength", and enhance its core competitiveness in terms of scale, layout, cost and technology, thereby promoting high-quality development of the Company.

2. Risk related to production safety and environmental protection

Hazardous wastes are highly corrosive, toxic, flammable, reactive or infectious in nature and are characterised by fragmented sources, unstable composition and complicated make-up, which have high requirements on the skills of operators, operating techniques and processes and safety management measures. The Company's operations involve the collection, storage and disposal of hazardous wastes with an extensive business scope covering a wide range of products, thus putting great pressure on production safety and environmental protection management. The Company will continue to strengthen the management of its pollutant treatment facilities, raise employees' awareness of compliance operations, and fully enhance its safety protection capability to minimise the risk related to production safety and environmental protection.

3. Risk of loss and shortage of professionals in the industry

As more and more companies enter the hazardous waste treatment industry, the increasing number and expanding business scale of competitors in the industry may lead to the risk of loss and shortage of professionals if potential competitors in the industry offer more favourable remuneration and benefits to attract talents from the Company or if there is change in workforce due to other factors. The Company will comprehensively implement the project of "attracting, cultivating, utilizing and retaining talents" and maximize the utilization of human resources by further improving the talent sourcing and recruitment mechanism, optimizing the training system, strengthening job rotation and exchange, and improving long-term assessment and motivation, so as to develop a solid talent pool to support the high-quality development of the Company.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.055 per share of the Company (inclusive of tax) (2020: RMB0.11) to all shareholders of the Company based on the total number of issued shares of 879,267,102 shares of the Company upon obtaining the approval from the shareholders of the Company at the 2021 annual general meeting ("**AGM**"). Accordingly, the total amount of dividend to be paid is approximately RMB48,360,000, which is expected to be paid to the shareholders of the Company on or before 31 August 2022. No bonus shares will be awarded and no capital reserves will be converted into shares. The remaining undistributed profits will be carried forward to the following year. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged and the distribution amount per share will be adjusted accordingly with specific adjustments to be announced separately. The above said proposal is subject to, among other things, approval by the shareholders of the Company at the AGM to be convened and held. The Company will make further announcement in accordance with the Listing Rules upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends is determined.

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

MATTERS DURING THE REPORTING PERIOD

Registration and Issuance of Super Short-term Financing Bonds

The Company applied for the registration of the issuance of super short-term financing bonds (the "**Super Short-Term Financing Bonds**") at the National Association of Financial Market Institutional Investors (the "**NAFMII**") with a size not exceeding RMB1.5 billion (inclusive). The resolution on the registration and issuance of Super Short-Term Financing Bonds was considered and approved by the shareholders at the third extraordinary general meeting in 2020 of the Company held on 13 October 2020. In February 2021, the Company has received a "Notice of Acceptance of Registration" issued by the NAFMII, pursuant to which the NAFMII has decided to accept the registration of the Super Short-Term Financing Bonds.

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

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

On 15 July 2021, the Company and Beijing Hanfeng United Technology Co., Ltd.* (北京瀚豐聯合科技有限公司, "**Vendor**") entered into an acquisition agreement, pursuant to which the Company conditionally agreed to acquire 70% of the equity interest in Xiongfeng Environment from the Vendor at the consideration of RMB429 million ("**Acquisition**"), which constituted a major transaction of the Company under the Listing Rules. The resolution related to the Acquisition has been considered and approved by the Shareholders at the second extraordinary general meeting in 2021 of the Company held on 8 September 2021. Completion of the Acquisition took place on 16 September 2021, the Target Company became a subsidiary of the Company. On 16 September 2021, the Company has received a confirmation from the Vendor that it has transferred the 30% equity interest in the Target Company held by it to Mr. Li Jinqian (李金千). The Vendor has confirmed that it will continue to strictly perform its obligations under the Acquisition Agreement, and agreed that it shall be jointly liable to an unlimited extent for the undertaking provided to the Company by Mr. Li Jinqian and any payment, compensation or indemnification obligations of Mr. Li Jinqian arising from the performance of the Acquisition Agreement. The acquisition of Xiongfeng Environment resulted in significant increase in certain assets as at 31 December 2021, such as property, plant and equipment and inventories.

For details, please refer to the Company's announcements dated 16 July 2021, 10 September 2021 and 17 September 2021, circular dated 19 August 2021 and poll results announcement dated 8 September 2021.

Registration and Issue of Medium-term Notes

The Company applied for registration at the NAMFII and the issue of medium-term notes with issue size not exceeding RMB1.5 billion (inclusive) on the inter-bank bond market. The resolution relating to the proposed registration and issue of medium-term notes was considered and approved at the first extraordinary general meeting in 2020 of the Company, and on 16 April 2020, the Company has received a "Notice of Acceptance of Registration" (Zhongshi Xiezhu [2020] MTN No. 388) issued by the NAMFII, pursuant to which the NAMFII has decided to accept the registration of the medium-term notes of the Company.

The Company has completed the first tranche of the issuance of the medium-term notes on 11 May 2020 with the issue size of RMB600 million. The Company has commenced issuance of the first tranche of the medium-term notes in 2021 from 24 August 2021 to 25 August 2021 with the issue size of RMB500 million, and the proceeds have all been received by the Company on 26 August 2021.

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

Continuing Connected Transaction – Agreement on Purchase and Sale of Industrial and Mining Products

On 27 September 2021, a non-wholly-owned subsidiary of the Company, Xiongfeng Environmental (as purchaser) 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 seller) entered into a sale and purchase framework agreement in relation to the supply of lead and silver residue, concentrated silver residue and replacement residue, which constituted a continuing connected transaction under the Listing Rules. The annual cap in respect of the maximum transaction amount for the purchase of lead and silver residue, concentrated silver residue and replacement residue by Xiongfeng Environmental for the year ended 31 December 2021 shall be RMB35,000,000.

For details, please refer to the announcement of the Company dated 27 September 2021.

Relevant Issues relating to the Confirmation on Equity Transfer Agreement

On 22 January 2020, the Company and Sound Sustainable Resources Holding Co., Ltd* (桑德再生資源控股有限公司) (now known as Qidi Sustainable Resources Technology Development Co., Ltd* (啟迪再生資源科技發展有限公司), "**Qidi**") entered into a confirmation, pursuant to which the parties agreed to accelerate and facilitate the resolution of issues relating to the restoration of the vetting of dissembled abandoned electrical appliances and electronic products. The parties also agreed that the obligations arising between the Company and Qidi from the actual loss in relation to Qingyuan Dongjiang Environmental Technology Company Limited* (清遠市東江環保技術有限公司) shall be negotiated and confirmed in accordance with the equity transfer agreement dated 12 April 2016 (the "**Equity Transfer Agreement**").

As disclosed in the announcement of the Company dated 4 December 2020, Qidi has filed an application of arbitration with the Shanghai Arbitration Commission in relation to the disputes with the Company on the Equity Transfer Agreement, and the Shanghai Arbitration Commission has accepted such application (the "**Arbitration**"). As disclosed in the announcement of the Company dated 14 October 2021, the Company has received a notice from the Shanghai Arbitration Commission, under which Qidi has submitted an application for change of arbitration request to the Shanghai Arbitration Commission to make changes to the arbitration request. Qidi requested the Company to pay damages after setting off debts of approximately RMB27,733,000 in 2015, the loss of fund subsidies of RMB40,807,000 up to the end of August 2016, legal fees of RMB1,400,000 and costs of the Arbitration. In the view of the directors, the possible potential loss from the Arbitration would be the principal amount of the compensation for damages and part of the compensation for damages on loss of fund subsidies totaled RMB54,074,000 and it is the best estimate of the provision recognised as at 31 December 2021.

For details, please refer to the announcements of the Company dated 23 January 2020, 4 December 2020 and 14 October 2021.

Change in Shareholding Structure

On 3 November 2021, the Company was notified by Guangdong Rising Group, the largest shareholder of the Company, that Guangdong Rising Group has entered into share transfer agreements with Shenzhen Rising Investment Development Co., Ltd.* (深圳市廣晟投資發展有限公司, "**Shenzhen Rising**") and Guangdong Rising Finance Holdings Co., Ltd.* (廣東省廣晟金融控股有限公司, "**Guangdong Rising Finance**"), respectively, pursuant to which, Shenzhen Rising and Guangdong Rising Finance transferred 1,302,027 A shares of the Company and 33,597,766 A Shares, respectively, to Guangdong Rising Group (collectively, the "**Transfer**").

After the completion of the Transfer, Shenzhen Rising and Guangdong Rising Finance ceased to hold any shares of the Company. Guangdong Rising Group (i) directly holds 200,968,294 A Shares of the Company; and (ii) indirectly holds 25,179,200 H shares of the Company, (in aggregate 226,147,494 shares of the Company) with an aggregate shareholding of approximately 25.72% of the issued share capital in the Company. On 15 December 2021, registration of transfer of shares at the China Securities Depository and Clearing Co., Ltd. (Shenzhen Branch) has been completed. The largest shareholder of the Company remains to be Guangdong Rising Group, and the de facto controller remains to be the State-owned Assets Supervision and Administration Commission of the People's Government of Guangdong Province* (廣東省人民政府國有資產監督管理委員會).

For details, please refer to the announcements of the Company dated 3 November 2021 and 16 December 2021.

Connected Transaction – Waste Processing Service Agreements

On 26 April 2021, ALBA Rising Green Fuel (Jieyang) Ltd.* (歐晟綠色燃料(揭陽)有限公司, "**Jieyang ALBA**") and Huizhou Dongjiang Veolia Environmental Services Limited* (惠州東江威立雅環境服務有限公司, "**Dongjiang Veolia**") have entered into a waste processing service agreement (the "**Waste Processing Service Agreement**"), pursuant to which Jieyang ALBA has agreed to engage Dongjiang Veolia for the services of the transportation and non-hazardous processing of ash residues ("**Services**"). The total amount of ash residues shall be no more than 5,000 tonnes and the estimated total service fee should not exceed RMB8.9 million.

On 3 August 2021, Jieyang ALBA, Dongjiang Veolia and Shaoguan Dongjiang Environmental Sustainable Resources Development Co., Ltd.* (韶關東江環保再生資源發展有限公司, "**Shaoguan Sustainable Resources**") have entered into a supplemental waste processing service agreement (the "**Supplemental Waste Processing Service Agreement A**"), pursuant to which Jieyang ALBA has agreed to engage Dongjiang Veolia and Shaoguan Sustainable Resources for the joint provision of the Services at the same rate of service fee as agreed in the Waste Processing Service Agreement A. The total amount of ash residues to be transported and processed by Shaoguan Sustainable Resources shall be no more than 1,800 tonnes, representing the amount of unprocessed ash residues under the Waste Processing Service Agreement A, and the estimated total service fee should not exceed RMB3,204,000.

On 13 December 2021, Jieyang ALBA, Dongjiang Veolia and Shaoguan Sustainable Resources have entered into the supplemental waste processing service agreement (the "**2nd Supplemental Waste Processing Service Agreement A**"), pursuant to which it was agreed that the total amount of ash residues to be transported and processed by Shaoguan Sustainable Resources shall be no more than 700 tonnes, and the estimated total service fee should not exceed RMB1,246,000. There is no change to the rate of service fee and payment terms for the provision of the Services as compared to that agreed in the Waste Processing Service Agreement A and Supplemental Waste Processing Service Agreement A.

On 13 December 2021, Jieyang ALBA and Shaoguan Sustainable Resources have entered into a waste processing service agreement (the "**Waste Processing Service Agreement B**"), pursuant to which Jieyang ALBA has agreed to engage Shaoguan Sustainable Resources for the Services. The total amount of ash residues to be transported and processed by Shaoguan Sustainable Resources shall be no more than 5,000 tonnes and the estimated total service fee should not exceed RMB8.9 million.

As Jieyang ALBA is considered to be a subsidiary of a jointly controlled entity the equity interest in which is indirectly held as to 50% by Guangdong Rising Group, a substantial shareholder of the Company, the Supplemental Waste Processing Service Agreement A, 2nd Supplemental Waste Processing Service Agreement A and Waste Processing Service Agreement B and the transactions contemplated thereunder constitute connected transactions of the Company.

For details, please refer to the announcements of the Company dated 13 December 2021.

SUBSEQUENT EVENTS WITH MATERIAL IMPACT ON THE GROUP AFTER 31 DECEMBER 2021

Issuance of the First Tranche of the Super Short-term Financing Bonds in 2022

The Company applied for the registration of the issuance of super short-term financing bonds at the NAFMII with a size not exceeding RMB1.5 billion (inclusive). The resolution on the registration and issuance of Super Short-Term Financing Bonds was considered and approved by the shareholders at the third extraordinary general meeting in 2020 of the Company held on 13 October 2020. The Company has received a "Notice of Acceptance of Registration" issued by the NAFMII, pursuant to which the NAFMII has decided to accept the registration of the Super Short-Term Financing Bonds.

The Company has completed the issuance of the first tranche of the Super Short-Term Financing Bonds on 12 January and 13 January 2022, and received the proceeds in full on 14 January 2022.

For details, please refer to the Company's overseas regulatory announcement dated 11 September 2020, circular dated 25 September 2020, poll results announcement dated 13 October 2020 and announcement dated 4 February 2021 and 14 January 2022.

Supplemental agreement relating to the acquisition of 70% equity interest in Xiongfeng Environment

On 16 February 2022, in order to specify the profit and loss position during the transition period and the arrangements for events happened before completion of the Acquisition ("**Completion**") (including no cash compensation, the treatment of relevant waste arising before Completion and the obligations and liabilities to be borne by Mr. Li Jinqian), the Company, the Vendor and Mr. Li Jinqian have entered into a supplemental agreement. The Company considers that the supplemental agreement does not involve a material change of the rights and obligations of the parties under the acquisition agreement and the confirmation given by the Vendor, and therefore does not constitute a material variation of the terms of the Acquisition Agreement.

For details, please refer to the Company's announcements dated 16 July 2021, 10 September 2021, 17 September 2021 and 16 February 2022, circular dated 19 August 2021 and poll results announcement dated 8 September 2021.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

CORPORATE GOVERNANCE PRACTICES

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

Save for Code Provision A.2.1 of the Corporate Governance Code (the "**CG Code**") (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) contained in Appendix 14 to the Listing Rules, the Company has complied with the applicable Code Provisions in the CG Code throughout the Reporting Period.

Pursuant to Code Provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Upon the resignation of Mr. Yao Shu as chief executive officer on 14 August 2020, Mr. Tan Kan, the chairman of the Company, has taken the role of acting chief executive officer until 13 December 2021. Mr. Yu Zhongmin, Executive Director of the Company, has been appointed as chief executive officer on 13 December 2021. Since then, the Company has complied with code provision A.2.1 of the CG Code (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) .

The Board is of the view that Mr. Tan Kan's assumption of the office of acting chief executive officer was merely a transitional arrangement after the resignation of the former chief executive officer. The Board believes that with the support of the management, temporarily vesting both of the roles of chairman and chief executive officer in the same person during the transitional period did not impair the balance of power and authority.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures contained in the preliminary announcement of the Group's results for the year have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2021. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi, whereas Mr. Siu Chi Hung has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated results for the year ended 31 December 2021 and this announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Further announcement(s) will be made by the Company in respect of the proposed date on which the forthcoming annual general meeting to be held and the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting.

PUBLICATION OF THE 2021 ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.dongjiang.com.cn). The annual report for the Reporting Period will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in April 2022.

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

Shenzhen, Guangdong, the PRC
25 March 2022

As at the date of this announcement, the Board of Directors of the Company comprises three executive Directors, being Mr. Tan Kan, Mr. Yu Zhongmin and Mr. Lin Peifeng; three non-executive Directors, Mr. Tang Yi, Ms. Shan Xiaomin and Mr. Jin Yongfu; and three independent non-executive Directors, being Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi.

* *For identification purpose only*