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)

2020 Annual Report

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

TAN Kan *(Chairman, Acting chief executive officer)*
LIN Peifeng *(appointed on 29 June 2020)*
YAO Shu *(Chief executive officer)*
(resigned on 12 August 2020)

NON-EXECUTIVE DIRECTORS

TANG Yi *(appointed on 22 December 2020)*
SHAN Xiaomin *(appointed on 22 December 2020)*
JIN Yongfu
LIU Bo Ren *(resigned on 3 April 2020)*
HUANG Yiming *(retired on 22 December 2020)*
LU Bei *(retired on 22 December 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

LI Jinhui *(appointed on 22 December 2020)*
SIU Chi Hung *(appointed on 22 December 2020)*
GUO Suyi *(appointed on 22 December 2020)*
WONG Hin Wing *(retired on 22 December 2020)*
QU Jiu Hui *(retired on 22 December 2020)*
ZHU Zheng Fu *(retired on 22 December 2020)*

SUPERVISOR

HUANG Hai Ping
ZHANG Hao
JIANG Ping *(appointed on 22 December 2020)*
HUANG Wei Ming *(retired on 22 December 2020)*

COMPANY SECRETARY

SO Shuk Yi Betty *(appointed on 22 December 2020)*
WANG Tian *(retired on 22 December 2020)*

AUDIT COMMITTEE

SIU Chi Hung *(Chairman)*
(appointed on 22 December 2020)
LI Jinhui *(appointed on 22 December 2020)*
GUO Suyi *(appointed on 22 December 2020)*
WONG Hin Wing *(Chairman)*
(retired on 22 December 2020)
QU Jiu Hui *(retired on 22 December 2020)*
ZHU Zheng Fu *(retired on 22 December 2020)*

REMUNERATION AND APPRAISAL COMMITTEE

GUO Suyi *(Chairman)*
(appointed on 22 December 2020)
LI Jinhui *(appointed on 22 December 2020)*
SIU Chi Hung *(appointed on 22 December 2020)*
ZHU Zheng Fu *(Chairman)*
(retired on 22 December 2020)
QU Jiu Hui *(retired on 22 December 2020)*
WONG Hin Wing *(retired on 22 December 2020)*

NOMINATION COMMITTEE

LI Jinhui *(Chairman)*
(appointed on 22 December 2020)
TAN Kan
SIU Chi Hung *(appointed on 22 December 2020)*
QU Jiu Hui *(Chairman)*
(retired on 22 December 2020)
WONG Hin Wing *(retired on 22 December 2020)*

STRATEGIC DEVELOPMENT COMMITTEE

TAN Kan *(Chairman)*
LIN Peifeng *(appointed on 29 June 2020)*
LI Jinhui *(appointed on 22 December 2020)*
YAO Shu *(resigned on 12 August 2020)*
QU Jiu Hui *(retired on 22 December 2020)*

AUTHORISED REPRESENTATIVES

TAN Kan
SO Shuk Yi Betty
(appointed on 22 December 2020)
WANG Tian *(retired on 22 December 2020)*

STOCK CODES

A shares listed on Shenzhen Stock Exchange: 002672
H shares listed on The Stock Exchange of Hong Kong Limited: 00895

AUTHORISED REPRESENTATIVE TO ACCEPT SERVICE OF PROCESSES AND NOTICES

Jeffrey Mak Law Firm

CORPORATE INFORMATION

INTERNATIONAL AUDITORS

Mazars CPA Limited

DOMESTIC AUDITORS

Zhongshen Zhonghuan Certified
Public Accountants *(Special General Partnership)*

LEGAL ADVISERS

Jeffrey Mak Law Firm *(as to Hong Kong law)*
廣東東方昆侖律師事務所 *(as to China law)*

PRINCIPAL BANKER

China Merchants Bank

HONG KONG H SHARE REGISTRAR

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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 People's Republic of China

COMPANY'S WEBSITE

http://www.dongjiang.com.cn

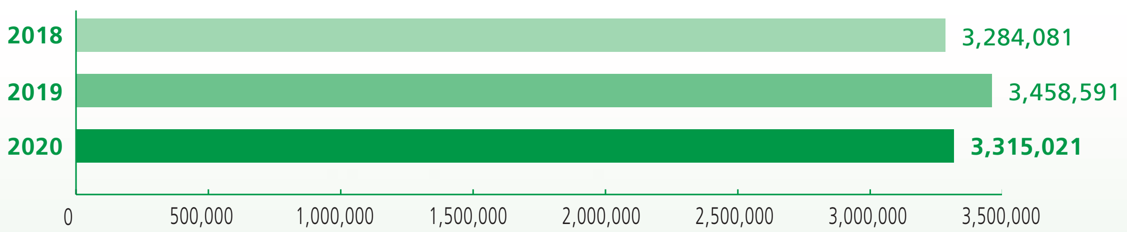
PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, O.T.B. Building
259-265 Des Voeux Road Central, Hong Kong

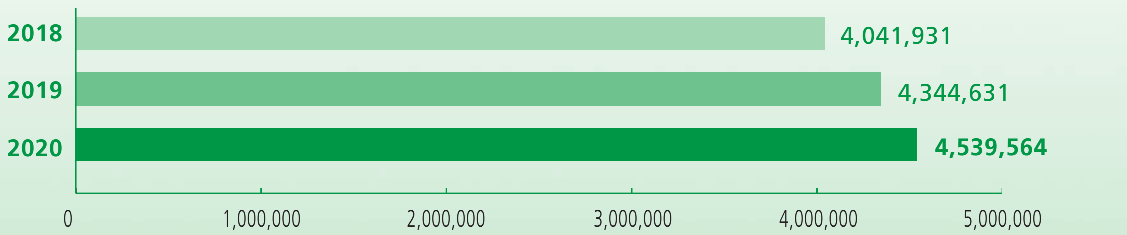
FINANCIAL SUMMARY

	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Total operating revenue	**3,315,021**	3,458,591	3,284,081	3,099,659	2,617,077
Gross profit	**1,131,074**	1,247,958	1,158,840	1,112,149	945,320
Gross profit margin	**34.12%**	36.08%	35.29%	35.88%	36.12%
Net profit attributable to shareholders of the Company	**303,162**	423,930	407,917	473,376	533,814
Financial position					
Total assets	**10,424,154**	10,395,432	9,763,884	9,240,147	8,189,149
Total liabilities	**5,050,514**	5,360,589	5,077,724	4,918,300	4,323,456
Non-controlling interests	**834,076**	690,212	644,229	592,752	576,799
Equity attributable to shareholders of the Company	**4,539,564**	4,344,631	4,041,931	3,729,095	3,288,894

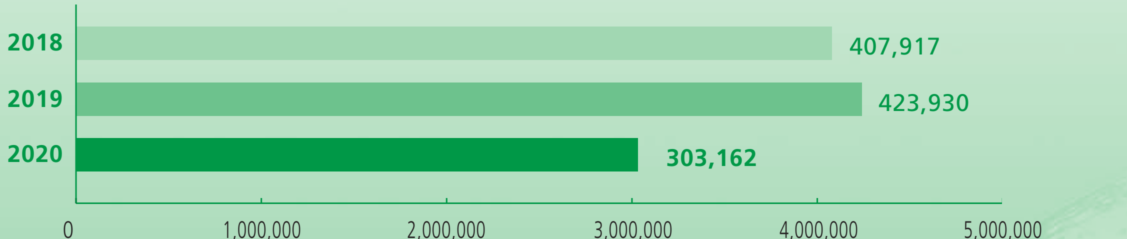
Total operating revenue
(RMB'000)



Equity attributable to shareholders of the Company
(RMB'000)



Net profit attributable to shareholders of the Company
(RMB'000)



CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Dongjiang Environmental Company Limited* (the "**Company**"), I am pleased to report the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**").

OVERVIEW

The year 2020 was the concluding year of the "13th Five-Year" plan, which was decisive for China's key task of pollution prevention and control and critical for the Company to deepen reform, enhance quality and efficiency and facilitate high-quality development. Facing the dual challenges of the impact of the pandemic and intensifying competition, the Company focused on the main business of hazardous waste treatment and disposal, steadily facilitated project construction based on national macro policies and market demand, increased the scale of production capacity, optimized the structure of hazardous waste production capacity, and improved the utilization rate of production capacity. It also further implemented refined and standardized management, and fully improved operation management through business expansion, cost reduction, streamlined operation, ability enhancement and technological innovation, thereby laying a solid foundation for implementation of different tasks of production and operation.

In 2020, in addition to further developing the business of hazardous waste treatment and disposal, the Company also accelerated project construction and application for quality verification. With such efforts, a total of six projects completed construction and obtained the hazardous waste disposal business license, contributing hazardous waste disposal capacity of 192,300 tons per year in aggregate. During the Reporting Period, the total treatment capacity of the Company exceeded 2,000,000 tons per year for hazardous waste treatment with an overall capacity utilization rate of approximately 40.53%, and total designed capacity of projects under construction exceeded 400,000 tons per year. Meanwhile, the Company is actively facilitating project acquisition in order to improve strategic layout and strengthen industry collaboration, thereby providing strong support to the high-quality development of the Company.

During the Reporting Period, the Company achieved total operating revenue of RMB3,315,021,000 for the year, representing a decrease of 4.15% as compared to the same period of last year. The net profit attributable to the equity holders of the Company was approximately RMB303,162,000, representing a decrease of 28.49% as compared to the same period of last year. The Company maintained a stable financial position with total assets of RMB10,424,154,000 as at 31 December 2020, representing an increase of 0.28% as comparing the beginning of the Reporting Period. The equity attributable to the equity owners of the Company was RMB4,539,564,000, representing an increase of approximately 4.49% as compared to the beginning of the Reporting Period. In view of the adverse impact of the pandemic on the Company's industry and the changes in operating environment and considering the impact of certain receivables and legal cases, the Company took a prudent approach to make reasonable provision for impairment on goodwill and provision of loss allowance on receivables, which constituted certain impact on the annual financial result of the Company.

The Company has always attached importance to the return on investment of its shareholders and has formulated a continuous and stable profit distribution plan and shareholder return plan. In order to reward the shareholders, the Board of Directors of the Company proposed to distribute a final cash dividend of RMB0.11 per share (tax inclusive) to all shareholders, subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

OUTLOOK

The official announcement of the 14th Five-Year Plan and the Long-Range Objectives Through the Year 2035 means that China's task of pollution prevention and control has entered the "deepening" stage. In the future, China will effectively implement various tasks to peak carbon emission and achieve carbon neutrality, pay more attention to prevention and control at source, and optimize the industrial structure and energy structure with more emphasis on carrying out pollution prevention and control in a precise, scientific and legal manner. In the new era of the "14th Five-Year" plan, the competitive landscape of the industry will be reshaped, and technology-driven capability and project operation capability will become more important and prominent. As such, insisting on technological innovation is a strategic key initiative for the future development of environmental protection enterprises.

As a pioneer in the environmental protection industry in China, the Company has a complete industrial chain with its business extending to the fields of general industrial solid waste, municipal solid waste, wastewater treatment, environmental protection engineering and entrusted operation of environmental protection facilities. Through the operation of over 50 environmental protection projects, the Company has developed outstanding professional management capabilities and experience. Currently, the Company's business network covers the Pearl River Delta, Yangtze River Delta, Beijing-Tianjin-Hebei region, Bohai Economic Rim, central and western China and other key regions of hazardous waste industry, serving more than 30,000 customers.

In the coming year, the Company will adhere to President Xi Jinping's thought on ecological civilization and the ideas of the annual sessions of the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference, promote the priority of ecosystem protection, implement the major decisions and strategies on peaking carbon emission and achieving carbon neutrality, and continue to carry out the critical task of pollution prevention and control. With the hazardous waste business as the core business and pillar of Dongjiang Environmental, the Company will adhere to the innovation-driven development strategy, continue to strengthen the ability of technological innovation, lead the development direction of the industry with technological innovation, and adopt a customer-centric approach to provide comprehensive environmental services to the customers, so as to maximize corporate value, enhance the comprehensive competitiveness of the Company and build a leading technology-based integrated environmental service provider specialized in hazardous waste disposal in China.

ACKNOWLEDGEMENTS

Finally, on behalf of the Board, I would like to express my gratitude to the shareholders, clients, suppliers, partners, and staff who make unremitting effort to the Group's development.

Dongjiang Environmental Company limited
Tan Kan
Chairman

Shenzhen, Guangdong Province, the PRC
29 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION DISCUSSION AND ANALYSIS

The year 2020 was the concluding year of the "13th Five-Year" plan, which was critical for the Company to deepen reform, enhance quality and efficiency and facilitate high-quality development. Affected by the pandemic, the global economy shrank led to decrease in total demand in the hazardous waste market. In response, the Company faced up to the challenges and difficulties and united all staff to resist the pandemic with concerted efforts, continuously deepen reform, make active response to market changes, vigorously implement refined and standardized management, and carry out production and operation in an orderly manner, thereby maintaining a stable overall operation.

During the Reporting Period, the Company achieved an operating revenue of RMB3,315,021,000 for the year, representing a decrease of 4.15% as compared to the same period of last year. The net profit attributable to the equity holders of the Company was approximately RMB303,162,000, representing a decrease of 28.49% as compared to the same period of last year. The Company maintained a stable financial position with total assets of RMB10,424,154,000 as at 31 December 2020, representing an increase of 0.28% as comparing the beginning of the Reporting Period. The equity attributable to the equity owners of the Company was RMB4,539,564,000, representing an increase of approximately 4.49% as compared to the beginning of the Reporting Period. During the Reporting Period, in view of the adverse impact of the pandemic on the Company's industry and the changes in operating environment and considering the impact of certain receivables and legal cases, the Company took a prudent approach to make reasonable provision for impairment on goodwill and provision of loss allowance on receivables, which constituted certain impact on the annual financial result of the Company. The information of operational management and the key tasks completed by the Company are as follows:

(I) Assuming the responsibilities as a state-own enterprise to resist the pandemic

During the period of pandemic, the Company actively responded to the government summon and improve the awareness of all staff to actively participate in the frontline of pandemic prevention and engaged in medical waste treatment and disposal business through the disposal facilities in over ten provinces in China. The Company properly disposed of over 9,000 tons of medical waste on the premise to ensure "zero infection" among over 4,900 employees of the Company, including 373 employees of eight subsidiaries in Hubei Province in the period of pandemic, thereby contributing to the pandemic prevention and production resumption in various regions with the strength of the Company. As the local entities for emergency disposal of medical waste, Hubei Tianyin, Xiamen Dongjiang, Nantong Dongjiang, Shaoxing Huaxin, Jiangxi Dongjiang, Xinjiang Wosen and other subsidiaries actively responded to the government's emergency call, and successfully completed the disposal of medical waste during the pandemic, which were highly approbated by relevant authorities.

(II) Facilitating the development plan of the Company through project construction

With the Company's efforts in accelerating project construction and application for quality verification, totally six projects completed construction and obtained the hazardous waste disposal business license, including Shaoguan Green land fill project with a capacity of 34,500 tons per year, the Fujian Oasis project with a capacity of 20,000 tons for incineration and 45,000 tons for landfill per year, the Shaoxing Huaxin incineration project with a capacity of 20,000 tons per year, the Nantong Dongjiang physical and chemical treatment project with a capacity of 14,900 tons per year, and the Tangshan Wandesi project with a capacity of 19,700 tons for incineration, 17,000 tons for physical and chemical treatment and 21,200 tons for landfill per year, contributing hazardous waste disposal capacity of 192,300 tons per year in aggregate. Meanwhile, in response to the changes in industry and market conditions, the Company optimized the qualification structure through technical modification and amendment on inefficiency of disposal capacity. As of the date of this announcement, the Company has a total capacity of over 2 million tons per year for hazardous waste treatment and disposal, including 750,000 tons per year for comprehensive utilization, 360,000 tons per year for incineration, 280,000 tons per year for landfill and 630,000 tons per year for physical and chemical treatment.

The Company has abundant project reserves with eight projects under construction, including the Fujian Oasis Physical and Chemical Treatment Project, the Fulong Environmental Incineration Project, the Mianyang Dongjiang Phase I Project, the Xiamen Dongjiang Incineration Project, the Jiangsu Dongjiang Landfill Project, the Zhuhai Dongjiang Project and the Jieyang Dongjiang Dananhai Project, which have a total designed capacity of over 400,000 tons per year for hazardous waste treatment and disposal. Meanwhile, the Company is actively facilitating project acquisition in order to expand the precious metal recycling segment, improve strategic layout, strengthen industry collaboration, enhance the standard of recycling and comprehensive utilization of solid waste and hazardous waste, and create new profit growth drivers, thereby providing strong support to the high-quality development of the Company.

(III) Making steady progress in market expansion

During the Reporting Period, the impact of the pandemic reduced the collection of raw materials at the front end of the market and led to increase in costs. In the face of economic environment changes and intensive market competition, the Company further optimized and adjusted its market management model, fully authorized its business divisions, and established a flexible pricing mechanism in order to enhance operation efficiency, accelerate business expansion, rapidly respond to changes of market conditions and effectively secure the Company's market share.

For industrial waste treatment and disposal, the Company set offensive and defensive targets according to local conditions by establishing a flexible market pricing system, put great efforts in developing the markets in Guangdong Province and Jiangsu Province, vigorously developed new customers and actively maintained existing customers, and secured various VIP customers including several well-known electronic and electrical appliance manufacturers during the year, which ensured the steady increase of business volume in key areas. For sales of recycling products, the Company closely followed the changes in market demand and achieved rapid sales of products with the production and sales rate of its recycling products exceeding 100% during the Reporting Period. It also further strengthened the cooperation relationship with major customers with sales to major customers accounting for approximately 20% of the total sales volume of cuprate products, and increased more efforts in market expansion for products with higher gross margin. In particular, the sales volume of copper (II) chloride dihydrate recorded year-on-year increase of over 60%, and the sales volume of copper sulphate for electroplating recorded year-on-year increase by over 25%. For business model innovation, Nantong Dongjiang took the lead to explore the "Environmental Butler" business model, which provides entrusted operation services for incineration facilities in addition to the waste treatment and disposal services, thereby further enhancing serving quality and customer stickiness.

As of the end of the Reporting Period, the Company's capacity utilization rate was 42.63% for recycling, 60.16% for incineration, 67.50% for landfill, and 18.27% for physical and chemical treatment, resulting in an overall capacity utilization rate of 40.53%. The year-on-year decrease in overall utilization rate was mainly due to the acquisition of the Company's new capacity in the fourth quarter of 2020 and the newly constructed projects were at the stage of market expansion and capacity development. Generally, despite the impact of the pandemic and intensive market competition, the Company still managed to increase the total volume of hazardous waste treatment for the year and continuously improve its business expansion capability.

(IV) Continuously deepening refined management

The "Hazardous Waste Operational Management Information Platform" independently developed by the Company has been applied in seven subsidiaries. Through platform-based management, the Company strengthened the compliance supervision of the whole process of hazardous waste disposal, and further enhanced the level of informatization and standardization of environmental protection management of the Company. The Company further standardized the operating procedures and formulated the Standardized Operation Manual for Incineration and Disposal and the Standardized Operation Manual for Physical and Chemical Treatment in order to standardize the whole operation process from collection and transportation to disposal of hazardous waste and reduce production cost. We facilitated technical transformation based on market demand, and the Jiangmen Dongjiang Ammonia Recovery System, the Huizhou Dongjiang Catalytic Wet Air Oxidation Process and other technical modification projects have contributed significant economic benefits. In order to carry out the "dual reduction" task and strengthen capital management, the Company adopted various measures such as issuance of medium-term notes and the replacement of liabilities with high interest rates, and reduced the finance costs by RMB28.44 million year-on-year, effectively reducing the operating costs of the Company. The Company also improved system construction by introducing the Implementation Rules for Risk Management Ledger and the Implementation Rules for Special Risk Assessment of Material Matters, which further improved the risk control systems.

The Company carried out the construction of a dual prevention system for safety production risks and hazards, and facilitated the business divisions to establish a comprehensive safety production risk classification, management and control system and system for identification and management of hazards. Firstly, based on the actual situation of the safety and environmental protection works, the Company conducted 25 special activities including solid waste and hazardous waste inspection and special rectification for safety production, which provided training to 3,867 people and carried out 305 emergency drills and 923 safety training sessions. Secondly, the Company fully promoted the application of its "Safe Dongjiang" safety and environmental protection management information platform, delivered safety and environmental protection management information in a timely manner, continuously facilitated the iteration and upgrade of the platform, and effectively improved the practicality and efficiency of the safety and environmental protection management information platform to ensure that safety and environmental protection management is carried out in a forward-looking manner with precise supervision, source management and scientific prevention. During the Reporting Period, the safety and environmental protection situation remained stable and controllable with the accident rate decreasing by 62.5% year-on-year and no major safety accident throughout the year.

(V) Continuously improving talent management

The Company further promoted the pilot program of comprehensive reform under the theme of "incentive, constraint and fault tolerance", and established and improved the talent assessment, appraisal and remuneration system with market competitiveness by amending the "Remuneration Standard Plan", publishing the "Staff Promotion Management Measures", optimizing the assessment and incentive mechanism, launching the corporate annuity scheme and increasing the contribution ratio of provident funds during the Reporting Period, which effective aligned the employees' remuneration with the Company's development, implemented the human resource development concept of caring for the employees, improving remuneration package and achieving mutual development, thereby fully incentivizing the staff to strive for business success.

(VI) Achieving fruitful results in technological innovation

Upholding the idea of innovation-driven development, the Company put effort in carrying out technological innovation based on research institutes. During the Reporting Period, the Company had a total of 18 high technology enterprises, including Dongguan Hengjian and Huateng Environmental which were newly recognized as high technology enterprises. The Company participated in the formulation of two national standards, being "GB/T 39198-2020 Classification and Code for General Solid Waste" and "GB/T 39197-2020 Principle and Requirement for Material Flow Data Collection of General Solid Waste". The Company completed a total of 13 research and development projects and achieved commercialization for four projects, including the technology for quality improvement of copper sponge which enlarged the effectiveness of the copper grade, stability of the Company's products and strengthened the market competitiveness. It also made 63 new patent applications and obtained 81 new patents. Two project achievements were assessed as globally leading, including the process of production of basic copper carbonate by carbonization in the field of recycling of copper-containing hazardous waste which has applied for international patent. The Company conducted research on traction battery recycling technology to closely follow the future development trend of the industry and cultivate new business capabilities. The Company and Tsinghua University jointly applied for the project of harmless treatment and recycling of high-concentration hazardous waste in typical industries, a key special project for "solid waste recycling" under the national key research and development program which will provide new materials, new methods and new processes for recycling and harmless treatment of high-concentration hazardous waste with practical and engineered technologies, representing a new breakthrough for the Company in research and development of national key projects.

FINANCIAL REVIEW

Total operating revenue

For the year ended 31 December 2020, the Group's total operating revenue decreased by 4.15% as compared with 2019 to approximately RMB3,315,021,000 (2019: approximately RMB3,458,591,000). The decrease in total operating revenue was mainly due to the decrease in production of industrial enterprise in upstream and downstream from the effect of pandemic, which led to decrease in volume of hazardous waste treatment and disposal. Because of the new production capacity in the industry commenced operation, the industry became increasingly competitive, the cost of recycling business increased, and the market prices for collection and transportation of non-hazardous waste decreased. In particular, the operating revenue of industrial waste treatment and disposal decreased by approximately 4.05% as compared with the same period of last year to approximately RMB1,599,509,000 (2019: approximately RMB1,667,032,000). The operating revenue of industrial waste recycling products decreased by approximately 1.95% as compared with the same period of last year to approximately RMB1,054,328,000 (2019: approximately RMB1,075,315,000). The operating revenue of municipal waste treatment and disposal decreased by approximately 21.41% as compared with the same period of last year to approximately RMB180,770,000 (2019: approximately RMB230,026,000).

Profit

For the year ended 31 December 2020, the Group's integrated gross profit margin was 34.12% (2019: 36.08%). The integrated gross profit margin decreased by approximately 1.96% 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 2020, net profit attributable to equity holders of the Company was approximately RMB303,162,000 (2019: approximately RMB423,930,000), which decreased by approximately 28.49% compared with 2019. This was mainly because of the adverse effect of the COVID-19 pandemic on the Company's engaged industry and the change in operating environment, and considering the impact of certain receivables and legal proceedings, the Company took into consideration to make reasonable assessment of provision on impairment for goodwill and provision on loss allowance on receivables, which constituted certain impact on the annual financial result of the Company.

Selling expenses

For the year ended 31 December 2020, the Group's selling expenses were approximately RMB100,869,000 (2019: approximately RMB122,308,000), accounting for 3.04% of the total operating revenue (2019: 3.54%). The decrease in sales expense was mainly because the business operation was affected by the COVID-19 pandemic, which led to decrease in operating scale and thus the decrease in selling expenses.

Administrative expenses

For the year ended 31 December 2020, the Group's administrative expenses were approximately RMB361,726,000 (2019: approximately RMB365,569,000), accounting for 10.91% of the total operating revenue (2019: 10.57%). The decrease of the amount in administrative expenses was due to the Company's effective management and control during the Reporting Period.

Finance costs

For the year ended 31 December 2020, the Group's finance costs were approximately RMB127,066,000 (2019: approximately RMB155,506,000), accounting for 3.83% of the total operating revenue (2019: 4.50%). The decrease in finance costs was mainly because the Company optimized its debt structure by issuing medium-term notes to replace the financing with high cost during the Reporting Period.

Income tax expenses

For the year ended 31 December 2020, the Group's income tax expenses were approximately RMB68,225,000 (2019: approximately RMB57,687,000), accounting for 16.98% of total profit (2019: 11.00%). The increase in income tax expenses was mainly due to the expiry of preferential tax treatment period of the three-year EIT exemption and reduction previously enjoyed by certain subsidiaries during the period.

FINANCIAL POSITION AND LIQUIDITY

As of 31 December 2020, net current assets of the Group amounted to approximately RMB-1,021,492,000 (2019: approximately RMB-1,371,355,000), including cash and time deposits at banks and other financial institution of approximately RMB653,579,000 in total (2019: approximately RMB1,096,744,000).

As of 31 December 2020, total liabilities of the Group amounted to approximately RMB5,050,514,000 (2019: approximately RMB5,360,589,000). The Group's gearing ratio was 48.45% (2019: 51.57%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to approximately RMB3,576,138,000 (2019: approximately RMB4,397,027,000). As of 31 December 2020, the Group's outstanding bank and other loans reached approximately RMB2,632,898,000 (2019: approximately RMB2,593,317,000). In the opinion of the directors of the Company, the Group can meet its financial obligations through the unused banking facilities readily 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 January and February 2020, the Company made investment of RMB18,550,000 in Ousheng Green Fuel (Jieyang) Co., Ltd. (歐晟綠色燃料(揭陽)有限公司), an associate owned as to 37.10% by the Company.

In March 2020, the Company made investment of RMB35,000,000 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 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 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 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 in Zhuhai Dongjiang Environment Technology Co., Ltd. (珠海市東江環保科技有限公司, "**Zhuhai Dongjiang**"). As at 31 December 2020, the Company has 74.31% of the equity interest in Zhuhai Dongjiang.

In August 2020, the Company made investment of RMB11,000,000 in Dongguan Fengye Solid Waste Treatment Co., Ltd. (東莞市豐業固體廢物處理有限公司), an associate owned as to 20% by the Company.

In December 2020, the Company made investment of RMB80,000,000 in Xiantao Dongjiang Environmental Protection Science and Technology Co., Ltd. (仙桃東江環保科技有限公司), a wholly owned subsidiary of the Company.

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

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in this annual report, the Group does not have other future plans for material investments or capital assets, except for the capital commitment of RMB368,665,000.

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.

Contingent liabilities

On 9 December 2019, Jiangsu Guangxing Group Co., Ltd. sued to the court on the ground that Dongheng Environmental failed to pay the project payment and investment return of RMB48,300,000 as stipulated in the contract and made a legal claim to Dongheng Environmental for the project payment, investment return, loss on the project suspension, loss on the downtime and any overdue interests. Both parties disagreed on the above-mentioned claim amounts and they are engaged in a legal proceeding.

The legal proceeding was still in process due to the complexity of the case. Up to the date of authorisation of these consolidated financial statements, the possible outcome for the potential compensation was unable to reliably estimated.

Save as disclosed above, the Group had no other significant contingent liabilities for the year ended 31 December 2020.

Capital commitment

As at 31 December 2020, the capital commitment of the Group was as follows:

Item	**2020** **RMB'000**	2019 RMB'000
External investment commitments	**–**	21,160
Significant outsourcing contracts	**338,433**	144,557
Commitment to acquisition of long-term assets	**30,232**	42,427
Total	**368,665**	208,144

FUTURE PROSPECTS

(I) Industry landscape and development trend

The 14th Five-Year Plan and the Long-Range Objectives Through the Year 2035 clearly stated that China shall adhere to the concept that lucid waters and lush mountains are invaluable assets, enhance the quality and stability of the ecosystem, improve the coordination mechanism of ecological civilization, continuously improve the quality of the environment, and promote the comprehensive green transformation of economic and social development, thereby building a beautiful China. During the "14th Five-Year" plan, the environmental protection industry in China will continue to enjoy strategic development opportunities with favourable conditions in technological innovation, industry transformation, rural revitalization, green development and regional cooperation and upgrade. As such, environmental protection investment may continue to record explosive growth with broad market prospects. At present, China's environmental protection industry has formed a market landscape of full-scale competition, showing the following characteristics in industry development:

Firstly, the task of pollution prevention and control has entered the "deepening" stage. The "14th Five-Year" plan proposed that China shall effectively implement various tasks to peak carbon emission and achieve carbon neutrality, optimize the industrial structure and energy structure, persist in prevention and control at source with comprehensive measures, strengthen the coordinated control of multiple pollutants and collaborative regional management, establish centralized hazardous waste utilization and disposal facilities with a focus on major industrial bases, and comprehensively improve the standard of environmental infrastructure. The Ministry of Ecology and Environment proposed that China shall focus on forming the work pattern of environmental protection through source management, system management and overall management, pay more attention to source prevention and source management with more emphasis on carrying out pollution prevention and control in a precise, scientific and legal manner.

Secondly, the industry has become fiercely competitive. According to the statistics in the 2020 Annual Report on the Prevention and Control of Solid Waste Pollution in Large and Medium-sized Cities in China, as of the end of 2019, the approved collection, utilization and disposal capacity of the entities with hazardous waste business license in China reached 129 million tons per year, representing a year-on-year increase of 26%, the actual amount of collection, utilization and disposal was 35.58 million tons, representing a year-on-year increase of 32%, with an actual capacity utilization rate of only 27.5%. In particular, the actual amount of collection, utilization and disposal was 24.68 million tons for recycling, representing a year-on-year increase of 29%; 2.13 million tons for landfill, representing a year-on-year increase of 36%; 2.47 million tons for incineration, representing an increase of 36%; and 1.79 million tons for collaborative disposal with cement kiln, representing a year-on-year increase of 77%. This fully reflects the overall situation of overcapacity and prevalence of capacity mismatch in hazardous waste industry, which led to price-cut competition and consequently the decrease in overall profit margin of the industry.

Thirdly, the comprehensive environmental service model has become a pressing need with increasing demand for source management. With the continuous implementation of green and low-carbon circle development, "waste-free city" and other macro development strategies, China will focus on building an environmental infrastructure system that integrates sewage, garbage, solid waste, hazardous waste and medical waste treatment and disposal facilities as well as monitoring and supervision capabilities. It will also implement models such as "reverse recycling" for production enterprises to establish an effective recycling system that integrates online and offline operation and enables a controlled flow of resources. In particular, the mainstream demand for source management will promote structural changes in the industry, solid waste and hazardous waste enterprises and waste producers will continue to strengthen the efforts and increase the investment and resources for reduction and recycling of waste at source.

Fourthly, technology-driven innovation and project operation capability have become key competitive strengths. The environmental protection industry is now in a period of in-depth transformation. With tighter regulation, higher industry standards and a large number of projects being put into operation, the competitive landscape of the industry will be reshaped, and the shift from investment and construction stage to operation stage and the increased competition will become inevitable in the development of the environmental protection industry, bringing multiple challenges to the entire environmental protection industry. In response, environmental protection enterprises will gradually shift from investment-based business to technology and operation-based business, and technology-driven capability and project operation capability will become more important and prominent. As such, insisting on technological innovation is a strategic key initiative for the future development of environmental protection enterprises.

(II) Key tasks of the Company

In the new era of the "14th Five-Year" plan, the Company will adhere to President Xi Jinping's thought on ecological civilization and the ideas of the annual sessions of the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference, promote the priority of ecosystem protection, implement the major decisions and strategies on peaking carbon emission and achieving carbon neutrality, continue to carry out the critical task of pollution prevention and control, take up the mission and responsibility as an environmental protection enterprise in the new era, strive for new breakthroughs and development amid changes in the industry, specify the development target and path, assume the corporate responsibility of "developing ecological civilization to build a better China", strive to achieve the goal of "becoming stronger, better and bigger", and become the pioneer of comprehensive environmental services in China.

1. *Improving management level and accelerating industry expansion*

   We will strictly maintain sound production and operation to achieve operation targets and facilitate the stable development of the Company with focus on "reversing the loss position" as the key task by reducing the number of loss-making enterprises on a case-by-case basis with collective efforts and multiple measures. Based on customers' demand, we will facilitate joint operation and implement the business model of entrusted operation to ensure the business growth of the Company. We will also accelerate the acquisition of Xiongfeng Environmental and integrate relevant enterprises, accelerate strategic deployment and industry collaboration, increase our revenue base and gradually optimize and adjust the business structure of the Company in order to further enhance the Company's profitability.

   We will further implement refined management to enhance the management efficiency and benefits. Firstly, we will fully promote standardized operating procedures of production process and standardized cost management and control in order to reduce cost and enhance efficiency. Secondly, we will accelerate the construction and promotion of "intelligent environmental protection platform" to effectively enhance the level of management and intelligent operation of the Company. Thirdly, we will strengthen capital operation and improve our financing capability by facilitating direct financing through the listing platform to provide strong financial support for the rapid development of the Company.

2. *Ensuring production safety and environmental operation with focus on both projects and services*

   We will fully promote the construction of Jiangsu Dongjiang, Zhuhai Dongjiang, Mianyang Dongjiang, Jieyang Dananhai and other key projects, pay attention to project quality and reduce the construction cost, thereby further increasing the hazardous waste operation capacity of the Company and achieving steady revenue growth. We will also continuously facilitate market reform and increase our market shares. The Company will continue to provide a wide range of integrated environmental services to our clients, develop customized and integrated service solutions for key clients and provide differentiated services to fully exploit the market potential and increase customer stickiness. We will also actively establish partnership with large enterprises in different industries to maximize the market potential. In addition, we will further expand our sales channels and actively develop the international markets and increase our market shares.

We will assume the responsibility for safety and environmental protection and fire safety, improve the list of safety and environmental protection responsibility, further facilitate the construction of a dual prevention mechanism for safety risk control and hidden danger inspection, strengthen our efforts in identification and management of hidden danger, emergency management training and occupational health protection to achieve normalized management of safety and environmental protection. We will actively apply new technologies, processes and procedures, speed up the promotion of the "Safe Dongjiang" safety and environmental information management system, vigorously promote technology-driven safe operation, enhance the standard of safety equipment of enterprises, and strengthen inspection and supervision in great details in order to promote the improvement of safety and environmental protection awareness among all staff, thereby ensuring safe production and operation of the Company.

3. *Persisting in technological innovation to develop core growth drivers*

We will continuously establish and improve the incentive, assessment and result transformation mechanisms for technological innovation and constantly improve the technological innovation management system in order to enhance the innovation efficiency of the Company. Based on the research institutes of the Company, we will accelerate the construction of key laboratories at national and provincial level, and strive to build a high-quality technological innovation platform. We will also strengthen our efforts in recruiting high-caliber talents, adopt innovative approach for talent cultivation, and stimulate the creativity of talents, thereby improving the overall capability of our research and development team. With focus on core technologies, we will increase the efforts in transformation of technological achievements, and strengthen the cooperation with reputable universities and research institutes in China and abroad, in order to provide strong technological support for the Company's development. We will also actively develop technologies for the comprehensive utilization of hazardous waste and strengthen the development of high-quality recycled products with high profit margin to maintain the Company's leading position from a technological perspective.

4. *Building a talent team through various measures*

We will form a long-term development mechanism to introduce, cultivate, utilize and retain the talents. To this end, we will further improve the recruitment and employment mechanism, expand the recruitment and employment channels for candidates, strengthen the efforts in introduction of talents with doctoral and master's degree from key universities and recruitment of fresh graduates and management trainees to enrich the talent pool. We will further optimize the training system, cultivate interdisciplinary management talent and technical talent reserve with development potential and competency. We will accelerate the construction of various mechanisms for backbone staff to receive training through job rotation and exchange, and actively select management and technological talents with excellent business skills to serve in critical positions, thereby fully utilizing the talent resources. We will strengthen the function of appraisal and motivation, establish and improve the talent assessment, appraisal and remuneration system with market competitiveness, and actively explore and implement long-term incentive plan, thereby laying a solid foundation of talent resources for high-quality development of the Company.

(III) Potential risks and countermeasures

1. *Risk related to industry development and reform*

The environmental protection industry experienced rapid expansion in recent years and formed a market landscape of full-scale competition with certain level of capacity mismatch. Environmental protection industry has shifted from an investment-based industry to a technology-driven and operation-based industry. In view of this, the Company will continuously accelerate project construction, optimize the professional modular management system, improve the level of operation management, ensure that business licenses are obtained and major projects are put into production and operation, and strengthen the development of technology-driven capability and project operation capability

Meanwhile, with the continuous implementation of green and low-carbon circle development, "waste-free city" and other macro development strategies, the focus of environmental protection in the future will shift from terminal treatment to comprehensive linear management covering pollution source and affected river basins and regions. In the fields of industrial environmental services, urban domestic waste and water treatment, a comprehensive environmental service model will be formed, and the mainstream demand for source management will promote structural changes in the industry. In view of this, the Company will continuously enhance the proportion of and increase the investment in the business of reduction and recycling of waste at source, strengthen project and market expansion, increase its efforts in investment and financing and capital operation, actively carry out market expansion and deepen the cooperation with the local governments of different cities. In addition to continuously consolidating the core business of solid and hazardous waste treatment, the Company will actively develop the comprehensive environmental service model.

2. *Risk of shortage of professionals*

The booming development of the environmental protection industry has attracted a large amount of capital and enterprises, resulting in a huge gap between demand and supply of professionals engaged in environmental protection industry and leading to increasingly intensive competition for environmental protection professionals. Facing the intensifying competition in the industry, the Company will continuously form a long-term development mechanism to introduce, cultivate, utilize and retain the talents, develop a high-quality workforce, actively explore long-term incentive methods such as equity incentive and employee stock ownership scheme to enhance the sense of belonging among the staff and maximize their vitality and creativity.

3. *Risk related to production safety and environmental protection*

The continuous improvement of environmental protection laws and regulations and gradual development of the environmental protection regular inspection and supervision mechanism have posed higher requirements for enterprises in respect of production safety and environmental protection in recent years. In response, the Company always considers production safety and environmental protection as the fundamental prerequisite of development, continuously improves the safety responsibility system and facilitates the construction of standardized procedures and systems. However, the industry characteristics of high risk and difficult management of the Company's principal business of hazardous waste treatment, coupled with the diversification of the product and extensive scope of operation of the Company, have caused great pressure on the Company in management of production safety and environmental protection. In response, the Company will continuously strengthen the management of pollutant treatment facilities, improve the awareness of compliance operation among all staff and fully enhance the safety and security capability in order to minimize the risk related to production safety and environmental protection.

EXECUTIVE DIRECTORS

Mr. Tan Kan (譚侃), aged 52, is a member of the Communist Party of China, holds a bachelor's degree. Since 1992, Mr. Tan has been worked in the Environmental Technology Development Institute of Futian District (福田區環境技術開發研究所) and Shenzhen Environmental Supervision Institute (深圳市環境監理所). Between 2002 and 2016, Mr. Tan worked as deputy research officer of environmental evaluation management department, deputy director of dongshen water source protection office and deputy division chief of water and soil environmental management office in Shenzhen Neighborhood Committee (深圳市人居委). From November 2016 to May 2017, Mr. Tan served as the head of pollution prevention and control department of Shenzhen Water Bureau (深圳市水務局). Mr. Tan has many years of experience in environmental management and pollution prevention. Mr. Tan was appointed as an executive director and chairman on 12 November 2018, was appointed as acting chief executive officer on 14 August 2020 and served as the secretary of the Communist Party of the Company. Mr. Tan is the beneficial owner of 120,000 A shares, representing 0.014% of the issued share capital of the Company.

Mr. Lin Peifeng (林培鋒), aged 44, is a member of the Communist Party of China, holds a bachelor's degree and graduated from South China University of Technology, with a major in electronics and information technology. Since 2018, Mr. Lin has held several positions in Guangdong Rising Holdings Group Co., Ltd. including deputy director and director of party committee office (administration office). Mr. Lin was appointed as an executive director on 29 June 2020 and serves as the deputy secretary of the Communist Party and the chairman of the trade union of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Tang Yi (唐毅), aged 48, is a member of the Communist Party of China, holds bachelor's and master's degrees and is a senior accountant, certified public accountant and certified tax agent. He served as an assistant to the manager and deputy manager of finance department of Guangdong Rising Nonferrous Metals Import and Export Company (廣東廣晟有色金屬進出口公司) and an executive, senior executive and deputy director of the planning and finance department and deputy director of finance department (clearing center) of Guangdong Rising Holdings Group Co., Ltd. Mr. Tang has been serving as a designated director assigned to listed companies by the capital operation department of Guangdong Rising Holdings Group Co., Ltd. and a director of Guangdong Fenghua Advanced Technology Holding Co., Ltd. (廣東風華高新科技股份有限公司), Shenzhen Zhongjin Lingnan Non-ferrous Metal Co., Ltd. (深圳中金嶺南有色金屬股份有限公司) and Southern United Assets And Equity Exchange Limited Liability Company (南方聯合產權交易中心有限責任公司) since August 2020. Mr. Tang was appointed as a non-executive director on 22 December 2020.

Ms. Shan Xiaomin (單曉敏), aged 49, is a member of the Communist Party of China, holds master's and doctoral degrees. She served as deputy chief of Donghai County (東海縣), deputy secretary of the Party Committee, acting chief and chief of Lianyungang Haizhou District (連雲港市海州區), deputy secretary of the Party Committee, acting chief and chief of Lianyungang Xinpu District (連雲港市新浦區). Ms. Shan currently serves as the vice president and a Party Committee member of Jiangsu High Hope International Group Co., Ltd., the chairman of Jiangsu Huihong Dongjiang Environmental Protection Co., Ltd. (江蘇匯鴻東江環保有限公司) and the chairman of Wuxi Tianpeng Group Co., Ltd. (無錫天鵬集團有限公司). Ms. Shan was appointed as a non-executive director on 22 December 2020.

Mr. Jin Yongfu (晉永甫), aged 53, is a member of the Communist Party of China, holds a bachelor's degree. He served as the deputy manager of finance department and a director of the office of Jiangsu Skyrun Corporation (江蘇開元股份有限公司), the secretary of the board and an assistant to the general manager and the manager of investment development department of Jiangsu Skyrun Corporation (江蘇開元股份有限公司), the general manager of Jiangsu Huihong Huisheng Investment Management Co., Ltd. (江蘇匯鴻匯升投資管理有限公司), a deputy director of the office and a director of information center of Jiangsu High Hope International Group Co., Ltd. and a director of the office and a director of information center of Jiangsu High Hope International Group Co., Ltd. He currently serves as the general manager of the investment management department of Jiangsu High Hope International Group Co., Ltd., secretary of the general Party branch and chairman of Jiangsu Huihong Huisheng Investment Management Co., Ltd. (江蘇匯鴻匯升投資管理有限公司), a director of Jiangsu Huihong International Group Asset Management Co., Ltd. (江蘇匯鴻國際集團資產管理有限公司) and a director of Jiangsu High Hope Venture Capital Co., Ltd. (江蘇匯鴻創業投資有限公司). Mr. Jin was appointed as a non-executive director on 12 November 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Jinhui (李金惠), aged 56, is a member of the Communist Party of China, holds a doctoral degree and is a professor (employed on a long-term contract) and doctoral tutor as well as the chief scientist of Circular Economy and Urban Minerals Innovative Team of the School of Environment, Tsinghua University. Currently, he serves as an executive director of the United Nations Environment Programme Basel Convention Regional Centre (Asia Pacific), a director of Circular Economy Branch, Chinese Society for Environmental Sciences (中國環境科學學會循環經濟分會), a managing director of Chinese Society for Environmental Sciences and deputy director and secretary-general of the Solid Waste Treatment and Utilization Committee of China Association of Environmental Protection Industry. His research on common technologies of urban circular economy won the second prize of National Scientific and Technological Progress Awards (ranked No.1, 2016), and he was selected among the second batch of national environmental protection professional and technical leaders (totalling 40 leaders nationwide) in 2016 and won two awards and two commendation letters from the United Nations Environment Programme as well as more than 20 provincial and ministerial science and technology awards. He serves as an editorial board member of Frontiers of Environmental Science & Engineering (SCI Journal), an editorial board member of Journal of Material Cycles and Waste Management (SCI Journal) and an associate editor of Chinese Journal of Environmental Engineering. He also serves as an independent director of SCIMEE Tech. & Sci. Co.,Ltd. (中建環能科技股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300425) and Jiangxi Green Recycling Industry Co., Ltd. (江西格林循環產業股份有限公司). Mr. Li was appointed as an independent non-executive director on 22 December 2020.

Mr. Siu Chi Hung (蕭志雄), aged 50, holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong and is a non-practising member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Independent Non-Executive Director Association. He joined KPMG (Hong Kong) in 1994 and held the positions of a partner, the principal partner of real estate of KPMG (China) and the principal partner of Capital Markets Development (Southern China) of KPMG (China) from 2008 to June 2018. He has been serving as an executive director of LVGEM (China) Real Estate Investment Company Limited (listed on the Hong Kong Stock Exchange, stock code: 0095) since September 2019, an independent non-executive director of China Gas Industry Investment Holdings Co., Ltd (listed on the Hong Kong Stock Exchange, stock code: 1940) since December 2020, and an independent non-executive director of Roiserv Lifestyle Services Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 2146) since January 2021. Mr. Siu was appointed as an independent non-executive director on 22 December 2020.

Ms. Guo Suyi (郭素頤), aged 43, is a member of the Revolutionary Committee and a member of Guangdong New Social Stratum Association (廣東省新的社會階層聯合會), holds a bachelor's degree. She is currently a senior partner of Genius-Law (廣東金輪律師事務所), an arbitrator of the Guangzhou Arbitration Commission, an off-campus postgraduate tutor for full-time Master of Law at the School of Law of the South China University of Technology (華南理工大學), secretary general of the State-owned Assets Legal Professional Committee of the Guangdong Lawyers Association, and the secretary general of the Lawyer Industry Development and Reform Committee of Guangzhou Lawyers Association. Ms. Guo was a part-time professor and off-campus postgraduate tutor for Master of Law at the School of Law of Guangdong University of Foreign Studies (廣東外語外貿大學). Ms. Guo was appointed as an independent non-executive director on 22 December 2020.

SUPERVISORS

Mr. Huang Hai Ping (黃海平), aged 46, is a member of the Communist Party of China, and graduated from the Guangdong Provincial Committee's Party Academy (廣東省委黨校) with a bachelor's degree in economic management. He is a senior political engineer and economist, and served as the head of finance department and deputy general manager of Guangzhou Digital Rise Technology Co., Ltd. (廣州廣晟數碼技術有限公司), the chief economist of Guangdong Rising Research and Development Institute Co., Ltd. (廣東廣晟研究開發院有限公司) and the deputy director of the disciplinary inspection office of Guangdong Rising Holdings Group Co., Ltd. (廣東省廣晟控股集團有限公司). He joined the Group in 2019 and currently serves as the deputy secretary of the Party committee, secretary of commission for discipline inspection, chairman of the supervisory committee and supervisor of the Company.

Ms. Jiang Ping (江萍), aged 31, is a member of the Communist Party of China, graduated from Lingnan College of Sun Yat-sen University (中山大學嶺南學院) with a bachelor's degree in finance, and is an intermediate accountant, certified public accountant and certified tax agent. She joined the Group in 2020. She served as an assistant and assistant supervisor of the planning and finance department of Guangdong Electronics Information Operations Group Co., Ltd. (廣東省電子信息產業集團有限公司) and seconded deputy officer of the disciplinary inspection office of the Communist Party of China of the State-owned Assets Supervisory and Management Committee 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). Ms. Jiang currently serves as an assistant supervisor of the disciplinary office of Guangdong Rising Holdings Group Co., Ltd. (廣東省廣晟控股集團有限公司).

Mr. Zhang Hao (張好先生), aged 31, is a member of the Communist Party of China and received college education. He served as an accountant of Shenzhen Dongjiang Kaida Transportation Co., Limited* (深圳市東江愷達運輸有限公司) and a financial supervisor of Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd.* (深圳市寶安東江環保技術有限公司) and currently serves as a supervisor and senior supervisor of the discipline inspection and supervision office of Dongjiang Environmental Company Limited. Mr. Zhang joined the Group in 2015.

Save as disclosed in this report, each of the directors and the supervisors mentioned above did not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company.

COMPANY SECRETARY

Ms. So Shuk Yi Betty, was appointed as the company secretary of the Company with effect from 22 December 2020. She currently serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團 (香港)有限公司), a corporate service provider. She has over 20 years of experience in the field of Company Secretary. Ms. So obtained a master's degree in Chinese and Comparative Law from the City University of Hong Kong in 2004 and a master's degree in business administration from the University of Leicester (long distance learning course) in 1999. Ms. So was admitted as an associate of both The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Institute of Chartered Secretaries in 1997.

SENIOR MANAGEMENT

Mr. Li Zhehua (李澤華), aged 36, is a member of the Communist Party of China, holds a master's degree and graduated from the School of Law of Tsinghua University (清華大學). Mr. Li has obtained a legal professional qualification certificate, a fund practice qualification certificate, and the board secretary qualification certificate of listed company from the Shenzhen Stock Exchange. He served as a legal manager of China Resources Gas Group Limited (華潤燃氣控股有限公司), a company the shares of which are listed on the Stock Exchange (stock code: 1193), the director of the legal and compliance department of Huarong Borun (Shenzhen) Investment Holdings Co., Ltd. (華融柏潤 (深圳)投資控股有限公司), and the director of the legal and compliance department of First Capital Management Co., Ltd. (第一創業投資管理有限公司). Mr. Li joined the Group in 2019 and is currently secretary of the Board, the head of the securities and legal department of the Company, and he also concurrently serves as the head of Human Resources and the head of Political Work Department of the Company.

Ms. Wang Jianying (王健英), aged 55, a member of the Communist Party of China and a senior accountant, has served as a general manager of the finance department of Jiangsu Skyrun International Group Co., Ltd., a chief accountant, a member of Party Committee and a general manager of corporation management department of Jiangsu High Hope International Group Co., Ltd., a general manager of corporation management department and operations management department of Jiangsu High Hope International Group Co., Ltd. Ms. Wang joined the Group in 2019. Ms. Wang Jianying worked as the following position in subsidiary: Shenzhen Dongjiang Huiyuan Micro Finance Co., Ltd.: executive director.

Mr. Wang Shi (王石), aged 53, holds a bachelor's degree and is a senior engineer and a registered environmental impact assessment engineer. He graduated from Central South University of Technology (now known as Central South University). Mr. Wang Shi worked at Changsha Metallurgical Design and Research Institute of China Metallurgical Group and Shenzhen Environmental Engineering Science and Technology Center Co., Ltd. Mr. Wang Shi has rich experience in environmental management, environmental engineering and enterprise management. He won the second prize of Shenzhen Science and Technology Progress Award, the second prize of Excellent Engineering Design in the category of metallurgy, and the third prize of Environmental Science and Technology in the category of environmental protection. He also holds invention patents and is a specially engaged expert of Shenzhen government department. He joined the Group in 2018 and now serves as the vice chief executive officer of Dongjiang Environmental Company Limited. Mr. Wang Shi worked as the following positions in subsidiaries: Jieyang Dongjiang Guoye Environmental Protection Technology Co., Ltd.: chairman of the board of directors; Huizhou Dongtou Environmental Protection Co., Ltd. chairman of the board of directors; Xiamen Dongjiang Environmental Technology Co., Ltd.: chairman of the board of directors; Xiamen Oasis Environmental Industrial Co., Ltd.: chairman of the board of directors; Mianyang Dongjiang Environmental Technology Co., Ltd.: director; Dongjiang Environmental (HK) Ltd.: director; Lik Shun Services Limited: director. Mr. Wang Shi worked as the following positions in associate: Huizhou Dongjiang Veolia Environmental services Limited: director.

Mr. Yu Xiangli (余湘立), aged 58, a member of the Communist Party of China, holds a bachelor's degree and is a senior engineer, graduated from the Department of Chemical Engineering in Zhejiang University. Mr. Yu Xiangli has been working since 1984 and has served as a deputy director of Hunan Petrochemical Industry Bureau, a deputy general director of import and export company of Hunan Haili Chemical Industry Co.,Ltd., a secretary of party branch of Sunwoda Electronic Co., Ltd. and a deputy general director of Sunwoda Electric Vehicle Battery Co., Ltd., and concurrently served as a part-time member of Party Working Committee of Shiyan Sub-District, Baoan District, Shenzhen. Mr. Yu Xiangli has extensive experience in market development and operation management. He joined the Group in 2018 and currently serves as the vice chief executive officer of Dongjiang Environmental Company Limited. Mr. Yu Xiangli worked as the following position in subsidiary: Mianyang Dongjiang Environmental Technology Co., Ltd.: chairman of the board of directors.

DIRECTORS' REPORT

The Directors present this report and the audited financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the processing and sale of recycled products, the provision of waste treatment services, the construction and provision of environmental protection systems and services, and the trading of chemical products. Details of the principal activities of the subsidiaries are set out in note 49 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on page 66 of this report.

PROFIT DISTRIBUTION POLICY

According to the requirements of the Articles of Association, the accumulated profits distributed in cash by the Company in the last three years shall not be less than 30% of the average annual distributable profits realized in the last three years; the Board shall be responsible for formulating the profit distribution plan of the Company, which shall be considered and approved at the shareholders' general meeting, and after the shareholders' general meeting has resolved on the profit distribution plan, the Board shall complete the distribution of dividends (or shares) within two months after the shareholders' general meeting; the Board of the Company shall fully consider the opinions of the independent non-executive Directors when formulating the Company's profit distribution plan and the independent non-executive Directors shall express their independent opinions; after the profit distribution plan is announced in accordance with relevant laws, the Company shall fully consider the opinions and suggestion of the shareholders, in particular the minority shareholders.

The amount of accumulated profits distributed in cash by the Company for the years 2018 to 2020 met the requirement of Article 255 of the Articles of Association, which requires that "Where cash distribution conditions are met, profits distributed by cash every year shall be not less than 20% of the distributable profit achieved for the current year, and in any three consecutive years, the Company's accumulative profit distributed in cash is not less than 30% of distributable profits achieved during such three years."

During the year, the Company did not make any adjustment or change to its profit distribution policy.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.11 per share of the Company (inclusive of tax) (2019: RMB0.15) 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 2020 annual general meeting ("**AGM**"). Accordingly, the total amount of dividend to be paid is approximately RMB96,719,000, which is expected to be paid to the shareholders of the Company on or before 22 August 2021. No bonus shares will be awarded and no capital reserves will be converted into shares. The above said proposal is subject to, among other things, approval by the shareholders of the Company at the AGM to be convened and held. 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.

As at the date of this annual report, the Board was not aware that any shareholders of the Company had waived or agreed to any arrangement to waive dividends.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2020, a discussion on the Group's future prospects are provided in "Management Discussion and Analysis" in pages 7 to 20 in this annual report, an analysis of the Group's performance during the Reporting Period using key performance indicators are provided in "Financial Summary" in page 4 in this annual report.

MATTERS DURING THE REPORTING PERIOD

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 Company 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 had 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**"). Qidi sought damages after setting off debts of approximately RMB28,973,000 and interest of approximately RMB7,243,000, interests on the loss resulting from the delayed payment of fund subsidies for 2014 of approximately RMB1,633,000, legal fees of RMB700,000 and costs of the Arbitration. The Arbitration has not yet been heard, and the relevant matters may have certain effect on the profit of the Company, subject to the final decision of the Arbitration.

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

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

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

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

Amendments to Articles of Association

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

For details, please refer to the circular of the Company dated 21 January 2020 and the poll results announcement of the Company dated 11 February 2020.

Registration and Issue of Mid-term Notes

The Company proposed to apply for registration at the National Association of Financial Market Institutional Investors (the "**NAMFII**") and the issue of mid-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 mid-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 mid-term notes of the Company.

The Company has completed the first tranche of the issuance of the mid-term notes on 11 May 2020 with an issue size of RMB600,000,000.

For details, please refer to the Company's announcements dated 26 December 2019, 20 April 2020 and 13 May 2020, 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 11 February 2020, a non-wholly-owned subsidiary of the Company, Qingyuan Xinlv Environmental Technology Co., Ltd. (清遠市新綠環境技術有限公司) (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) (as purchaser) entered into the an agreement in relation to the supply of copper sulphate, which constitutes continuing connected transactions of the Company under the Listing Rules.

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

Continuing Connected Transaction – Provision of Financial Services

On 25 February 2020, the Company entered into a financial services agreement (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 financial services to the Group with a term of one year taking effect upon the Financial Services Agreement having been approved by the independent shareholders of the Company. The Financial Services Agreement and the and related party transactions thereunder were approved by the shareholders at the second extraordinary general meeting in 2020 of the Company on 12 May 2020.

In order to satisfy the operational development needs of the Group and to enhance funds management and utilization, on 14 August 2020, the Company entered into a supplemental financial services agreement (the "**Supplemental Financial Services Agreement**") with Rising Finance, pursuant to which the term of the agreement has been extended to two years and the maximum daily deposit amount of deposit services shall be revised as RMB385,000,000. The Supplemental Financial Services Agreement and the transactions contemplated thereunder has been approved by the shareholders at the third extraordinary general meeting in 2020 of the Company held on 13 October 2020.

For details, please refer to the announcements of the Company dated 25 February 2020 and 14 August 2020, the circulars dated 24 April 2020 and 25 September 2020, and the poll results announcements dated 12 May 2020 and 13 October 2020.

Continuing Connected Transaction – Facility Agreement

On 22 October 2020, Shaoguan Sustainable Resources (a direct non-wholly-owned subsidiary of the Company) entered into the facility agreement (the "**Facility Agreement**") with Rising Finance, pursuant to which Rising Finance has agreed to provide a facility to Shaoguan Sustainable Resources in an aggregate principal amount of up to RMB200,000,000 for a term of three years. As Rising Finance is a direct wholly-owned subsidiary of Guangdong Rising Group, a substantial shareholder of the Company, the Facility Agreement and the transactions contemplated thereunder constitute a continuing connected transaction for the Company.

For details, please refer to the announcements of the Company dated 22 October 2020 and 29 October 2020.

Proposed Public Issue of Corporate Bonds

On 10 April 2020, the Board approved and resolved to submit to the shareholders of the Company 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 accordance with the requirements under the relevant laws and regulations in the PRC. The proposal of issue of corporate bonds by the Company has been approved by the shareholders at the second extraordinary general meeting in 2020 of the Company held on 12 May 2020.

For details, please refer to the announcement of the Company dated 13 April 2020, the circular dated 24 April 2020 and the poll results announcement dated 12 May 2020.

Connected Transaction – Deemed Disposal of Shaoguan Sustainable Resources

On 11 September 2020, 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**"), a subsidiary of the Company, entered into a capitalisation of debt agreement (the "**Capitalisation of Debt Agreement**") with Guangdong Rising Group. Due to the need to carry out relevant state-owned assets procedures during the implementation of the Capitalisation of Debt Agreement and the transactions contemplated thereunder, the valuation results contained in the valuation report, with reference to which the capital injection price under the Capitalisation of Debt Agreement was determined, have exceeded the effective period. On 11 December 2020, the Company and Shaoguan Sustainable Resources have entered into a new capitalisation of debt agreement with Guangdong Rising Group, pursuant to which Guangdong Rising Group has agreed to inject capital into Shaoguan Sustainable Resources at the price of RMB1.29/RMB1 registered capital (in aggregate RMB62,668,700). After such capital injection, the registered capital of Shaoguan Sustainable Resources shall increase by RMB48,412,400 and RMB14,256,300 shall be credited as reserved capital of Shaoguan Sustainable Resources. The Capital Injection Amount shall be settled by setting off the unsecured debts of RMB62,668,700 owed by Shaoguan Sustainable Resources to Guangdong Rising Group (the "**Deemed Disposal**"). The Capitalisation of Debt Agreement has been terminated and lapsed. As Guangdong Rising Group is a substantial shareholder of the Company, the Deemed Disposal constitutes a connected transaction of the Company.

For details, please refer to the announcements of the Company dated 11 September 2020 and 11 December 2020.

Connected Transaction – Deemed Disposal of Zhuhai Dongjiang

On 11 December 2020, the Company, Zhuhai Dongjiang Zhuhai Dongjiang Environmental Protection Technology Co., Ltd.* (珠海市東江環保科技有限公司, "**Zhuhai Dongjiang**"), a subsidiary of the Company, and Guangdong Rising Group entered into a capital injection agreement, pursuant to which Guangdong Rising Group has agreed to inject the capital of RMB70,178,500 into Zhuhai Dongjiang. Guangdong Rising Group intends to nominate the Company to pay on its behalf the capital injection amount of RMB70,178,500 to Zhuhai Dongjiang, and accordingly, the Company will cease to be bound by the obligation to repay Guangdong Rising Group the principal amount of RMB67.19 million and interest amount of RMB2,988,500 under an unsecured specific environmental loan in the amount of up to RMB432,140,000 owed by the Company (the "**Zhuhai Dongjiang Deemed Disposal**"). As Guangdong Rising Group is a substantial shareholder of the Company, the Zhuhai Dongjiang Deemed Disposal constitutes a connected transaction of the Company.

For details, please refer to the announcement of the Company dated 11 December 2020.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 4 of this report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

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.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 69 to 70 of this report.

DISTRIBUTABLE RESERVES

During the Reporting Period, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to approximately RMB1,384,773,000. In addition, no amount in the Company's share premium account is available for distribution by way of capitalization issues.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 11.81% of the total sales for the year and sales to the largest customer included therein amounted to approximately 2.66%. Purchases from the Group's five largest suppliers accounted for approximately 10.94% of the total purchases for the year and purchase from the Group's largest supplier accounted for approximately 2.97% for the Reporting Period.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or in the Group's five largest suppliers.

DIRECTORS AND SUPERVISORS

The Directors during the Reporting Period were: Mr. Tan Kan, Mr. Yao Shu (resigned on 12 August 2020) and Mr. Lin Peifeng (appointed on 29 June 2020) as the executive Directors; Mr. Liu Boren (resigned on 3 April 2020), Mr. Huang Yiming (retired on 22 December 2020), Mr. Lu Bei (retired on 22 December 2020), Mr. Jin Yongfu, Mr. Tang Yi (appointed on 22 December 2020) and Ms. Shan Xiaomin (appointed on 22 December 2020) as the non-executive Directors; and Mr. Wong Hin Wing (retired on 22 December 2020), Mr. Qu Jiuhui (retired on 22 December 2020), Mr. Zhu Zheng Fu (retired on 22 December 2020), Mr. Li Jinhui (appointed on 22 December 2020), Mr. Siu Chi Hung (appointed on 22 December 2020) and Ms. Guo Suyi (appointed on 22 December 2020) as the independent non-executive Directors. The Directors up to the date of this report were: Mr. Tan Kan and Mr. Lin Peifeng as the executive Directors; Mr. Tang Yi, Ms. Shan Xiaomin and Mr. Jin Yongfu as the non-executive Directors; and Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi as the independent non-executive Directors.

The supervisors of the Company ("**Supervisors**") during the Reporting Period were: Mr. Huang Hai Ping, Mr. Zhang Hao, Mr. Huang Wei Ming (retired on 22 December 2020) and Ms. Jiang Ping (appointed on 22 December 2020), and up to the date of this report, the Supervisors of the Company were Mr. Huang Hai Ping, Ms. Jiang Ping and Mr. Zhang Hao.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 21 to 25 of this report.

Save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Mr Tan Kan, Mr. Lin Peifeng, Mr. Tang Yi, Ms. Shan Xiaomin, Mr. Jin Yong Fu, Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi, the Directors (including independent non-executive Directors) has entered into a service contract with the Company for a term commencing from 22 December 2020 and ending on the expiry of the term of the seventh session of the Board. Mr. Huang Hai Ping, Ms. Jiang Ping and Mr. Zhang Hao, the supervisor has entered into a service contract with the Company for a term commencing from 22 December 2020 and ending on the expiry of the term of the seventh session of the Supervisory Committee.

None of the Directors or the Supervisors had entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the positions held by the Directors or Supervisors in connected persons of the Company as disclosed in this report, no contracts or transactions of significance to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiary.

EMOLUMENTS FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the emoluments for Directors, supervisors and senior management of the Company are set out in note 9 to the financial statements.

As at 31 December 2020, the number of full-time employees stood at 4,978 (2019: 4,807) with a total staff cost of approximately RMB594,598,000 (2019: RMB626,069,000). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund, and medical insurance.

The emoluments of the Directors are recommended by the remuneration and appraisal committee of the Company, and approved by the Board, as authorised by shareholders in the annual general meeting of the Company, having regard to their time commitment and responsibilities, the salaries paid by comparable companies, employment conditions elsewhere in the Group and desirability of performance-based remuneration. No Directors are involved in deciding their own remuneration.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE PLAN

The Company adopts different emolument policies for executive Directors and non-executive Directors:

REMUNERATION POLICY OF EXECUTIVE DIRECTORS

1. The remuneration of executive Directors and Chairman of the Company is determined in accordance with the "Remuneration and Assessment Scheme for the Chairman and Senior Management". The annual remuneration consists of annual salary, incremental incentives, special contribution rewards, and tenure incentive income, while annual salary includes basic annual salary and performance-based annual salary. The benchmark performance-based annual salary is determined by the Board of Directors based on the benchmark basic annual salary, the annual comprehensive appraisal coefficient of the Company, the performance adjustment coefficient and the net profit accomplishment ratio for annual appraisal of the Company. The exact amount of basic annual salary and performance-based annual salary of executive Directors and Chairman will be determined by the Remuneration and Appraisal Committee within the above scope according to the operating results of the Company and the results of appraisal.

   The Company applies the following principles in the determination of Chairman's remuneration:

   A Adheres to the principle of distribution according to one's works and combination of duties, rights and benefits;

   B To adopt market-oriented approach and take into account the industry characteristics and development condition of the Company;

   C Adhere to implement the linking of the level of remuneration with the profitability and operational goals of the Company;

   D Adhere to the principle of combining remuneration with the Company's long-term interests, strengthen incentives and constraints and promote the Company's long-term stable development.

   Other executive Directors will receive remuneration in their capacity not as executive Directors, but as senior management of the Company.

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

Non-executive Directors of the Company (excluding independent non-executive Directors) will not receive any remuneration in their capacity as non-executive Directors. As to independent non-executive Directors, their remuneration is determined based on the time they devoted to the Company, their duties, the remuneration offered by comparable companies and their performance.

PRINCIPLES OF LONG-TERM INCENTIVE SCHEMES

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.

2. The link between executive reward and company performance should be strong and clear.

3. Grants under such schemes should be phased rather than awarded in one large block.

The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Company, and the prevailing market level of remuneration of similar positions. The details of the fees and any other reimbursement or emolument payable to the Directors are set out in details in this Annual Report

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors, Supervisors and chief executive officer of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity	Number and class of shares held	Approximate percentage of equity of the Company/ shareholding in this class
Tan Kan	Beneficial owner	120,000 A shares	0.014%/0.018%

Save as disclosed above, as at 31 December 2020, none of the Directors, Supervisors or chief executive officer of the Company had any interest or short position in the shares, underlying shares or debentures of the Company as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, so far as the Directors are aware, save as disclosed above, the persons or corporations (not being a Director or a chief executive of the Company) who have interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such persons' interest in such securities, together with any options in respect of such capital, were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity	Number and class of shares held	Approximately percentage of equity of the Company/ shareholding in the class
Guangdong Rising Group	Beneficial owner	166,068,501 A Shares	18.89%/24.45%
	Interest of controlled corporation	34,899,793 A Shares *(Note 1)*	3.97%/5.14%
	Interest of controlled corporation	25,179,200 H shares *(Note 3)*	2.86%/12.58%
Guangdong Rising Finance Holding Co., Ltd. ("**Guangdong Rising Finance**")	Beneficial owner	33,597,766 A shares *(Note 1)*	3.82%/4.95%
	Interest of controlled corporation	1,302,027 A shares *(Notes 1, 2)*	0.15%/0.19%
Shenzhen Rising Investment Development Co., Ltd. ("**Shenzhen Rising**")	Beneficial owner	1,302,027 A shares *(Notes 1, 2)*	0.15%/0.19%
Rising Investment Development Co., Ltd. ("**Rising Investment**")	Beneficial owner	22,283,200 H shares *(Note 3)*	2.53%/11.13%
Guangdong Rising H.K. (Holding) Limited ("**Guangdong Rising H.K.**")	Beneficial owner	2,896,000 H shares *(Note 3)*	0.33%/1.45%
Jiangsu High Hope International Group Co., Ltd.	Beneficial owner	50,087,669 A shares	5.70%/7.38%
	Interest of controlled corporation	25,995,038 A shares *(Note 4)*	2.96%/3.83%
	Interest of controlled corporation	18,204,800 H shares *(Note 4)*	2.07%/9.10%
Jiangsu High Hope Venture Capital Co., Ltd.	Beneficial owner	25,995,038 A shares *(Note 4)*	2.96%/3.83%
	Beneficial owner	18,204,800 H shares *(Note 4)*	2.07%/9.10%

Notes:

1. Guangdong Rising Finance was a wholly owned subsidiary of Guangdong Rising Group and Shenzhen Rising is a 89.71% owned subsidiary of Guangdong Rising Finance. Therefore, Guangdong Rising Group was deemed to be interested in the 34,899,793 A Shares in which Guangdong Rising Finance and Shenzhen Rising were interested under Part XV of the Securities and Futures Ordinance.

2. Guangdong Rising Finance owned 89.71% of the equity interest in Shenzhen Rising. Therefore, it was deemed to be interested in the 1,302,027 A shares held by Shenzhen Rising under Part XV of the Securities and Futures Ordinance.

3. Rising Investment and Guangdong Rising H.K. are wholly-owned subsidiaries of Guangdong Rising Group. Therefore, Guangdong Rising Group was deemed to be interested in the 25,179,200 H shares held by Rising Investment and Guangdong Rising H.K. under Part XV of the Securities and Futures Ordinance.

4. Jiangsu High Hope Venture Capital Co., Ltd. is a wholly-owned subsidiary of Jiangsu High Hope International Group Co., Ltd. Therefore, it was deemed to be interested in the 25,995,038 A shares and 18,204,800 H shares held by Jiangsu High Hope Venture Capital Co., Ltd. under Part XV of the Securities and Futures Ordinance.

Save as disclosed above, as at 31 December 2020, the Directors, Supervisors and chief executive officer of the Company are not aware of any other person (other than the Directors, Supervisors and chief executive officer of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE H SHARES

During the Reporting Period, none of the Directors, Supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 31 December 2020, none of the Directors, Supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

SHARE OPTION SCHEME

No share option scheme was adopted by the Company as at 31 December 2020.

CONTINUING CONNECTED TRANSACTIONS

Details of continuing connected transactions of the Group during the Reporting Period are set out as follows:

Agreement on the Purchase and Sale of Industrial and Mining Products

On 11 February 2020, a non wholly-owned subsidiary of the Company, 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 the 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.

As Danxia Smelter is a branch of Shenzhen Zhongjin Lingnan Nonfemet Co. Limited* (深圳市中金嶺南有色金屬股份有限公司, "**Zhongjin Lingnan**"), which is a non wholly-owned subsidiary of Guangdong Rising Holdings Group Co., Ltd.* (廣東省廣晟控股集團有限公司, "**Guangdong Rising Group**") (a substantial shareholder of the Company), Danxia Smelter is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Agreement on Purchase and Sale of Industrial and Mining Products constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The annual cap for the year ended 31 December 2020 was RMB4,500,000. The actual transaction amount for the year ended 31 December 2020 was approximately RMB2,300,000.

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

Renewal of Financial Services Agreement and Supplemental Financial Services Agreement

On 25 February 2020, the Company entered into a financial services agreement (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 financial services to the Group with a term of one year taking effect upon the Financial Services Agreement having been approved by the independent shareholders of the Company. The Financial Services Agreement and the transactions contemplated thereunder were approved by the shareholders at the second extraordinary general meeting in 2020 of the Company on 12 May 2020.

In order to satisfy the operational development needs of the Group and to enhance funds management and utilization, on 14 August 2020, the Company entered into a supplemental financial services agreement (the "**Supplemental Financial Services Agreement**") with Rising Finance with a term of two years taking effect upon the Supplemental Financial Services Agreement having been approved at the third extraordinary general meeting in 2020 of the Company held on 13 October 2020, pursuant to which the maximum daily deposit amount of deposit services has been revised as RMB385,000,000. The Supplemental Financial Services Agreement and the transaction contemplated thereunder has been approved by the shareholders at the third extraordinary general meeting in 2020 of the Company held on 13 October 2020. Under the Financial Services Agreement (as supplemented by the Supplemental Financial Services Agreement), Rising Finance would provide the following financial services to the Group: (i) deposit of money service (the "**Deposit Services**"); (ii) payment service and collection service as well as other ancillary services related to settlement business and other financial services (the "**Settlement Services and Other Financial Services**"); and (iii) credit business including loans, bills acceptance, bills discounting, etc. (the "**Credit Facility Services**").

The maximum daily deposit amount of the Deposit Services, the cap for the Settlement Services and Other Financial Services and the cap for the Credit Facility Services for the period from the third extraordinary general meeting in 2020 of the Company held on 13 October 2020 to 31 December 2020 are RMB385,000,000, RMB200,000 and RMB1,000,000,000 respectively. As at 31 December 2020, the actual maximum daily deposit amount was RMB250,224,000, and the actual utilised amount for the Credit Facility Services was RMB200,000,000.

Rising Finance is a direct wholly-owned subsidiary of Guangdong Rising Group, a substantial Shareholder of the Company. Hence, pursuant to the Rule 14A.07(4) of the Listing Rules, Rising Finance is a connected person of the Company. As such, the entering into of the Financial Services Agreement, the Supplemental Financial Services Agreement and the transactions contemplated thereunder constitutes a continuing connected transactions under Chapter 14A of the Listing Rules.

For details, please refer to the announcements of the Company dated 25 February 2020 and 14 August 2020, the circulars dated 24 April 2020 and 25 September 2020, and the poll results announcements dated 12 May 2020 and 13 October 2020.

Facility Agreement

On 22 October 2020, Shaoguan Sustainable Resources Development Co., Ltd.* (韶關東江環保再生資源發展有限公司, "**Shaoguan Sustainable Resources**") (a direct non-wholly-owned subsidiary of the Company) entered into the facility agreement (the "**Facility Agreement**") with Rising Finance, pursuant to which Rising Finance has agreed to provide the facility to Shaoguan Sustainable Resources in an aggregate principal amount of up to RMB200,000,000 for a term of three years.

The cap for the facility granted by Rising Finance to Shaoguan Sustainable Resources under the Facility Agreement from 22 October 2020 to 31 December 2020 was RMB200,000,000. The actual amount of the facility utilised for the year ended 31 December 2020 was RMB16,430,000.

As Rising Finance is a direct wholly-owned subsidiary of Guangdong Rising Group, a substantial shareholder of the Company. Hence, pursuant to the Rule 14A.07(4) of the Listing Rules, Rising Finance is a connected person of the Company. As such, the entering into of the Facility Agreement and the transactions contemplated thereunder constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcements of the Company dated 22 October 2020 and 29 October 2020.

The above-mentioned continuing connected transactions were reviewed by the independent non-executive directors of the Company. The independent non-executive directors of the Company confirmed that such continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on fair and reasonable terms under the relevant agreements governing them and in the interest of the Company and the Shareholders as a whole; and

(iii) on normal commercial terms or better.

The Company has engaged its auditor, Mazars CPA Limited, to issue a report on the continuing connected transactions of the Group for the year ended 31 December 2020. Pursuant to Rule 14A.56 of the Listing Rules, Mazars CPA Limited has issued a report on the review findings and conclusions of the above-disclosed continuing connected transactions of the Group, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions above-mentioned:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;

(iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the respective annual caps.

CONNECTED TRANSACTIONS

Details of connected transactions of the Group during the Reporting Period are set out as follows:

The Proposed 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 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**") in the tender for the construction contractor of the exterior project of Fulong Environmental Industrial Solid Waste Comprehensive Utilization and Disposal Project ("**Fulong Environmental Project**"); 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-wining price of RMB7,470,000 (approximately HK$8,250,790.98).

As Guangdong Yixin is an indirect subsidiary of Guangdong Rising Group, the Fulong Environmental Project and the transaction contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Deemed Disposal of Shaoguan Sustainable Resources

On 11 September 2020, Shaoguan Sustainable Resources entered into a capitalisation of debt agreement (the "**Capitalisation of Debt Agreement**") with Guangdong Rising Group, pursuant to which Guangdong Rising Group shall inject capital into Shaoguan Sustainable Resources at the price of RMB1.28/RMB1 registered capital (in aggregate RMB62,127,150). Due to the need to carry out relevant state-owned assets procedures during the implementation of the Capitalisation of Debt Agreement and the transactions contemplated thereunder, the valuation results contained in the valuation report, with reference to which the capital injection price under the Capitalisation of Debt Agreement was determined, have exceeded the effective period. On 11 December 2020, the Company and Shaoguan Sustainable Resources have entered into a new capitalisation of debt agreement with Guangdong Rising Group, pursuant to which Guangdong Rising Group has agreed to inject capital into Shaoguan Sustainable Resources at the price of RMB1.29/RMB1 registered capital (in aggregate RMB62,668,700). After such capital injection, the registered capital of Shaoguan Sustainable Resources shall increase by RMB48,412,400 and RMB14,256,300 shall be credited as the reserved capital of Shaoguan Sustainable Resources. The Capital Injection Amount shall be settled by setting off the unsecured debts of RMB62,668,700 owed by Shaoguan Sustainable Resources to Guangdong Rising Group (the "**Deemed Disposal**"). The Capitalisation of Debt Agreement has been terminated and lapsed.

Guangdong Rising Group and its subsidiaries are interested in approximately 25.72% of the issued shares of the Company, and are the substantial shareholders of the Company. As such, Guangdong Rising Group is a connected person of the Company. Accordingly, the Deemed Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Immediately following the Deemed Disposal, the shareholding percentage of the Company in Shaoguan Sustainable Resources will be diluted from 100.00% to approximately 92.03%, which constitutes a deemed disposal of the Company's interest in Shaoguan Sustainable Resources under Rules 14.29 and 14A.24 of the Listing Rules. Notwithstanding such dilution, Shaoguan Sustainable Resources will remain a subsidiary of the Company.

For details, please refer to the announcements of the Company dated 11 September 2020 and 11 December 2020.

Deemed Disposal of Zhuhai Dongjiang

On 11 December 2020, the Company, Zhuhai Dongjiang Zhuhai Dongjiang Environmental Protection Technology Co., Ltd.* (珠海市東江環保科技有限公司, "**Zhuhai Dongjiang**"), a subsidiary of the Company, and Guangdong Rising Group entered into a capital injection agreement, pursuant to which Guangdong Rising Group has agreed to inject the capital of RMB70,178,500 into Zhuhai Dongjiang. Guangdong Rising Group intends to nominate the Company to pay on its behalf the capital injection amount of RMB70,178,500 to Zhuhai Dongjiang, and accordingly, the Company will cease to be bound by the obligation to repay Guangdong Rising Group the principal amount of RMB67.19 million and interest amount of RMB2,988,500 under an unsecured specific environmental loan in the amount of up to RMB432,140,000 owed by the Company (the "**Zhuhai Dongjiang Deemed Disposal**").

Immediately following the Zhuhai Dongjiang Deemed Disposal, the shareholding percentage of the Company in Zhuhai Dongjiang will be diluted from 100.00% to approximately 74.31%, which constitutes a deemed disposal of the Company's equity interest in Zhuhai Dongjiang under Rules 14.29 and 14A.24 of the Listing Rules. Notwithstanding such dilution, Zhuhai Dongjiang will remain a subsidiary of the Company upon completion of the Zhuhai Dongjiang Deemed Disposal.

Guangdong Rising Group is a substantial shareholder of the Company. Hence, pursuant to Rule 14A.07(4) of the Listing Rules, Guangdong Rising Group is a connected person of the Company. The Zhuhai Dongjiang Deemed Disposal constitutes a connected transaction of the Company.

For details, please refer to the announcement of the Company dated 11 December 2020.

The Company confirms that it has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules for the above-mentioned connected transactions.

SERVICE CONTRACTS

The related party transactions in relation to the emoluments of Directors, Supervisors and employees as disclosed in Note 41(ii) to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(6) of the Listing Rules.

COMPETING BUSINESS

During the Reporting Period and up to the date of this report, none of the Directors, Supervisors, chief executive or the management and controlling shareholders of the Company and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public for the Reporting Period and up to the date of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. For details, please refer to page 15 of this report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group and staff: the development of the Group is to integrate the development of environmental protection industry with the value of environment and staff's benefits in order to realize a unified harmonious development of the corporate efficiency, staff and social value.

The Group and suppliers: the Group strengthens close communication with suppliers through various means such as meeting with suppliers to inform suppliers of the Company's current development and demand in a timely manner, which allows suppliers to get valid information about our products in advance and to prepare and procure required raw materials for production, thereby reducing costs and making procurement at optimal time.

The Group and customers: the Group establishes strong relationship with customers with the principle of "Improving quality, providing considerate services, mutually understanding and building mutual trust". The Group uses its best endeavour to achieve harmonious development with its suppliers and customers to create value, share the success and build a trustful and cooperative platform together.

ENVIRONMENTAL POLICIES

The Group is principally engaged in the processing and sale of recycled products, the provision of waste treatment services, the construction and provision of environmental protection systems and services, and the trading of chemical products. In addition, by adhering to the corporate mission of "Developing Ecological Civilization to Build a Better China" and the vision of "Being a Pioneer of Comprehensive Environmental Services in China", the Company focuses on promoting waste recycling and harmless collaborative disposal techniques and propels the transformation and upgrades of the industry with technological innovation. With a strategic aim to "Becoming a Technology-based Comprehensive Environmental Service Provider Based Upon Hazardous Waste Treatment", the Company provides comprehensive environmental protection services for all sectors of the society in order to alleviate the conflict between social development and environmental protection, thereby contributing to the protection of lucid waters and lush mountains and the development of a better China.

The environment, social and governance report as required by Appendix 27 of the Listing Rules of Hong Kong will be published separately by the Company on or before 27 July 2021.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. The Company has taken out and maintained directors' liability insurance which provides appropriate coverage for the Directors and directors of the subsidiaries of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

Our Group has to comply with relevant laws and regulations in the jurisdictions where the Group operates. The Group's operations are mainly carried out by the Company's subsidiaries in the PRC. Accordingly, our operations shall comply with relevant laws and regulations in the PRC. During the year ended 31 December 2020 and up to the date of this report, the Group does not have any violation of relevant laws and regulations which gives rise to significant impact to the Group's development, performance and businesses.

In 2020, the Board of the Company strictly complied the Company Law, Securities Law and the regulatory requirements of the China Securities Regulatory Commission, Shenzhen Stock Exchange and the Hong Kong Stock Exchange, earnestly performed the functions and powers conferred by the Articles of Association, diligently carried out all kinds of work, stuck with the Company's development strategy and the annual focus of work to actively carry out all kinds of work. All Directors have fulfilled their duties with diligence and responsibility, and actively participated in the decision-making process of the Company's major affairs with scientific, rigorous, prudent and objective work attitude, strived to secure the legitimate rights and interests of the Company and all shareholders, which has effectively guaranteed the realization of various work goals of the Company throughout the year.

AUDITORS

As SHINEWING Certified Public Accountants LLP ("**SHINEWING**") has provided audit services to the Company for 15 years, according to the requirements of State-owned Assets Management Department on the continuous term of service of auditors, SHINEWING has retired after the conclusion of the annual general meeting of the Company held on 29 June 2020. SHINEWING has confirmed that there is no matter relating to its retirement as the auditors of the Company that needs to be brought to the attention of the shareholders of the Company.

At the 2019 annual general meeting of the Company held on 29 June 2020, the appointments of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) ("**ZSZH**") as the PRC domestic auditors of the Company and Mazars CPA Limited ("**Mazars**") as the international auditors of the Company have been approved by the shareholders. Mazars will be responsible for auditing of the Company's financial statements prepared under the International Financial Reporting Standards while ZSZH will be responsible for auditing of the Company's financial statements prepared under China Accounting Standards for Business Enterprises, following the removal of SHINEWING by passing a special resolution in the SGM on the even date.

The consolidated financial statements for the year ended 31 December 2020 were audited by Mazars who would retire at the conclusion of the forthcoming annual general meeting and being eligible, offer itself for re-appointment. A resolution on appointment of auditor will be proposed at the forthcoming annual general meeting.

EXTERNAL DONATION

In 2020, the Group made external donations of RMB682,871.04 in total.

In 2020, the Board carried out different kinds of work, including but not limited to corporate governance, convening of board meetings and committee meetings to review major matters of the Company, providing independent judgment and verification by the independent directors, and maintaining a good relationship with the shareholders of the Company through investor relationship management.

In 2021, the Board will actively play the core role of corporate governance, well perform the daily work of the Board, make important decisions with efficiency, implement the resolution of the general meeting, so as to ensure the steady and orderly development of business operation management and fundamentally secure the interests of shareholders. The main tasks include, but are not limited to, 1) strategy and planning preparation and management, to ensure the implementation of each annual goal of work; 2) efficient operation, to improve the decision-making mechanism of the Board; 3) continuous enhancement guidance on the Company's operation and management; 4) improving the transparency of information disclosure, so as to improve the level of investor relations management; 5) attaching great importance to and performing a standard operation.

ON BEHALF OF THE BOARD
Dongjiang Environmental Company limited

Tan Kan
Chairman
Shenzhen, Guangdong Province, the PRC
29 March 2021

SUPERVISORY COMMITTEE'S REPORT

To all shareholders of
Dongjiang Environmental Company limited* (the "Company")

During the year, the supervisory committee of the Company (the "**Supervisory Committee**") has duly carried out its supervisory duties in a stringent manner to effectively protect the interests of the Company and its shareholders (the "**Shareholders**") in accordance with the relevant provisions of the PRC Company Law and the requirement of the relevant laws and regulations of Hong Kong and articles of association of the Company (the "**Articles**").

On 29 March 2021, the Supervisory Committee convened a meeting, at which the 2020 financial statements of the Group and the independent auditor's report were reviewed and approved. The Supervisory Committee is of the view that the financial statements have been prepared in accordance with the relevant accounting standards and fairly reflect the financial conditions and results of operations of the Group.

The Supervisory Committee concluded that, during the year, all members of the Board and senior management of the Group had, under the principles of diligence, fairness and honesty, duly performed the responsibilities as stipulated in the Articles of the Company, carefully implemented all resolutions of the general meetings and the Board had never breached any laws, regulations and the Articles of the Company.

In the coming year, the Supervisory Committee shall continue to carry out its duties in accordance with the Articles of Association of the Company and the applicable rules governing listing of shares, and commit to perform supervisory duties honestly and diligently, with the aim of protecting the interests of the Company and its shareholders as a whole.

By Order of the Supervisory Committee
Dongjiang Environmental Company limited

HUANG Hai Ping
Chairman of the Supervisory Committee
Shenzhen, the PRC
29 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance and has always recognised the importance of accountability and communication with shareholders 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**") 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.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by the Directors and Supervisors on terms no less than Appendix 10, "Model Code for Securities Transactions by Directors of Listed Issuers", to the Listing Rules (the "**Model Code**"). Having made specific enquiries of all the Directors and Supervisors, the Company was not aware of any non-compliance with the Model Code and the Company's code of conduct regarding securities transactions by the Directors and Supervisors throughout the Reporting Period.

THE BOARD

The Board is responsible to the shareholders of the Company. The primary task of the Board is firstly, to formulate development guidance and strategies for the Group; and to monitor the implementation of policies and strategies as well as the performance of the management. Moreover, the Board is responsible for formulating and reviewing the basic systems and procedures of the Group, approving the annual budgets, quarterly and annual results; as well as approving major transactions and other significant operational and financial matters.

The Board currently comprises two executive directors, being Mr. Tan Kan and Mr. Lin Peifeng; three non-executive directors, being 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. Mr. Tan Kan is the chairman of the Board. The skills and expertise among the existing directors are considered appropriate to the business and nature of the Group. The experience and qualifications of directors and senior management and the relationship among them are set out on pages 21 to 25 of this report.

According to the articles of association of the Company (the "**Articles**"), the Board delegates day-to-day operations of the Group to the executive directors and senior management of the Company, including responsibility for managing the Group's business and the implementation of major strategies and initiatives adopted by the Board. On the other hand, the Board reserves certain key matters in making strategic decisions for its approval.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management, including the preparation of annual and interim accounts for the Board's approval before public reporting; implementation of strategies approved by the Board; the implementation of internal control procedures; and the ensuring of compliance with relevant statutory requirements and other regulations and rules.

The Company has arranged appropriate insurance cover in respect of legal actions against its directors and senior management, and the coverage of this insurance is being reviewed each year.

The Board meets regularly at approximately quarterly intervals. Notice of a regular board meeting is given at least 14 days in advance to give all Directors an opportunity to attend. The agenda of the regular meeting is set in consultation with members of the Board so that all Directors are given an opportunity to include matters in the agenda. The Board documentation are circulated not less than 3 days before regular meetings.

The Board held 19 meetings during the Reporting Period. The following table shows the attendance record of individual Directors during the Reporting Period:

Name of Directors	Attendance/Number of meeting(s) held
Executive Directors	
Mr. Tan Kan *(Chairman)*	19/19
Mr. Yao Shu *(Chief executive officer) (Note 1)*	10/10
Mr. Lin Peifeng *(Note 2)*	11/11
Non-executive Directors	
Mr. Liu Bo Ren *(Note 3)*	3/3
Mr. Huang Yi Ming *(Note 4)*	17/17
Mr. Lu Bei *(Note 4)*	17/17
Mr. Jin Yong Fu	19/19
Mr. Tang Yi *(Note 5)*	2/2
Ms. Shan Xiaomin *(Note 5)*	2/2
Independent Non-executive Directors	
Mr. Wong Hin Wing *(Note 4)*	17/17
Mr. Qu Jiu Hui *(Note 4)*	17/17
Mr. Zhu Zheng Fu *(Note 4)*	17/17
Mr. Li Jinhui *(Note 5)*	2/2
Mr. Siu Chi Hung *(Note 5)*	2/2
Ms. Guo Suyi *(Note 5)*	2/2
Average attendance rate	100.00%

Notes:

1. Mr. Yao Shu resigned as the executive director of the Board and chief executive officer on 12 August 2020. Mr. Yao attended 10 out of 10 Board meetings held during his tenure as of 12 August 2020.

2. Mr. Lin Peifeng was appointed as the executive director of the Board on 29 June 2020. Mr. Lin attended 11 out of 11 Board meetings held during his tenure as of 29 June 2020.

3. Mr. Liu Boren resigned as the non-executive director of the Board on 3 April 2020. Mr. Liu attended 3 out of 3 Board meetings held during his tenure as of 3 April 2020.

4. Mr. Huang Yiming and Mr. Lu Bei retired as the non-executive directors of the Board due to the expiration of their terms, Mr. Wong Hin Wing, Mr. Qu Jiuhui and Mr. Zhu Zhengfu retired as the independent non-executive directors of the Board due to the expiration of their terms. Mr. Huang Yiming, Mr. Lu, Mr Wong Hin Wing, Mr. Zhu and Mr. Qu attended 17 out of 17 Board meetings held during their tenures as of 22 December 2020.

5. Mr. Tang Yi and Ms. Shan Xiaomin were appointed as the non-executive directors of the Board on 22 December 2020, Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi were appointed as the independent non-executive directors of the Board on 22 December 2020. Mr. Tang, Ms. Shan, Mr. Li, Mr. Siu and Ms. Guo attended 2 out of 2 Board meetings held during their tenures in the year ended 31 December 2020.

6. There are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Tan Kan serves as the chairman of the Board and acting chief executive of the Company.

Pursuant to Code Provision A.2.1 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 12 August 2020, Mr. Tan Kan, the chairman of the Company, has taken the role of acting chief executive officer; he was subsequently appointed by the Board as acting chief executive officer effective from 22 December 2020 until a new chief executive officer is appointed by the Company. The Board is of the view that Mr. Tan Kan's assumption of the office of acting chief executive officer is 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 will not impair the balance of power and authority. The Board will review the above arrangement from time to time, facilitate the appointment of a new chief executive officer as soon as possible, and consider separating the two roles as and when appropriate.

The Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Group, and also taking primary responsibility for ensuring good corporate governance practices and procedures are established. The chief executive together with other executive directors are responsible for the Company's daily operation and the effective implementation of corporate strategy and policies.

Details of the responsibilities of the chairman and chief executive of the Company are set out in the Articles.

NON-EXECUTIVE DIRECTORS

At least a third of the Board are independent non-executive directors. Non-executive directors have appropriate professional qualification, and therefore, independent judgments can be effectively exercised, and the non-executive directors are of sufficient caliber and number for their views to carry weight. The Board has received a written confirmation from each of the independent non-executive directors confirming their independence to the Company pursuant to Rule 3.13 of the Listing Rules, and considers that all of the independent non-executive directors are independent. Mr. Tang Yi, Ms. Shan Xiaomin and Mr. Jin Yong Fu, who are non-executive directors, started their terms of office from 22 December 2020 and will serve up to the expiration of the term of the seventh session of the Board. Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi, who are independent non-executive directors, started their term of office from 22 December 2020 and will serve up to the expiration of the term of the seventh session of the Board.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Directors have participated in continuous professional development to develop and refresh their knowledge and skills in respect of the corporate governance requirements and relevant rules and regulations relating to the listing of the Company. Set out below are the details of each Director's participation during the Reporting Period:

Name of Directors	Attending training/ briefing session	Reading materials
Executive Directors		
Mr. Tan Kan *(Chairman) (Acting Chief Executive Officer)*	√	√
Mr. Lin Peifeng *(appointed on 29 June 2020)*	√	√
Mr. Yao Shu *(Chief executive officer) (resigned on 12 August 2020)*	√	√
Non-executive Directors		
Mr. Tang Yi *(appointed on 22 December 2020)*	√	√
Ms. Shan Xiaomin *(appointed on 22 December 2020)*	√	√
Mr. Jin Yong Fu	√	√
Mr. Liu Bo Ren *(resigned on 3 April 2020)*	√	√
Mr. Huang Yiming *(retired on 22 December 2020)*	√	√
Mr. Lu Bei *(retired on 22 December 2020)*	√	√
Independent Non-executive Directors		
Mr. Li Jinhui *(appointed on 22 December 2020)*	√	√
Mr. Siu Chi Hung *(appointed on 22 December 2020)*	√	√
Ms. Guo Suyi *(appointed on 22 December 2020)*	√	√
Mr. Zhu Zheng Fu *(retired on 22 December 2020)*	√	√
Mr. Wong Hin Wing *(retired on 22 December 2020)*	√	√
Mr. Qu Jiu Hui *(retired on 22 December 2020)*	√	√

NOMINATION, ELECTION AND RE-ELECTION OF DIRECTORS

Subject to the election by shareholders of the Company in the general meeting, the selection and nomination of a director are determined by the Board. The Board's nomination procedures of a new director are: 1) collecting the candidate recommendation letter, or seeking and identifying by itself (or by agencies) the qualified candidates; 2) examining the qualifications of the prospective candidates, and determining the final director candidates at Board meeting; 3) proposing the final candidate to the general meeting of shareholders of the Company for election through ordinary resolution.

The nomination committee of the Company searches for the director candidates, compiles written reports, convenes the meeting of the nomination committee and conducts examination of the qualification of the initial candidates and makes recommendations to the Board regarding candidates for filling in vacancies on the Board.

The criteria for prospective candidates for nomination is: 1) the skills, knowledge and working experiences to carry out the duties of a director; 2) compliance of the qualifications set out in the Articles, the Company Law of the PRC and the Listing Rules for acting as a director and, where applicable, qualifications to act as an independent non-executive director. The new director will be provided with the information prepared by an external lawyer and instruction on the Company's background and business from the senior management.

The Board is responsible for reviewing its structure, size, composition and its diversity regularly and making any changes to complement the Company's corporate strategy. During the Reporting Period, the Board has reviewed its board diversity policy and concluded that its existing structure, size, composition and diversity are appropriate.

According to the Articles, the terms of office of the directors (including non-executive directors) shall be three years and the directors shall be eligible for re-election upon expiry of the said term.

BOARD DIVERSITY POLICY

The Company recognizes the benefits of having a diverse Board and has adopted a board diversity policy which sets out the approach to achieve diversity of the Board.

Pursuant to the Board Diversity Policy, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills and knowledge. The Board will consider setting measurable objectives to implement the board diversity policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

As at the date of this report, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company held 5 general meetings during the Reporting Period. Set out below is the record of attendance of the Directors at these general meetings during the Reporting Period:

Name of Directors	Attendance/Number of meeting(s) held
Executive Directors	
Mr. Tan Kan *(Chairman) (Acting Chief Executive Officer)*	5/5
Mr. Yao Shu *(Chief Executive Officer) (Note 1)*	3/3
Mr. Lin Peifng *(Note 2)*	2/2
Non-executive Directors	
Mr. Tang Yi *(Note 3)*	1/1
Ms. Shan Xiaomin *(Note 3)*	1/1
Mr. Jin Yong Fu	5/5
Mr. Liu Boren *(Note 4)*	1/1
Mr. Huang Yiming *(Note 5)*	4/4
Mr. Lu Bei *(Note 5)*	4/4
Independent Non-executive Directors	
Mr. Li Jinhui *(Note 3, 6)*	1/1
Mr. Siu Chi Hung *(Note 3, 6)*	1/1
Ms. Guo Suyi *(Note 3, 6)*	1/1
Mr. Zhu Zheng Fu *(Note 5, 6, 7)*	2/4
Mr. Wong Hin Wing *(Note 5, 6, 7)*	3/4
Mr. Qu Jiu Hui *(Note 5, 6, 7)*	3/4
Average Attendance Rate	90%

Notes:

1. Mr. Yao Shu resigned as the executive director of the Board on 12 August 2020. Mr. Yao attended 3 general meetings during his tenure as of 12 August 2020.

2. Mr. Lin Peifeng was appointed as the executive director of the Board on 29 June 2020. Mr. Lin attended 2 general meetings during his tenure in the year ended 31 December 2020.

3. Mr. Tang Yi and Ms. Shan Xiaomin were appointed as the non-executive directors of the Board on 22 December 2020, Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi were appointed as the independent non-executive directors of the Board on 22 December 2020. Mr. Tang, Ms. Shan, Mr. Li, Mr. Siu and Ms. Guo attended 1 general meeting held during their tenures in the year ended 31 December 2020.

4. Mr. Liu Boren resigned as the non-executive director of the Board on 3 April 2020. Mr. Liu attended 1 general meeting held during his tenure as of 3 April 2020.

5. Mr. Huang Yiming and Mr. Lu Bei retired as the non-executive directors of the Board due to the expiration of their terms, Mr. Wong Hin Wing, Mr. Qu Jiuhui and Mr. Zhu Zhengfu retired as the independent non-executive directors of the Board due to the expiration of their terms. Mr. Huang Yiming and Mr. Lu attended 4 out of 4 general meetings held during their tenures as of 22 December 2020, Mr. Wong Hin Wing and Mr. Qu attended 3 out of 4 general meetings held during their tenures as of 22 December 2020 and Mr. Zhu attended 2 out of 4 general meetings held during their tenures as of 22 December 2020.

6. Code A.6.7 of the code provision – This code provision requires independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

7. Mr. Qu Jiuhui, Mr. Wong Hin Wing and Mr. Zhu Zhengfu were absent for several general meetings due to busy business.

AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Siu Chi Hung, Mr. Li Jinhui and Ms. Guo Suyi. Mr. Siu Chi Hung has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the Company's financial statements for the Reporting Period and this report, the financial statements and interim reports for the six months ended 30 June 2020 and the financial statements and quarterly reports of the Company for the three months ended 31 March 2020 and 30 September 2020.

The principal responsibilities of the Audit Committee include:

a. To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;

b. To formulate and implement policies in relation to the non-audit services provided by auditors;

c. To review the Company's financial information and its disclosure;

d. To monitor the Company's internal control system and its implementation; and

e. To review and provide supervision over the Group's financial reporting process and internal control system.

The Audit Committee met 8 times during the Reporting Period to discuss the Group's quarterly and annual financial reports, and review the accounting principles and practices and internal controls adopted by the Group. The following table shows the attendance record of individual members of the Audit Committee:

Name of Audit Committee members	Attendance/Number of meeting(s) held
Mr. Siu Chi Hung *(Chairman) (Note 1)*	1/1
Mr. Li Jinhui *(Note 1)*	1/1
Ms. Guo Suyi *(Note 1)*	1/1
Mr. Wong Hin Wing *(Chairman) (Note 2)*	7/7
Mr. Qu Jiu Hui *(Note 2)*	7/7
Mr. Zhu Zheng Fu *(Note 2)*	7/7
Average attendance rate	100%

Notes:

1. Mr. Siu Chi Hung, Mr. Li Jinhui and Ms. Guo Suyi were appointed as the independent non-executive directors of the Board on 22 December 2020. Mr. Siu. Mr. Li and Ms. Guo attended 1 out of 1 meeting of Audit Committee held during their tenures in the year ended 31 December 2020.

2. Mr. Wong Hin Wing, Mr. Qu Jiuhui and Mr. Zhu Zhengfu retired as the independent non-executive directors of the Board due to the expiration of their terms. Mr. Wong Hin Wing, Mr. Zhu and Mr.Qu attended 7 out of 7 meetings of Audit Committee held during their tenures as of 22 December 2020.

REMUNERATION AND APPRAISAL COMMITTEE

The remuneration and appraisal committee of the Company (the "**Remuneration and Appraisal Committee**") was established in June 2005 with written terms of reference detailing the duties of the Remuneration and Appraisal Committee.

The Remuneration and Appraisal Committee currently comprises three independent non-executive directors, namely, Ms.Guo Suyi, Mr.Li Jinhui and Mr.Siu Chi Hung. Ms.Guo Suyi has been appointed as the chairman of the Remuneration and Appraisal Committee.

The principal responsibility of the Remuneration and Appraisal Committee is to review the remuneration and assessment schemes of the Directors and the senior management of the Company as well as other related remuneration matters instructed by the Board.

The model of making recommendations to the Board on remuneration packages of individual executive directors and the members of senior management is adopted.

The Remuneration and Appraisal Committee met 4 times during the Reporting Period to discuss the remuneration of the Directors and senior management, their terms of appointment and the relevant assessment policy. The following table shows the attendance records of individual members of the Remuneration and Appraisal Committee during the Reporting Period:

Name of Remuneration and Appraisal Committee members	Attendance/Number of meeting(s) held
Mr. Guo Suyi *(Chairman) (Note 1)*	0/0
Mr. Li Jinhui *(Note 1)*	0/0
Ms. Siu Chi Hung *(Note 1)*	0/0
Mr. Zhu Zheng Fu *(Chairman) (Note 2)*	4/4
Mr. Wong Hin Wing *(Note 2)*	4/4
Mr. Qu Jiu Hui *(Note 2)*	4/4
Average attendance rate	100%

Notes:

1. Ms. Guo Suyi, Mr. Li Jinhui and Mr. Siu Chi Hung ere appointed as the independent non-executive directors of the Board on 22 December 2020. Mr. Siu. Mr. Li and Ms. Guo were not entitled to attend any Remuneration and Appraisal Committee meeting during their tenures in the year ended 31 December 2020.

2. Mr. Wong Hin Wing, Mr. Qu Jiuhui and Mr. Zhu Zhengfu retired as the independent non-executive directors of the Board due to the expiration of their terms. Mr. Wong, Mr. Zhu and Mr.Qu attended 4 out of 4 meetings of Remuneration and Appraisal Committee held during their tenures as of 22 December 2020.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 9 November 2010 with written terms of reference detailing the duties of the Nomination Committee. The Nomination Committee comprises two independent non-executive directors, namely Mr. Li Jinhui and Mr. Siu Chi Hung, and one executive director, namely Mr. Tan Kan. Mr. Li has been appointed as the chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the structure, size, composition, diversity policy and the independent element of the Board, and make recommendations to the Board regarding candidates to fill vacancies on the Board.

Pursuant to the nomination policy of the Company, the Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

A summary of the Board Diversity Policy of the Company is set out on page 50 of this Annual Report.

The Nomination Committee met 4 times during the Reporting Period to review the structure, size and composition of the Board, assess the independence of independent non-executive directors and make recommendation to the Board regarding candidates for filling vacancies on the Board. The following table shows the attendance records of individual members of the Nomination Committee during the Reporting Period:

Name of Nomination Committee members	Attendance/Number of meeting(s) held
Mr. Li Jinhui *(Chairman) (Note 1)*	1/1
Mr. Siu Chi Hung *(Note 1)*	1/1
Mr. Qu Jiu Hui *(Chairman) (Note 2)*	3/3
Mr. Tan Kan	4/4
Mr. Wong Hin Wing *(Note 2)*	3/3
Average attendance rate	100%

Notes:

1. Mr. Li Jinhui and Mr. Siu Chi Hung were appointed as the independent non-executive directors of the Board on 22 December 2020. Mr. Li and Mr. Siu attended 1 out of 1 meeting of Nomination Committee held during their tenures in the year ended 31 December 2020.

2. Mr. Qu Jiuhui and Mr. Wong Hin Wing retired as the independent non-executive directors of the Board due to the expiration of their terms. Mr. Wong and Mr.Qu attended 3 out of 3 meetings of Nomination Committee held during their tenures as of 22 December 2020.

STRATEGIC DEVELOPMENT COMMITTEE

The strategic development committee of the Company (the "**Strategic Development Committee**") was established on 9 November 2010 with written terms of reference detailing the duties of the Strategic Development Committee. The Strategic Development Committee comprises two executive director, namely Mr. Tan Kan and Mr. Lin Peifeng, and one independent non-executive director, namely Mr. Li Jinhui. Mr. Tan has been appointed as the chairman of the Strategic Development Committee. The principal responsibility of the Strategic Development Committee is to make recommendations to the Board regarding the development of strategic planning, major investment and financing programs, major capital operation, assets, operations research projects, etc.

The Strategic Development Committee met once during the Reporting Period to discuss the long term strategic planning and major investment and financing programs of the Company. The following table shows the attendance records of individual members of the Strategic Development Committee during the Reporting Period:

Name of Strategic Development Committee members	Attendance/Number of meeting(s) held
Mr. Tan Kan *(Chairman)*	1/1
Mr. Lin Peifeng *(Note 1)*	0/0
Mr. Li Jinhui *(Note 1)*	0/0
Mr. Yao Shu *(Note 2)*	1/1
Mr. Qu Jiu Hui *(Note 2)*	1/1
Average attendance rate	100%

Notes:

1. Mr. Lin Peifeng was appointed as the executive director of the Board on 29 June 2020. Mr. Li Jinhui was appointed as the independent non-executive directors of the Board on 22 December 2020. Mr. Li and Mr. Siu were not entitled to attend any Strategic Development Committee meeting during their tenures in the year ended 31 December 2020.

2. Mr. Yao Shu resigned as the iexecutive directors of the Board on 12 August 2020 and Mr. Qu Jiuhui retired as independent non-executive director due to the expiration of his term. Mr. Yao and Mr.Qu attended 1 out of 1 meeting of Strategic Development Committee held during their tenures as of 12 August 2020 and 22 December 2020 respectively.

AUDITORS' REMUNERATION

In 2020, ZSZH provided audit services to the Group and the PRC subsidiaries for total audit fee by approximately RMB533,000 and RMB947,000 respectively. ZSZH also provided internal control audit to the Company for a fee of RMB400,000.

In 2020, Mazars provided audit services to the Group and Hong Kong subsidiaries for total audit fee of approximately RMB600,000.

COMPANY SECRETARY

Ms. Wang Tian has been appointed as the company secretary of the Company since 17 December 2012 and she retired as the company secretary and Vice President of the Company. Ms. Wang had participated in no less than 15 hours of relevant professional training during during her tenure as of 22 December 2020.

Ms. So Shuk Yi, Betty was appointed as the company secretary of the Company on 22 December 2020, and she has taken separately no less than 15 hours of relevant professional training during the financial year ended 31 December 2020.

The primary corporate contact person of Ms. So Shuk Yi, Betty at the Company is Mr. Li Zehua the secretary to the board of directors of the Company.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Shareholders are encouraged to attend the general meeting for which at least 20 days' notice is given. According to the Articles, Shareholders who possess (whether individually or jointly) over 10% (including 10% voting right issued by the Company) has the right to call for extraordinary general meeting by submitting written request to the Board, after the occurrence of which an extraordinary general meeting shall be held within 2 months by the board. Shareholders enjoy the right to supervise business activities of the Company and make recommendations and queries.

Shareholders and public investors are welcome to make enquiries and contribute comments and suggestions. The Company also sets up the section of investor relations on its website to publish the updated and key information of the Group. The Board makes efforts to attend general meetings so they may answer any questions raised by Shareholders.

Shareholders may at any time send their enquiries and concerns to the Board in writing through delivery in-person, by fax, email, courier, registered air mail, etc, whose contact details are as follows:

Addressee:	Mr. Wan Chuan
Address:	10th Floor, Dongjiang Environmental Building, No. 9 Langshan Road, North zone of Hitech Industrial Park, Nanshan District, Shenzhen, the People's Republic of China
Email:	ir@dongjiang.com.cn
Tel No.:	86 (755) 88242689
Fax No.:	86 (755) 86676002

or by leaving message at the Company's website at http://www.dongjiang.com.cn under the section headed "Investor Relations".

PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

According to the Articles, where the Company holds a general meeting, the shareholders (whether individually or jointly) holding at least three percent (3%) of the shares with voting rights of the Company shall be entitled to bring forward a new proposal in writing and the Company shall list the matters in the proposal within the duties of the general meeting into the proceedings of this general meeting. Also, Shareholder(s) individually or jointly holding over 3% (including 3%) of the shares carrying voting rights of the total issued shares of the Company may submit their provisional proposals in writing to the convener ten days before the convening of the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after the proposals have been received and announce the content of the provisional proposals.

AMENDMENT OF ARTICLES OF ASSOCIATION

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

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

For details, please refer to the circular of the Company dated 21 January 2020. Save as disclosed above, there has been no material changes in the Company's constitutional documents during the Reporting Period.

SENIOR MANAGEMENT'S REMUNERATION

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of senior management for the year ended 31 December 2020 by band is set out below:

Remuneration by band	Number of senior management
Nil to HKD1,000,000 (equivalent to nil to RMB837,800)	1
HKD1,000,001 to HKD2,000,000 (equivalent to RMB837,800 to RMB1,675,600)	4

Particulars regarding senior management's remuneration and the five individuals with highest emoluments for the Reporting Period are set out in the note 9(c) to the financial statements in this report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which gives a true and fair view of the financial position of the Group. In preparing the financial statements which gives a true and fair view of the financial position of the Group, it is fundamental that appropriate accounting policies are selected and applied consistently. It is the auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibilities of the auditors are set out in the report of the independent auditor's report on pages 64 to 65.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

The Board has conducted an annual review of the effectiveness of the Group's risk management and internal control system during the Reporting Period. The scope of reviews covers all material controls including finance, operations and regulatory compliance and risk management. After review, the Board considered that nothing has come to its attention to cause the Board to believe that the risk management and internal control system is ineffective or inadequate.

The Company's system of internal control includes a complete internal management system and approving procedures which apply to all members of the Group. The Group has formulated a comprehensive budget management system, pursuant to which, business plans and budgets are prepared annually by the management of subsidiaries and individual core businesses and subject to review and approval by the executive directors. The executive Directors meet with the management of subsidiaries and individual businesses on a monthly basis to review monthly operating performance and address potential business risks and counter measures.

The Company has formulated and implemented the Administrative Rules for Information Disclosure to strengthen the duty of the Company's internal institutions and staff for information disclosure and to ensure that the information disclosure of the Company is conducted in a true, accurate, complete and timely manner. The Company has formulated and implemented the Internal Reporting System for Material Information to regulate the persons responsible for internal information reporting to report material information to the Board of the Company in a timely manner. The Company has formulated and implemented the System of Registration of Owners of Inside Information to regulate administration of the Company's inside information, procure confidentiality of the inside information and safeguard the principle of fairness in information disclosure. During the year, the Company implemented the aforesaid systems in a meticulous manner and actively conducted the administration of inside information.

The Company has established an internal audit function to ensure the effectiveness of its internal control system, as well as identify and prevent any potential risk. The head of internal audit submits working reports and recommendations on a regular basis to the executive Directors. The 2020 annual audit report for the Reporting Period was submitted to the Board, and no major issues had been identified.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Nonetheless, Shareholders shall note that the Group's risk management and internal control systems are designed to manage rather than eliminate risk of failure to achieves business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Besides the corporate governance aspect, which will be further discussed in this report below, more details of the Group's environmental, social and governance ("**ESG**") measures including the relevant policies and performance in the areas of environmental, employment and labour standards, operating practices, and community, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group will be covered in the Group's ESG report, which will be published no later than three months after the publication of annual report, on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company.

mazars

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To the members of Dongjiang Environmental Company Limited
(Incorporated in the People's Republic of China with joint stock limited liability)

OPINION

We have audited the consolidated financial statements of Dongjiang Environmental Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 66 to 192, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss allowance for expected credit loss ("ECL") on trade and other receivables

Refer to significant accounting policies in Note 2 and the disclosure of trade and other receivables in Notes 24 and 25 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the gross amount of trade and other receivables (excluding other taxes receivables and prepayments) was approximately RMB964,073,000 and RMB352,782,000 respectively. We consider this matter to be a key audit matter because of their significance to the consolidated financial statements and the assessment of ECL for trade and other receivables involves significant management judgement and estimate. Management assessed the provision for ECL of trade and other receivables at the end of each reporting period based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors.	Our key audit procedures, among others, included: – Understanding, through enquiry with the management, the established policies and procedures on credit risk management of receivables arising from the Group's business; – Assessing and evaluating the design of controls with respect to the process of impairment provision for trade and other receivables of the Group with ECL model and assessing the reasonableness of key assumptions and data; – Assessing management's basis and judgement, including their identification of any credit-impaired trade and other receivables and the basis of ECL rate applied individually (with reference to historical observed default rates and forward-looking information) in determining the ECL of trade and other receivables as at 31 December 2020; and – Evaluation the appropriateness of the disclosures in respect of the credit risk and impairment assessment in the consolidated financial statements.

Impairment review on goodwill

Refer to significant accounting policies in Note 2 and the disclosure of goodwill in Note 17 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's goodwill measured at cost less accumulated impairment loss amounted to approximately RMB1,229,438,000 at the end of reporting period. We consider this matter to be a key audit matter because the amount is significant. In view of different operating conditions of the subsidiaries, the impairment assessment on goodwill involved significant judgements and estimates, including the determination of the expected future income and cash flow discount rate of the subsidiaries acquired. Therefore, we identified the assessment on impairment of goodwill as a key audit matter.	Our key audit procedures included: – Evaluating the reasonableness of key assumptions such as the expected future income and cash flow discount rate of each component and profitability of each component through allocation to the Group's cash-generating unit ("CGU") identified according to the assets group or asset portfolios; – Obtaining an understanding of the business and industry and evaluating the appropriateness of the key assumption and data given by independent professional valuer; – Reviewing the key input data of the Group against the supporting evidence, such as approved budget and assess the reasonableness of the budget; – Obtaining the valuation reports to assess the reasonableness of any significant unobservable input and the accuracy of the source data adopted by the management and the independent professional valuer; and – Evaluating the competence, capabilities and objectivity of the independent professional valuer.

OTHER MATTER

As mentioned in Note 2, the Company prepares its first set of consolidated financial statements under IFRSs for the year, with comparative information re-presented accordingly. The consolidated financial statements of the Group for the years ended 31 December 2019 and 2018 prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("PRC") were audited by another PRC domestic auditor who expressed an unmodified opinion on those statements on 22 April 2020 and 28 March 2019 respectively. The consolidated statements of financial position as at 1 January 2019 and 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019, and the related notes presented in accordance with IFRSs are unaudited.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2021

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Ming Andy
Practising Certificate number: P05132

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000 (Unaudited)
Revenue	4	**3,315,021**	3,458,591
Cost of sales and services		**(2,183,947)**	(2,210,633)
Gross profit		**1,131,074**	1,247,958
Other income	5	**153,439**	210,612
Selling expenses		**(100,869)**	(122,308)
Administrative expenses		**(361,726)**	(365,569)
Other operating expenses		**(233,336)**	(181,840)
Net provision for loss allowance on trade, loans and other receivables	42(b)	**(45,095)**	(75,870)
Impairment loss on goodwill	17	**(34,535)**	(38,996)
Finance costs	6	**(127,066)**	(155,506)
Share of results of associates		**547**	(933)
Share of results of joint ventures		**19,287**	6,857
Profit before taxation	7	**401,720**	524,405
Income tax expenses	8	**(68,225)**	(57,687)
Profit for the year		**333,495**	466,718
Other comprehensive income			
Items that are reclassified or may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		**408**	74
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		**801**	74
Total comprehensive income for the year		**334,296**	466,792
Profit for the year attributable to:			
Equity holders of the Company		**303,162**	423,930
Non-controlling interests		**30,333**	42,788
Profit for the year		**333,495**	466,718
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**303,791**	424,004
Non-controlling interests		**30,505**	42,788
Total comprehensive income for the year		**334,296**	466,792
		RMB cents	RMB cents (Unaudited)
Earnings per share			
Basic and diluted	11	**34**	48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Non-current assets				
Investment properties	12	**449,741**	433,545	423,599
Property, plant and equipment	13	**3,231,707**	2,853,281	2,296,647
Construction in progress	14	**1,088,214**	1,242,122	1,253,655
Right-of-use assets	15	**764,065**	612,950	364,820
Intangible assets	16	**675,323**	524,996	549,016
Goodwill	17	**1,229,438**	1,287,973	1,213,138
Interests in associates	19	**196,978**	166,881	216,950
Interests in joint ventures	20	**95,156**	85,869	86,511
Trade receivables and contract assets	24	**9,058**	8,962	48,736
Other non-current assets	21	**76,786**	114,757	196,753
Deferred tax assets	35	**53,042**	38,424	26,002
		7,869,508	7,369,760	6,675,827
Current assets				
Inventories	22	**267,105**	299,713	299,706
Loans receivables	23	**125,724**	160,230	372,628
Financial assets at fair value through profits and loss ("FVPL")		**–**	–	24,935
Trade receivables and contract assets	24	**1,145,209**	1,085,211	851,585
Prepayment, deposits and other receivables	25	**351,176**	372,923	481,676
Prepaid income tax		**3,775**	2,834	3,458
Cash and cash equivalents	26	**661,657**	1,104,761	1,054,069
		2,554,646	3,025,672	3,088,057
Current liabilities				
Trade payables	27	**729,967**	786,251	708,358
Contract liabilities	28	**131,915**	169,267	151,968
Lease liabilities	15	**8,461**	5,858	3,928
Current portion of interest-bearing borrowings	30	**1,971,310**	1,823,658	1,915,497
Bond payables	31	**12,800**	863,584	358,922
Due to controlling shareholder	32	**430,637**	436,745	–
Income tax payables		**33,068**	33,068	38,787
Other payables	29	**257,980**	278,596	341,795
		3,576,138	4,397,027	3,519,255
Net current liabilities		**(1,021,492)**	(1,371,355)	(431,198)
Total assets less current liabilities		**6,848,016**	5,998,405	6,244,629

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Non-current liabilities				
Lease liabilities	15	**3,571**	10,653	16,393
Interest-bearing borrowings	30	**661,588**	769,659	435,799
Bond payables	31	**599,438**	–	902,808
Provisions	33	**27,734**	–	–
Deferred income	34	**161,769**	164,928	184,675
Deferred tax liabilities	35	**19,939**	15,364	14,359
Other payables	29	**337**	2,958	4,435
		1,474,376	963,562	1,558,469
NET ASSETS		**5,373,640**	5,034,843	4,686,160
Capital and reserves				
Share capital	36	**879,267**	879,267	887,100
Reserves	37	**3,660,297**	3,465,364	3,154,831
Equity attributable to equity holders of the Company		**4,539,564**	4,344,631	4,041,931
Non-controlling interests	18	**834,076**	690,212	644,229
TOTAL EQUITY		**5,373,640**	5,034,843	4,686,160

The consolidated financial statements on pages 66 to 192 were approved and authorised for issue by the Board of Directors on 29 March 2021 and signed on its behalf by:

Tan Kan
Executive Director

Lin Peifeng
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Equity attributable to equity holders of the Company										
		Reserves									
	Share capital RMB'000 *(Note 36)*	Capital reserve RMB'000 *(Note 37(a))*	Statutory reserve RMB'000 *(Note 37(b))*	Property revaluation reserve RMB'000 *(Note 37(c))*	Exchange reserve RMB'000 *(Note 37(d))*	Other reserve RMB'000 *(Note 37(e))*	Accumulated profits RMB'000	Total reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020	879,267	438,713	224,966	17,630	(629)	5,499	2,779,185	3,465,364	4,344,631	690,212	5,034,843
Profit for the year	–	–	–	–	–	–	303,162	303,162	303,162	30,333	333,495
Other comprehensive income											
Exchange difference on translation of foreign operations	–	–	–	–	408	–	–	408	408	–	408
Revaluation on transfer of property, plant and equipment to investment properties	–	–	–	221	–	–	–	221	221	172	393
Total other comprehensive income for the year, net of tax	–	–	–	221	408	–	–	629	629	172	801
Total comprehensive income for the year	–	–	–	221	408	–	303,162	303,791	303,791	30,505	334,296
Transactions with equity holders of the Company											
Contributions and distributions:											
Transfer to statutory reserve	–	–	17,494	–	–	–	(17,494)	–	–	–	–
Usage of other reserve	–	–	–	–	–	(3,703)	–	(3,703)	(3,703)	1,161	(2,542)
Dividend *(Note 10)*	–	–	–	–	–	–	(131,890)	(131,890)	(131,890)	(55,229)	(187,119)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	62,700	62,700
Changes in ownership interest:											
Changes in ownership interests in subsidiaries that do not result in a loss of control *(Note 40)*	–	26,735	–	–	–	–	–	26,735	26,735	106,112	132,847
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	(1,385)	(1,385)
	–	26,735	17,494	–	–	(3,703)	(149,384)	(108,858)	(108,858)	113,359	4,501
As at 31 December 2020	879,267	465,448	242,460	17,851	(221)	1,796	2,932,963	3,660,297	4,539,564	834,076	5,373,640

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Equity attributable to equity holders of the Company										
		Reserves									
	Share capital RMB'000 (Unaudited) *(Note 36)*	Capital reserve RMB'000 (Unaudited) *(Note 37(a))*	Statutory reserve RMB'000 (Unaudited) *(Note 37(b))*	Property revaluation reserve RMB'000 (Unaudited) *(Note 37(c))*	Exchange reserve RMB'000 (Unaudited) *(Note 37(d))*	Other reserve RMB'000 (Unaudited) *(Note 37(e))*	Accumulated profits RMB'000 (Unaudited)	Total reserves RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
As at 1 January 2019	887,100	430,880	208,527	17,630	(703)	5,561	2,492,936	3,154,831	4,041,931	644,229	4,686,160
Profit for the year	–	–	–	–	–	–	423,930	423,930	423,930	42,788	466,718
Other comprehensive income											
Exchange difference on translation of foreign operations	–	–	–	–	74	–	–	74	74	–	74
Total other comprehensive income for the year, net of tax	–	–	–	–	74	–	–	74	74	–	74
Total comprehensive income for the year	–	–	–	–	74	–	423,930	424,004	424,004	42,788	466,792
Transactions with equity holders of the Company											
Contributions and distributions:											
Repurchase of share capital	(7,833)	7,833	–	–	–	–	–	7,833	–	–	–
Transfer to statutory reserve	–	–	16,439	–	–	–	(16,439)	–	–	–	–
Usage of other reserve	–	–	–	–	–	(62)	–	(62)	(62)	–	(62)
Dividend *(Note 10)*	–	–	–	–	–	–	(121,242)	(121,242)	(121,242)	(67,420)	(188,662)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	30,750	30,750
Changes in ownership interest:											
Non-controlling interests arising from business combination *(Note 39)*	–	–	–	–	–	–	–	–	–	39,865	39,865
	(7,833)	7,833	16,439	–	–	(62)	(137,681)	(113,471)	(121,304)	3,195	(118,109)
As at 31 December 2019	879,267	438,713	224,966	17,630	(629)	5,499	2,779,185	3,465,364	4,344,631	690,212	5,034,843

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Unaudited)
OPERATING ACTIVITIES			
Cash generated from operations	38(a)	**1,166,056**	1,401,321
Interest received		**11,394**	16,392
Net value-added tax and other taxes paid		**(124,844)**	(148,115)
PRC income tax paid		**(86,989)**	(79,901)
Net cash from operating activities		**965,617**	1,189,697
INVESTING ACTIVITIES			
Additional investment in associates		**(29,550)**	(10,388)
Dividend received from joint ventures		**10,000**	7,499
Purchase of investment properties		**–**	(1,052)
Purchase of property, plant and equipment		**(120,713)**	(128,914)
Purchase of construction in progress		**(638,990)**	(561,271)
Purchase of right-of-use assets		**(179,633)**	(201,098)
Purchase of intangible assets		**(95,476)**	(39,806)
Proceeds from disposal of property, plant and equipment and right-of-use assets		**31,563**	10,911
Proceeds from disposal of financial assets at FVPL		**–**	25,000
Net cash flow on business acquisition	39	**–**	(57,605)
Net cash used in investing activities		**(1,022,799)**	(956,724)
FINANCING ACTIVITIES	38(b)		
Dividend paid		**(187,119)**	(188,662)
Interest paid		**(172,410)**	(178,473)
Proceeds from interest-bearing borrowings, bonds payables and due to controlling shareholder		**2,525,693**	2,646,398
Repayment of interest-bearing borrowings, bonds payables and due to controlling shareholder		**(2,674,904)**	(2,470,594)
Repayment of lease liabilities		**(10,529)**	(4,713)
Contributions from non-controlling interests		**132,878**	30,750
Net cash used in financing activities		**(386,391)**	(165,294)
Net (decrease) increase in cash and cash equivalents		**(443,573)**	67,679
Cash and cash equivalents at the beginning of the year		**1,096,744**	1,028,991
Effect on exchange rate changes on cash and cash equivalents		**408**	74
Cash and cash equivalents at the end of the reporting period, represented by cash and time deposits at banks and other financial institution	26	**653,579**	1,096,744

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 Hitech 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 2020, the Company had 679,129,602 A shares and 200,137,500 H shares as disclosed in Note 36 to the consolidated financial statements.

In the opinion of the directors, the ultimate controlling party of the Company is Guangdong Rising Holdings Group Co., Ltd. ("Guangdong Rising Group") which is incorporated in the PRC.

The principal activities of the Company are investment holding, processing and sales of recycled products, provision of waste treatment services, provision of environmental protection systems and services, and trading of chemical products. Details of the principal subsidiaries of the Company and their principal activities are disclosed in Note 49 to the consolidated financial statements. The Company and its subsidiaries are herein collectively referred to as the "Group".

2. PRINCIPAL ACCOUNTING POLICIES

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") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "HKCO") 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.

Transition from ASBE to IFRSs

The consolidated financial statements of the Group for the year ended 31 December 2019 were prepared in accordance with the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the PRC. These consolidated financial statements for the financial year ended 31 December 2020 are the first set of consolidated financial statements of the Group that have been prepared in accordance with IFRSs.

The adoption of IFRSs does not have any significant impact on the amounts recognised and no adjustment, except for reclassifications as follows, has been made for the transition from ASBE to IFRSs.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Transition from ASBE to IFRSs *(Continued)*

In order to enhance the international images of the Company to facilitate fund raising, expand the shareholder base and enhance the corporate capital strength, the Company adopted ASBE and IFRSs to prepare its consolidated financial statements, starting from the fiscal period commencing on 1 January 2020 and onward, for A shares and H shares respectively.

The consolidated financial statements for the year ended 31 December 2019 prepared under IFRSs and those prepared under ASBE have no material differences except for the reclassifications as follows:

Year ended 31 December 2019	As per consolidated financial statements prepared under IFRSs RMB'000 (Unaudited)	Reclassifications RMB'000	As per consolidated financial statements prepared under ASBE RMB'000
Other income	210,612	(46,376)	164,236
Investment income	–	13,375	13,375
Non-operating income	–	12,978	12,978
Disposal gain on asset	–	548	548
Gain on changes in fair value	–	8,894	8,894
	210,612		200,031
Administrative expenses	(365,569)	1,665	(363,904)
Other operating expenses	(181,840)	181,840	–
Non-operating expenses	–	(6,668)	(6,668)
Tax and levies	–	(45,933)	(45,933)
Research and development expenses	–	(127,360)	(127,360)
	(181,840)		(179,961)
Finance costs	(155,506)	14,840	(140,666)
Impairment loss on goodwill	(38,996)	–	(38,996)
Impairment loss on other assets	–	(1,879)	(1,879)
	(38,996)		(40,875)
Share of results of associates	(933)	933	–
Share of results of the joint ventures	6,857	(6,857)	–

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Transition from ASBE to IFRSs *(Continued)*

The consolidated financial statements for the year ended 31 December 2019 prepared under IFRSs and those prepared under ASBE have no material differences except for the reclassifications as follows *(Continued)*:

As at 31 December 2019	As per consolidated financial statements prepared under IFRSs RMB'000 (Unaudited)	Reclassifications RMB'000	As per consolidated financial statements prepared under ASBE RMB'000
Property, plant and equipment	2,853,281	(2,853,281)	–
Fixed assets	–	2,813,345	2,813,345
Long-term unamortized expenses	–	39,936	39,936
Right-of-use assets	612,950	(597,865)	15,085
Intangible assets	524,996	580,040	1,105,036
Development expenditure	–	17,825	17,825
Interests in associates	166,881	(166,881)	–
Interests in joint ventures	85,869	(85,869)	–
Long-term equity investments	–	252,750	252,750
Trade receivables and contract assets	8,962	(8,962)	–
Long-term accounts receivables	–	8,962	8,962
Change in non-current assets	4,252,939		4,252,939
Trade receivables and contract assets	1,085,211	(1,085,211)	–
Account receivables	–	843,722	843,722
Receivables financing	–	82,321	82,321
Contractual assets	–	117,916	117,916
Non-current assets due within one year	–	41,252	41,252
Prepaid income tax	2,834	(2,834)	–
Prepayment, deposits and other receivables	372,923	(120,934)	251,989
Other current assets	–	123,768	123,768
Change in current assets	1,460,968		1,460,968

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Transition from ASBE to IFRSs *(Continued)*

The consolidated financial statements for the year ended 31 December 2019 prepared under IFRSs and those prepared under ASBE have no material differences except for the reclassifications as follows *(Continued)*:

As at 31 December 2019	As per consolidated financial statements prepared under IFRSs RMB'000 (Unaudited)	Reclassifications RMB'000	As per consolidated financial statements prepared under ASBE RMB'000
Trade payables	786,251	(786,251)	–
Accounts payable	–	685,891	685,891
Notes payable	–	100,360	100,360
Lease liabilities	5,858	(5,858)	–
Current portion of interest-bearing borrowings	1,823,658	(79,492)	1,744,166
Bond payables	–	85,350	85,350
Due to controlling shareholder	436,745	(436,745)	–
Income tax payables	33,068	27,027	60,095
Other payables	278,596	409,718	688,314
Change in current liabilities	3,364,176		3,364,176
Other payables	2,958	(2,958)	–
Long-term accounts payables	–	2,958	2,958
Change in non-current liabilities	2,958		2,958
Net cash from operating activities	1,189,697	45,300	1,234,997
Net cash used in investing activities	(956,724)	23,641	(933,083)
Net cash used in financing activities	(165,294)	(68,941)	(234,235)
Effect on exchange rate changes on cash and cash equivalents	74	–	74

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Transition from ASBE to IFRSs *(Continued)*

The consolidated statement of financial position as at 1 January 2019 prepared under IFRSs and those prepared under ASBE have no material differences except for the reclassifications as follows:

As at 1 January 2019	As per consolidated financial statements prepared under IFRSs RMB'000 (Unaudited)	Reclassifications RMB'000	As per consolidated financial statements prepared under ASBE RMB'000
Property, plant and equipment	2,296,647	(2,296,647)	–
Fixed assets	–	2,252,197	2,252,197
Long-term unamortized expenses	–	44,450	44,450
Right-of-use assets	364,820	(344,039)	20,781
Intangible assets	549,016	326,177	875,193
Development expenditure	–	17,862	17,862
Interests in associates	216,950	(216,950)	–
Interests in joint ventures	86,511	(86,511)	–
Long-term equity investments	–	303,461	303,461
Trade receivables and contract assets	48,736	(48,736)	–
Long-term accounts receivables	–	48,736	48,736
Change in non-current assets	3,562,680		3,562,680
Trade receivables and contract assets	851,585	(851,585)	–
Account receivables	–	690,807	690,807
Receivables financing	–	62,109	62,109
Contractual assets	–	2,965	2,965
Non-current assets due within one year	–	95,702	95,702
Prepaid income tax	3,458	(3,458)	–
Prepayment, deposits and other receivables	481,676	(103,867)	337,809
Other current assets	–	107,327	107,327
Change in current assets	1,336,719		1,336,719

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Transition from ASBE to IFRSs *(Continued)*

The consolidated statement of financial position as at 1 January 2019 prepared under IFRSs and those prepared under ASBE have no material differences except for the reclassifications as follows *(Continued)*:

As at 1 January 2019	As per consolidated financial statements prepared under IFRSs RMB'000 (Unaudited)	Reclassifications RMB'000	As per consolidated financial statements prepared under ASBE RMB'000
Trade payables	708,358	(708,358)	–
Accounts payable	–	558,358	558,358
Notes payable	–	150,000	150,000
Lease liabilities	3,928	(3,928)	–
Current portion of interest-bearing borrowings	1,915,497	(81,400)	1,834,097
Bond payables	–	82,056	82,056
Income tax payables	38,787	42,455	81,242
Other payables	341,795	(39,183)	302,612
Change in current liabilities	3,008,365		3,008,365
Other payables	4,435	(4,435)	–
Long-term accounts payables	–	4,435	4,435
Change in non-current liabilities	4,435		4,435

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 RMB1,021,492,000.

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 institution of approximately RMB653,579,000 as at 31 December 2020.

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 RMB5,205,000,000 as at 31 December 2020;

(ii) the Company received the Registration Acceptance Notice (Zhong Shi Xie Shu [2021] SCP21) issued by the National Association of Financial Market Institutional Investors (the "NAFMII") on 2 February 2021 for insurance of the Super Commercial Paper (the "SCP") with an amount of not exceeding RMB1,500,000,000. The SCP will be mainly for refinancing and replenishing the working capital of the Group. Up to the end of the reporting period, no SCP were issued by the Group; and

(iii) the Company will actively proceed with financial plans such as medium-term notes with an amount of RMB900,000,000 based on actual needs, optimise the debt structure of the Company and effectively supplement the working capital.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, which are measured at fair value as explained in the accounting policies set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, an investment in subsidiary is stated at cost less accumulated impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate or a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates or joint ventures. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Associates and joint ventures *(Continued)*

In the Company's statement of financial position which is presented within these notes, an investment in associate and joint venture is accounted for using the equity method.

Goodwill

Goodwill arising on an acquisition of a business is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Any resulting gain or loss arising from remeasuring the previously held equity interests in the acquiree at the acquisition-date fair value is recognised in profit or loss or other comprehensive income, as appropriate.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual value of 3%, using the straight-line method at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 – 30 years
Leasehold improvement	Over the remaining lease terms
Machinery and other equipment	5 – 10 years
Transportation equipment	5 years
Office equipment	5 years
Other equipment (including construction and measuring equipment)	5 – 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress

Construction in progress which represents machinery, other equipment and build-operate-transfer ("BOT") rights under construction or pending installation and is stated at cost less accumulated impairment loss. Cost includes construction expenditures incurred and other direct costs capitalised during the construction and installation period. No depreciation or amortisation is made on construction in progress until the construction and installation work is completed that the assets are ready for their intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment or intangible assets when appropriate.

The Company participates in public infrastructure construction business in the BOT form, where the project company does not provide actual construction services by itself. The construction costs such as construction fees paid during the construction process are transferred to intangible assets when it is ready for its intended use, and amortized from the same month.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are land and/or buildings that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions and is adjusted for separately recognised assets or liabilities to avoid double-counting assets or liabilities.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

Patents and non-patent technologies

Patents and non-patented technologies acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs would transfer to other classes of intangible assets and subject to amortisation and impairment review on the same basis as intangible assets acquired separately.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

BOT operating rights

The useful life of BOT operating rights is determined by its type and physical characteristics, with reference to the depreciation rate of similar assets of the Group. The amortisation period is determined as the shorter of the useful life and the term of concession rights to amortise its costs on straight-line basis or the units-of-output method respectively.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is expensed in the profit or loss when incurred.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis, except for financial assets measured at amortised cost which are accounted for on the settlement date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Recognition and derecognition *(Continued)*

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include cash and cash equivalents, trade receivables and contract assets, bills receivables, loans receivables, other receivables, other non-current assets.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade payables, bills payables, other payables, contract liabilities, bond payables, amounts due to controlling shareholder, interest-bearing borrowings and lease liabilities. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with IFRS 9. At each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive. For a lease receivable, the cash flows used for determining the ECL should be consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Measurement of ECL *(Continued)*

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(a) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(b) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Assessment of significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(a) it has a low risk of default;

(b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in Note 42(b) to the consolidated financial statements, the following financial instruments are determined to have low credit risk:

- Cash and time deposits at banks and other financial institution;
- Trade receivables and contract assets with government and fellow subsidiaries;
- Bills receivables; and
- Other receivables with government and fellow subsidiaries.

Simplified approach of ECL

For trade receivables and contract assets without significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, and operating lease receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognised as income on the straight-line basis over the lease term. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs.

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

Business A: Production and delivery of recycling or industrial waste goods

Business B: Provision of industrial and municipal waste treatment and disposal services

Business C: Provision of services on environmental engineering projects

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within IFRS 15 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sales of goods comprising industrial waste recycling, renewable energy utilisation, trading and others, and dismantled resource recycling is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Service income of waste treatment and disposal services is recognised over time when services are rendered.

Service income from environmental engineering projects, including product design, procurement, construction and commissioning of industrial waste and municipal public work facilities, is recognised over time based on the stage of completion.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within IFRS 15 (Continued)

Timing of revenue recognition *(Continued)*

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The output method is applied to environmental engineering project services based on surveys of performance completed to date.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For government construction and water treatment projects, it is common for the Group to receive from the customer some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that year, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the Group's main operation is carried out in the PRC, the amounts shown in the consolidated financial statements are presented in Renminbi ("RMB").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets, right-of-use assets, interest in associates and joint ventures and interest in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets, other than goodwill *(Continued)*

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Borrowings costs

Borrowings costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset or the construction period of the relevant asset by equal annual instalments.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset as follows:

Buildings	3 – 20 years
Land use rights	Over the remaining leasing terms
Transportation equipment	5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee (Continued)

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increase the scope of the lease by adding the right to use or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

As lessor – operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables. A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Employee benefit

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to a defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pursuant to the relevant PRC laws and regulations, each of the PRC subsidiaries of the Group is required to participate in a retirement benefit scheme organised by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions. Contributions made to the defined contribution retirement benefit scheme are charged to profit or loss as incurred.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets or liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associate and joint ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

For deferred tax assets or liabilities on investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's executive directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the chief operating decision-makers that make strategic decisions.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(i) Key sources of estimation uncertainty

Loss allowance for ECL

The Group's management estimates the loss allowance for financial assets at amortised cost including trade receivables and contract assets, loans receivables, and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of financial assets at amortised cost. Details of the key assumption and inputs used in estimating ECL are set out in Note 42(b) to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

(i) Key sources of estimation uncertainty (Continued)

Useful lives and impairment of property, plant and equipment, right-of-use assets and intangible assets

The directors review the residual value, useful lives and depreciation/amortisation method of property, plant and equipment, right-of-use assets and intangible assets at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the directors have to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined by reference to value in use and fair value less costs of disposal. Value in use is determined using the discounted cash flow method. Owing to inherent risk associated with estimations in the timing and magnitude of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from its actual recoverable amount and profit or loss could be affected by accuracy of the estimations.

Allowance for inventories

The Group's management reviews the condition of inventories, as stated in Note 22 to the consolidated financial statements, at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on a product-by-product basis and makes basis.

Deferred tax assets

As at the end of the reporting period, a deferred tax asset in relation to unused tax losses has been recognised in the statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

Impairment of investments in subsidiaries, associates and joint ventures

The Group assesses annually if investment in subsidiaries, associates and joint ventures has suffered any impairment in accordance with IAS 36 and follows the guidance of IFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

(i) Key sources of estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in Note 17 to the consolidated financial statements.

Fair value estimation

The investment properties of the Group are measured at fair value, which were valued based on the appraised market value by an independent professional valuer. The fair value of investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the surrounding areas. The determination of the fair value for completed investment properties requires the Group to estimate reversionary potential of the properties.

Discount rates for calculating lease liabilities as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

Progress rate of construction in progress

Construction in progress is transferred to the fixed assets at an estimated amount based on the project budget, construction cost or actual cost of construction on the date when it is ready for its intended use and depreciated from the next month onwards. Upon the completion of final account audit of the completed project, the original estimated value will be adjusted accordingly, but no retrospective adjustment is required to the depreciation or amortisation amounts previously made.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

(ii) Critical judgements made in applying accounting policies

Revenue from contracts with customers within IFRS 15 – environmental engineering projects

Environmental engineering projects services revenue is recognised by using the output method which based on the progress of the project. The progress is measured using quality surveyor reports (an output method). The estimated total completion proportion is agreed among the Group, the constructors and the customers. Significant assumptions are required in estimating the completion proportion which affects the contract revenue recognised to date based on the output method.

Future changes in IFRSs

At the date of authorisation of these consolidated financial statements, the IASB has issued the following new/revised IFRSs that are not yet effective for the current year, which the Group has not early adopted

Amendments to IAS 39, IFRSs 4, 7, 9 and 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IAS 16	*Proceeds before Intended Use*[2]
Amendments to IAS 37	*Cost of Fulfilling a Contract*[2]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Annual Improvements to IFRSs	*2018-2020 Cycle*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
	Disclosure of Accounting Policies[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] The effective date to be determined

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 consolidated financial statements.

3. SEGMENT INFORMATION

The reportable segments are determined based on the internal organisation structure, management requirements and reporting system. The key management of the Group, who are the chief operating decision makers, reviews 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, 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 for the year and profit before taxation, share of results of associates and joint ventures.

Segment assets include all assets with the exception of interests in associates and joint ventures. Segment liabilities include all liabilities.

Inter-segment sales are priced at cost plus profit margin. The accounting policies of the reporting segments are the same as the Group's accounting policies as described in Note 2 to the consolidated financial statements.

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

2020 Reporting Segments

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal 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	1,054,328	1,635,345	180,770	92,752	208,563	40,840	161,859	67,768	(127,204)	3,315,021
Inter-segment revenue	–	(35,836)	–	–	(23,600)	–	–	(67,768)	127,204	–
Revenue from external customers	1,054,328	1,599,509	180,770	92,752	184,963	40,840	161,859	–	–	3,315,021
Cost of sales	(843,407)	(814,550)	(191,090)	(66,179)	(143,105)	(11,995)	(113,621)	–	–	(2,183,947)
	210,921	784,959	(10,320)	26,573	41,858	28,845	48,238	–	–	1,131,074
Segment operating (cost) income, net	(65,520)	(480,155)	(1,199)	(538)	(5,227)	(15,263)	(18,857)	135,506	(297,935)	(749,188)
Segment profit before tax	145,401	304,804	(11,519)	26,035	36,631	13,582	29,381	135,506	(297,935)	381,886
Share of results of associates										547
Share of results of joint ventures										19,287
Income tax expense										(68,225)
Profit for the year										333,495
Segment assets										
Segment assets	2,709,835	3,486,426	531,810	262,489	578,396	881,130	592,906	4,940,836	(3,851,808)	10,132,020
Interest in associates										196,978
Interest in joint ventures										95,156
Total assets										10,424,154
Segment liabilities	306,991	2,091,752	160,275	35,446	297,453	82,190	297,184	2,330,018	(550,795)	5,050,514

3. SEGMENT INFORMATION *(Continued)*

2020 Reporting Segments *(Continued)*

Other segment information

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal 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
Depreciation and amortisation	(69,582)	(141,825)	(31,791)	(12,589)	(53,831)	(28,380)	(3,769)	(144,455)	–	(486,222)
Share of result of associates	–	–	–	–	–	–	–	547	–	547
Share of result of joint ventures	–	–	–	–	–	–	–	19,287	–	19,287
Impairment loss on goodwill	–	(34,535)	–	–	–	–	–	–	–	(34,535)
Impairment loss on trade, loans and other receivables	(1,191)	(40,965)	136	–	(327)	(3,419)	(10)	681	–	(45,095)
Interest expense	(2,630)	(38,327)	(7,733)	(978)	(12,558)	(3,475)	(7,720)	(53,645)	–	(127,066)
Interest income	2,468	1,007	440	414	1,424	244	2	5,395	–	11,394

2019 Reporting Segments (Unaudited)

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal 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	1,075,315	1,692,402	230,026	91,394	213,928	74,513	159,381	60,410	(138,778)	3,458,591
Inter-segment revenue	–	(25,370)	–	–	(37,498)	(15,500)	–	(60,410)	138,778	–
Revenue from external customers	1,075,315	1,667,032	230,026	91,394	176,430	59,013	159,381	–	–	3,458,591
Cost of sales	(826,061)	(827,643)	(218,488)	(62,165)	(152,354)	(13,831)	(110,091)	–	–	(2,210,633)
	249,254	839,389	11,538	29,229	24,076	45,182	49,290	–	–	1,247,958
Segment operating (cost) income, net	(96,178)	(476,224)	(8,291)	5,488	14,054	(3,783)	(26,433)	97,670	(235,780)	(729,477)
Segment profit before tax	153,076	363,165	3,247	34,717	38,130	41,399	22,857	97,670	(235,780)	518,481
Share of results of associates										(933)
Share of results of joint ventures										6,857
Income tax expense										(57,687)
Profit for the year										466,718
Segment assets	2,900,179	3,110,340	499,654	254,104	554,480	864,887	578,070	4,267,148	(2,886,180)	10,142,682
Interest in associates										166,881
Interest in joint ventures										85,869
Total assets										10,395,432
Segment liabilities	318,385	1,914,067	441,951	31,551	279,417	79,818	307,873	2,282,021	(294,494)	5,360,589

3. SEGMENT INFORMATION *(Continued)*

2019 Reporting Segments (Unaudited) *(Continued)*

Other segment information

	Other segment information Industrial waste recycling RMB'000	Industrial waste treatment and disposal 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
Depreciation and amortisation	(68,041)	(273,188)	(9,103)	(5,293)	(13,869)	(23,382)	(7,674)	(7,355)	–	(407,905)
Share of result of associates	–	–	–	–	–	–	–	(933)	–	(933)
Share of result of joint ventures	–	–	–	–	–	–	–	6,857	–	6,857
Impairment loss on goodwill	–	(33,628)	–	–	–	(5,368)	–	–	–	(38,996)
Impairment loss on trade, loans and other receivables	(36,602)	(39,346)	39	–	1,074	(6,354)	(5)	5,324	–	(75,870)
Interest expense	(4,494)	(53,520)	–	–	(7,001)	(285)	–	(90,206)	–	(155,506)
Interest income	1,356	942	–	60	2,683	681	–	10,670	–	16,392

(a) By geographical information

(i) Revenue from external customers based on location of customers

	2020 RMB'000	2019 RMB'000 (Unaudited)
The PRC	**3,306,321**	3,450,219
Hong Kong	**8,700**	8,372
	3,315,021	3,458,591

(ii) Non-current assets (excluding deferred tax assets and financial assets) based on location of assets

	2020 RMB'000	2019 RMB'000 (Unaudited)
The PRC	**7,544,251**	7,010,980
Hong Kong	**186,371**	196,637
	7,730,622	7,207,617

(b) Information about major customers

No revenue from a single external customer amounted to 10% or more of the Group's revenue for the year ended 31 December 2020 (2019: RMB Nil).

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 service 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:

	2020 **RMB'000**	2019 RMB'000 (Unaudited)
Revenue from contracts with customers within IFRS 15		
Recognised at point in time	**1,328,887**	1,342,290
Recognised over time	**1,965,242**	2,073,488
	3,294,129	3,415,778
Revenue from other sources		
Rental income	**12,279**	18,060
Interest income from loans receivables	**8,613**	24,753
	20,892	42,813
	3,315,021	3,458,591

5. OTHER INCOME

	2020 RMB'000	2019 RMB'000 (Unaudited)
Interest revenue calculated using the effective interest method from banks and other financial institution	**11,394**	16,392
Gain on change in fair value of investment properties	**13,547**	8,894
Gain on disposal of property, plant and equipment	**19,338**	661
Gain on disposal of subsidiaries	**–**	141
Gain from remeasurement of equity interest at fair value upon acquisition of control	**–**	7,245
Net fair value gain of financial assets mandatorily measured at FVPL	**–**	65
Amortisation of deferred government grants *(Note)*	**15,009**	36,421
Government subsidies	**35,702**	23,493
Value-added tax refunds	**52,256**	104,323
Sundry income	**6,193**	12,977
	153,439	210,612

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 and loss in the period over the expected useful life of the relevant assets or the expected construction period of the relevant assets (Note 34).

6. FINANCE COSTS

	2020 RMB'000	2019 RMB'000 (Unaudited)
Finance costs		
Interest on bank and other loans	**147,386**	145,320
Interest on bond payables	**18,489**	45,984
Interest on lease liabilities	**906**	903
Total borrowing costs	**166,781**	192,207
Less: Interest capitalised into construction in progress	**(39,715)**	(36,701)
	127,066	155,506

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.00% to 5.88% per annum (2019: 4.70% to 5.69% per annum).

7. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2020 RMB'000	2019 RMB'000 (Unaudited)
Staff costs (including directors' emoluments)		
Salaries, bonus and other emoluments	**547,226**	554,147
Contribution to defined contribution retirement schemes**	**47,372**	71,922
Total staff costs	**594,598**	626,069
Other items		
Auditor's remuneration		
– Audit services	**2,080**	2,150
– Other services	**400**	450
Cost of sales	**1,035,202**	1,012,148
Cost of services	**1,148,745**	1,198,485
Depreciation and amortisation		
– Property, plant and equipment *	**391,792**	328,853
– Intangible assets *	**68,043**	62,537
– Right-of-use assets *	**26,387**	16,515
Exchange loss, net	**1,884**	520
Research and development expenses	**126,314**	127,360
(Reversal of) Provision for loss allowance on		
– Trade receivables and contact assets	**5,705**	(1,317)
– Other receivables	**39,084**	76,389
– Loan receivables	**306**	798
Impairment loss on goodwill	**34,535**	38,996
Write down of inventories, net	**121**	1,784
Reversal of impairment loss on property, plant and equipment	**(54)**	–
Reversal of impairment loss on intangible assets	**(22)**	–
Gain on disposal of financial assets at FVPL	**–**	(65)
Gain on disposal of property, plant and equipment	**(19,338)**	(661)
Gain on change in fair value of investment properties	**(13,547)**	(8,894)
Loss on disposal of intangible assets	**–**	112
Gain on deregistration disposal of subsidiaries	**(3)**	(141)
Written off of other non-current assets	**24,500**	–
Direct operating expenses arising from investment properties that generated rental income	**1,709**	2,800

* 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 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.

8. TAXATION

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 specifically mentioned below.

Name of companies	*Note*	Applicable income tax rate
Dongjiang Environmental Company Limited ("The Company")	8(a)	15%
Shenzhen Huabao Technology Ltd. ("Huabao Technology")	8(a)	15%
Jiangxi Huabao Technology Ltd. ("Jiangxi Huabao")	8(b)	20%
Shenzhen Huateng Environmental Technology Co., Ltd ("Huateng Environmental")	8(b)	20%
Shenzhen Huiyuan Micro Finance Company Limited ("Huiyan Micro Finance")		25%
Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd ("Baoan Dongjiang")	8(a)	15%
Shenzhen Dongjiang Feeds Additives Co., Ltd. ("Dongjiang Feeds")		25%
Shenzhen Dongjiang Kaida Transport Co., Ltd. ("Dongjiang Kaida")	8(b)	20%
Shenzhen Baoan Dongjiang Environmental Renewable Energy Ltd. ("Baoan Energy")	8(b)	20%
Shenzhen Qianhai Dongjiang Environment Technology Service Co., Ltd. ("Qianhai Dongjiang")		25%
Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. ("Longgang Dongjiang")	8(a)	15%
Shenzhen Dongjiang Renewable Energy Ltd. ("Renewable Energy")		25%
Nanchang Xinguan Energy Development Co., Ltd. ("Nanchang Xinguan")		25%
Hefei Xinguan Energy Development Co., Ltd. ("Hefei Xinguan")		25%
Huizhou Dongjiang Environment Technology Co., Ltd. ("Huizhou Dongjiang")	8(a)	15%
Huizhou Dongjiang Logistic Ltd. ("Dongjiang Transport")	8(b)	20%
Huizhou Dongtou Environmental Protection Co., Ltd ("Huizhou Dongtou")	8(b)	20%
Foshan Fulong Environmental Protection Co., Ltd ("Foshan Fulong")	8(c)	12.5%
Zhaoqing Dongsheng Environmental Technology Co., Ltd. ("Zhaoqing Dongsheng")		25%
Shaoguan Dongjiang Environmental Protection Technogoly Co., Ltd ("Shaoguan Dongjiang")	8(b)	20%
Shaoguan Sustainable Resources Development Co., Ltd ("Shaoguan Sustainable Resources")	8(a)	15%

8. TAXATION *(Continued)*

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 specifically mentioned below. *(Continued)*

Name of companies	*Note*	Applicable income tax rate
Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd. ("Zhuhai Yongxingsheng")	8(a)	15%
Zhuhai Dongjiang Environment Technology Co., Ltd. ("Zhuhai Dongjiang")		25%
Zhuhai Qingxin Industrial Environmental Technology Ltd. ("Zhuhai Qingxin")	8(b)	20%
Qingyuan Xinlv Environmental Technology Ltd. ("Qingyuan Xinlv")		25%
Jiangmen Dongjiang Environmental Technology Ltd. ("Jiangmen Dongjiang")	8(c)	12.5%
Dongguan Humen Water Co., Ltd. ("Humen Green")	8(e)	15%
Jieyang Dongjiang Guoye Environmental Protection Technology Co., Ltd. ("Jieyang Dongjiang")		25%
Shenzhen Hengjian Tongda Investment Management Co., Ltd. ("Hengjian Tongda")		25%
Dongguan Hengjian Environment Technology Co., Ltd ("Dongguan Hengjian")	8(d)	0%
Xiamen Oasis Environmental Industrial Co., Ltd. ("Xiamen Oasis")		25%
Xiamen Dongjiang Environmental Technology Co., Ltd ("Xiamen Dongjiang")	8(a)	15%
Fujian Oasis Solid Waste Treatment Co., Ltd ("Fujian Oasis Solid Waste")	8(a)	15%
Longyan Oasis Environmental Technology Co., Ltd ("Longyan Oasis Environmental")	8(b)	20%
Nanping Oasis Environmental Technology Co., Ltd ("Nanping Oasis Environmental")	8(b)	20%
Sanming Oasis Environmental Technology Co., Ltd ("Sanming Oasis Environmental")	8(b)	20%
Jiangxi Dongjiang Environmental Technology Co., Ltd. ("Jiangxi Dongjiang")	8(c)	12.5%
Hubei Tianyin Circulation Economic Development Co., Ltd. ("Hubei Tianyin")		25%
Hubei Tianyin Hazardous Waste Centralized Disposal Co., Ltd ("Tianyin Hazardous Waste")	8(c)	12.5%
Hubei Tianyin Waste Vehicle Recycling and Dismantling Co., Ltd. ("Tianyin Vehicle Dismantling")		25%
Jingzhou Dongjiang Environmental Technology Co., Ltd. ("Jingzhou Dongjiang")	8(c)	12.5%
Xintao Luyi Environmental Technology Co., Ltd. ("Green Environmental")		
Huangshi Dongjiang Environmental Technology Co., Ltd. ("Huangshi Dongjiang")	8(d)	0%
Xiantao Dongjiang Environmental Technology Co., Ltd. ("Xiantao Dongjiang")	8(d)	0%

8. TAXATION *(Continued)*

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 specifically mentioned below. *(Continued)*

Name of companies	*Note*	Applicable income tax rate
Dongjiang Environmental (HK) Ltd. ("Dongjiang HK")		16.5%
Hong Kong Lik Shun Services Ltd. ("Lik Shun Services")		16.5%
Nantong Dongjiang Environmental Technology Co., Ltd. ("Nantong Dongjiang")	8(d)	0%
Jiangsu Dongjiang Environmental Services Co., Ltd ("Jiangsu Dongjiang")	8(c)	12.5%
Jiangsu Dongheng Environmental Holdings Co., Ltd. ("Dongheng Environmental")		25%
Kunshan Qiandeng Three Wastes Treatment Co., Ltd ("Qiandeng Wastes Treatment")	8(a)	15%
Jiaxing Deda Resource Recycling Ltd. ("Jiaxing Deda")	8(a)	15%
Zhejiang Jianglian Environmental Investment Co., Ltd. ("Zhejiang Jianglian")		25%
Shaoxing Huaxin Environmental Technology Co., Ltd ("Huaxin Environmental")	8(c)	12.5%
Zhenjiang Dongjiang Environmental Technology Development Co., Ltd. ("Zhenjiang Dongjiang")	8(b)	20%
Yancheng Coastal Solid Waste Disposal Co., Ltd. ("Coastal Solid Waste")	8(a)	15%
Hengshui Ruitao Environmental Technology Co., Ltd. ("Hengshui Ruitao")		25%
Weifang Dongjiang Environmental Blue Sea Environmental Protection Co., Ltd. ("Weifang Blue Sea")	8(d)	0%
Qingdao Dongjiang Environmental Recycled Power Ltd. ("Qingdao Dongjiang")	8(b)	20%
Wandesi (Tangshan Caofeidian) Environmental Technology Co., Ltd. ("Tangshan Wandesi")	8(d)	0%
Handan Dongjiang Environmental Technology Co., Ltd. ("Handan Dongjiang")		25%
Karamay Wosen Environmental Technology Co., Ltd. ("Wosen Environmental")	8(c)	12.5%
Hunan Dongjiang Environmental Protection Investment Development Ltd. ("Hunan Dongjiang")		25%
Chengdu Hazardous Waste Treatment Centre Co., Ltd. ("Chengdu Treatment Centre")		25%
Mianyang Dongjiang Environmental Technology Co., Ltd. ("Mianyang Dongjiang")		25%
Yunnan Dongjiang Environmental Technologies Co., Ltd. ("Yunnan Dongjiang")		25%

8. TAXATION *(Continued)*

(a) According to the Law of Enterprise income tax Notice of the PRC No. 28, those companies engaged in the high technology development industry enjoy an EIT tax rate of 15% on the assessable profits.

(b) According to the Notice on the implementation of the micro-enterprise universal tax relief in accordance with the regulations of Ministry of Finance and the State Administration of Taxation (Caishui [2019] No. 13) (《關於實施小微企業普惠性稅收減免政策的通知》), those companies engaged in the small-scale enterprise enjoy an EIT tax rate of 20% on the assessable profits below RMB1,000,000 after reduction of 25% of assessable profits and an EIT tax rate of 20% on the assessable profits between RMB1,000,000 to RMB3,000,000 after reduction of 50% of assessable profits.

(c) According to the Law of Enterprise income tax notice of the PRC No. 27, those companies engaged in the environmental protection and energy and water saving projects that meet certain requirement can enjoy an EIT tax rate reduction of 50% during the year.

(d) According to the Law of Enterprise income tax notice of the PRC No. 27, those companies engaged in the environmental protection and energy and water saving projects that meet certain requirement can enjoy full EIT exemption during the year.

(e) According to the Announcement on Issues Concerning Enterprise Income Tax Policies for Third-Party Enterprises Engaged in Pollution Prevention and Control (Caishui [2019] No. 60) (《關於從事污染防治的第三方企業所得稅政策問題的公告》), those companies engaged in pollution prevention enjoy an EIT tax rate of 15% on the assessable profits.

8. TAXATION *(Continued)*

	2020 RMB'000	2019 RMB'000 (Unaudited)
Current tax		
Enterprise Income Tax of the PRC		
Current year	**79,057**	78,981
Overprovision in prior year	**(658)**	(14,047)
	78,399	64,934
Deferred tax credit	**(10,174)**	(7,247)
Total tax expenses for the year	**68,225**	57,687

Reconciliation of income tax expenses

	2020 RMB'000	2019 RMB'000 (Unaudited)
Profit before taxation	**401,720**	524,405
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	**60,258**	78,661
Non-deductible expenses	**2,296**	5,164
Non-taxable income	**(13,959)**	(22,037)
Unrecognised tax losses	**44,739**	31,082
Unrecognised temporary differences	**575**	699
Utilisation of tax losses previously not recognised	**(5,552)**	(9,435)
Effect of different tax rate applicable to subsidiaries	**10,223**	15,135
Effect of change in tax rates	**(185)**	(33)
Overprovision in prior year	**(658)**	(14,047)
Tax concession	**(20,746)**	(23,356)
Others	**(8,766)**	(4,146)
Income tax expenses for the year	**68,225**	57,687

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

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS AND SENIOR EXECUTIVES

(a) Directors' remunerations

Details of directors' remunerations for the year, disclosed pursuant to the Listing Rules and the disclosure requirements of Hong Kong Companies Ordinance, are as follows:

	2020			
	Directors' fees RMB'000	Salaries and other emoluments RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive directors				
Tan Kan	–	1,702	44	1,746
Yao Shu[(a)]	–	1,272	26	1,298
Lin Peifeng[(b)]	–	788	30	818
Non-executive directors				
Tang Yi[(e)]	–	–	–	–
Shan Xiaomin[(e)]	–	–	–	–
Jin Yongfu	–	–	–	–
Liu Bo Ren[(c)]	–	–	–	–
Huang Yiming[(f)]	–	–	–	–
Lu Bei[(f)]	–	–	–	–
Independent non-executive directors				
Wong Hin Wing[(f)]	150	–	–	150
Qu Jiu Hui[(f)]	150	–	–	150
Zhu Zheng Fu[(f)]	150	–	–	150
Li Jinhui[(e)]	–	–	–	–
Siu Chi Hung[(e)]	–	–	–	–
Guo Suyi[(e)]	–	–	–	–
Supervisors				
Huang Hai Ping[(g)]	–	788	30	818
Zhang Hao	–	219	15	234
Huang Wei Ming[(f)]	–	686	44	730
Jiang Ping[(e)]	–	–	–	–
	450	5,455	189	6,094

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS AND SENIOR EXECUTIVES *(Continued)*

(a) Directors' remunerations *(Continued)*

	2019 (Unaudited)			
	Directors' fees RMB'000	Salaries and other emoluments RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive directors				
Tan Kan	–	1,624	70	1,694
Yao Shu[(a)]	–	1,024	64	1,088
Non-executive directors				
Jin Yongfu	–	–	–	–
Liu Bo Ren[(c)]	–	–	–	–
Huang Yiming[(f)]	–	–	–	–
Lu Bei[(f)]	–	–	–	–
Deng Qian[(d)]	–	–	–	–
Independent non-executive directors				
Wong Hin Wing[(f)]	150	–	–	150
Qu Jiu Hui[(f)]	150	–	–	150
Zhu Zheng Fu[(f)]	150	–	–	150
Supervisors				
Huang Hai Ping[(g)]	–	–	–	–
Huang Wei Ming[(f)]	–	448	35	483
Zhang Hao	–	127	23	150
Li Yue[(h)]	–	55	11	66
Zhao Xuechao[(i)]	–	–	–	–
	450	3,278	203	3,931

Note:

(a) Resigned on 12 August 2020

(b) Appointed on 29 June 2020

(c) Resigned on 3 April 2020

(d) Resigned on 25 February 2019

(e) Appointed on 22 December 2020

(f) Resigned on 22 December 2020

(g) Appointed on 7 May 2019

(h) Resigned on 6 May 2019

(i) Resigned on 7 May 2019

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS AND SENIOR EXECUTIVES *(Continued)*

(a) Directors' remunerations *(Continued)*

There were no arrangements under which a director waived or agreed to waive any emoluments for the year ended 31 December 2020 (2019: RMB Nil). In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year (2019: RMB Nil).

(i) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company, or bodies corporate controlled by such directors, or entities connected with such directors that were entered into or subsisted during the years ended 31 December 2020 and 2019.

(ii) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company, or a entities connected with the directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2020 and 2019.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2019: one) director's emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining four (2019: four) highest paid individuals, who are not directors, are as follows:

	2020 **RMB'000**	2019 RMB'000 (Unaudited)
Salaries and other emoluments	**6,195**	3,578
Discretionary bonus	**–**	770
Contributions to defined retirement scheme	**184**	280
	6,379	4,628

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS AND SENIOR EXECUTIVES *(Continued)*

(b) Individuals with highest emoluments *(Continued)*

The emoluments of the four (2019: four) non-director individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals (Unaudited)
Nil to HK$1,000,000 (equivalent to Nil to RMB837,800)	**–**	–
HK$1,000,001 to HK$1,500,000 (equivalent to RMB837,801 to RMB1,256,700)	**–**	4
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,256,701 to RMB1,675,600)	**4**	–

There were no arrangements under which any of the five (2019: five) highest paid individuals waived or agreed to waive any remuneration during the year ended 31 December 2020 (2019: RMB Nil). In addition, no remuneration were paid by the Group to any of the five (2019: five) highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2019: RMB Nil).

(c) Senior managements' remunerations

Other than the emoluments of directors and five highest paid individuals disclosed in Note 9(a) and Note 9(b), the emoluments of the senior management of the Company's annual report for the year are as follows:

	2020 RMB'000	2019 RMB'000 (Unaudited)
Salaries and allowances	**540**	2,146
Contributions to defined contribution plan	**42**	136
	582	2,282

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS AND SENIOR EXECUTIVES *(Continued)*

(c) Senior managements' remunerations *(Continued)*

The number of the senior management whose emoluments fell within the following bands is as follows:

	2020	2019 (Unaudited)
Nil to HK$1,000,000 (equivalent to Nil to RMB837,800)	**1**	2
HK$1,000,001 to HK$1,500,000 (equivalent to RMB837,801 to RMB1,256,700)	**–**	1

10. DIVIDEND

	Note	**2020 RMB'000**	2019 RMB'000 (Unaudited)
Dividend approved and paid during the year			
Final dividend in respect of 2019 of RMB0.15 (2018: RMB0.14) per ordinary share	10(a)	**131,890**	123,097
Dividend proposed after the reporting period			
Final dividend in respect of 2020 of RMB0.11 (2019: RMB0.15) per ordinary share	10(b)	**96,719**	131,890

(a) Pursuant to the resolution passed at the Board meeting on 28 March 2019 and the shareholders' resolution passed at the 2018 Annual General Meeting on 11 June 2019, the payment of final dividend in respect of 2018 totaling to RMB123,097,000 was approved. In addition, the reversal of dividends of the restricted shares not yet unlocked that were held by former incentive participants who resigned in 2019 of RMB321,000 and the reversal of dividends of the restricted shares granted but not unlocked that were held by the participants and repurchased in 2019 of RMB1,534,000 were set off with the appropriation of accumulated profits in the year ended 31 December 2019.

(b) The final dividend in respect of 2020 of RMB0.11 per ordinary share amounting to RMB96,719,000 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 2021 if it is approved at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit attributable to the ordinary equity shareholders of the Company of approximately RMB303,162,000 (2019 (Unaudited): RMB423,930,000) and the weighted average number of 879,267,102 (2019 (Unaudited): 881,059,752) 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.

12. INVESTMENT PROPERTIES

	Building and constructions RMB'000	Land use rights RMB'000	Total RMB'000
At fair value			
Year ended 31 December 2019 (Unaudited)			
At beginning of the year	375,565	48,034	423,599
Additions	1,052	–	1,052
Change in fair value	7,148	1,746	8,894
At the end of the reporting period	383,765	49,780	433,545
At fair value			
Year ended 31 December 2020			
At beginning of the year	**383,765**	**49,780**	**433,545**
Transfer from property, plant and equipment	**2,125**	**–**	**2,125**
Revaluation on transfer from property, plant and equipment	**524**	**–**	**524**
Change in fair value	**11,591**	**1,956**	**13,547**
At the end of the reporting period	**398,005**	**51,736**	**449,741**

At the end of the reporting period, the investment properties were revalued by Beijing Yachao Asset Appraisal Co., Ltd which are independent professional qualified valuers, on the market value basis using income capitalisation approach.

Leasing arrangement – as lessee

At the end of the reporting period, the investment properties of RMB51,736,000 (2019: RMB49,780,000) are held under long term leases with the remaining lease term of 31 ~ 45 years (2019: 32 ~ 46 years). The lease contracts do not impose any covenants on the Group. The interests in land use rights in the PRC are held by the Group, with proper legal properties rights certificate, which were acquired from the previous registered owners by making lump sum payments at the upfront.

12. INVESTMENT PROPERTIES *(Continued)*

Leasing arrangement – as lessor

The investment properties are leased to tenants for a term of two years in average, the leases do not contain any notice period and renewal option. Monthly rental charges consist of fixed payments. The tenants also bear the management fees and amounts charged by the government such as the rates levied on the Group.

The details of the lease income from operating leases are set out in Note 4 to the consolidated financial statements.

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of investment properties.

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Year 1	**6,465**	10,790
Year 2	**4,202**	11,114
Year 3	**4,288**	–
Year 4	**3,610**	–
Year 5	**1,895**	–
Over 5 years	**403**	–
Undiscounted lease payments to be received	**20,863**	21,904

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 *(Note a)*	Leasehold improvement RMB'000	Machinery and other equipment RMB'000	Office equipment RMB'000	Transportation equipment RMB'000	Other equipment RMB'000	Total RMB'000
Reconciliation of carrying amount							
– year ended 31 December 2019 (Unaudited)							
At beginning of the year	1,082,459	44,450	801,078	47,988	37,750	282,922	2,296,647
Additions	16,741	16,066	46,853	7,800	9,789	31,665	128,914
Additions from business combination	34,789	1,400	12,383	41	112	7,813	56,538
Transfer from CIP	291,113	–	297,023	10,471	940	112,849	712,396
Reclassification	(912)	(230)	(1,723)	(3,418)	46	4,238	(1,999)
Depreciation	(71,993)	(21,750)	(143,300)	(12,651)	(13,668)	(65,491)	(328,853)
Disposal	(1,558)	–	(7,238)	(351)	(625)	(590)	(10,362)
At the end of the reporting period	1,350,639	39,936	1,005,076	49,880	34,344	373,406	2,853,281
Reconciliation of carrying amount							
– year ended 31 December 2020							
At beginning of the year	**1,350,639**	**39,936**	**1,005,076**	**49,880**	**34,344**	**373,406**	**2,853,281**
Additions	**8,135**	**20,414**	**47,781**	**10,859**	**11,409**	**22,115**	**120,713**
Transfer from CIP	**350,959**	**–**	**273,467**	**5,047**	**1,874**	**59,854**	**691,201**
Transfer to investment properties	**(2,125)**	**–**	**–**	**–**	**–**	**–**	**(2,125)**
Transfer to intangible assets	**(19,432)**	**–**	**(664)**	**(130)**	**(6)**	**(421)**	**(20,653)**
Reclassification *(Note b)*	**(19,229)**	**(7,334)**	**25,862**	**(1,265)**	**–**	**1,966**	**–**
Depreciation	**(82,583)**	**(20,843)**	**(185,378)**	**(14,936)**	**(11,575)**	**(76,477)**	**(391,792)**
Disposal	**(5,863)**	**–**	**(10,768)**	**(771)**	**(894)**	**(628)**	**(18,924)**
Reversal of impairment loss	**–**	**–**	**54**	**–**	**–**	**–**	**54**
Others	**(48)**	**–**	**(139)**	**–**	**135**	**4**	**(48)**
At the end of the reporting period	**1,580,453**	**32,173**	**1,155,291**	**48,684**	**35,287**	**379,819**	**3,231,707**
At 31 December 2019 (Unaudited)							
Cost	1,663,798	70,732	1,605,302	107,828	122,248	571,579	4,141,487
Accumulated depreciation	(303,746)	(30,796)	(598,593)	(57,948)	(87,631)	(198,134)	(1,276,848)
Accumulated impairment loss	(9,413)	–	(1,633)	–	(273)	(39)	(11,358)
Net carrying amount	1,350,639	39,936	1,005,076	49,880	34,344	373,406	2,853,281
At 31 December 2020							
Cost	**1,966,702**	**83,813**	**1,932,556**	**115,891**	**122,553**	**644,852**	**4,866,367**
Accumulated depreciation	**(376,836)**	**(51,640)**	**(775,686)**	**(67,207)**	**(86,993)**	**(264,994)**	**(1,623,356)**
Accumulated impairment loss	**(9,413)**	**–**	**(1,579)**	**–**	**(273)**	**(39)**	**(11,304)**
Net carrying amount	**1,580,453**	**32,173**	**1,155,291**	**48,684**	**35,287**	**379,819**	**3,231,707**

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) At the end of the reporting period, the application for property rights certificates of certain of the Group's buildings with aggregate net carrying amount of RMB380,326,000 (2019: RMB369,372,000) has not been processed or is in process. In light of the properties are constructed on the land use rights used according to related legal agreements, the directors believe that the transfer of property rights would not result in substantive legal obstacles or affect the Group's normal operation to those buildings, significant implications to the Group's business activities, impairment of the related properties, or significant additional costs.

(b) During the current reporting period, reclassifications of sub-categories under property, plant and equipment were made mainly due to the reclassification of certain hazardous waste incinerators. The directors consider that these hazardous waste incinerators originally recognised together with the hazardous waste center as buildings and leasehold improvement in previous years shall be separately disclosed as machinery and other equipment and believe that the revised presentation reflects more appropriately the nature of these assets, The reclassifications have no significant effect on the reported financial position, results or cash flows of the Group

14. CONSTRUCTION IN PROGRESS

	RMB'000
Reconciliation of carrying amount – year ended 31 December 2019 (Unaudited)	
At beginning of the year	1,253,655
Additions	561,271
Additions from business combination	139,592
Transfer to property, plant and equipment	(712,396)
At the end of the reporting period	1,242,122
Reconciliation of carrying amount – year ended 31 December 2020	
At beginning of the year	**1,242,122**
Additions	**638,990**
Transfer to property, plant and equipment	**(691,201)**
Transfer to intangible assets	**(101,697)**
At the end of the reporting period	**1,088,214**
At 31 December 2019 (Unaudited)	
Cost	1,242,122
Accumulated impairment loss	–
Net carrying amount	1,242,122
At 31 December 2020	
Cost	**1,088,214**
Accumulated impairment loss	**–**
Net carrying amount	**1,088,214**

15. LEASES

Right-of-use assets

	Buildings RMB'000	Land use rights RMB'000	Transportation equipment RMB'000	Total RMB'000
Reconciliation of carrying amount – year ended 31 December 2019 (Unaudited)				
At beginning of the year	19,426	344,039	1,355	364,820
Addition from acquisition	–	201,098	–	201,098
Addition from business combination	–	63,742	–	63,742
Disposal	–	–	(195)	(195)
Depreciation	(5,049)	(11,014)	(452)	(16,515)
At the end of the reporting period	14,377	597,865	708	612,950
Reconciliation of carrying amount – year ended 31 December 2020				
At beginning of the year	**14,377**	**597,865**	**708**	**612,950**
Additions	**7,774**	**171,859**	**–**	**179,633**
Disposal	**(2,000)**	**–**	**(131)**	**(2,131)**
Depreciation	**(9,491)**	**(16,558)**	**(338)**	**(26,387)**
At the end of the reporting period	**10,660**	**753,166**	**239**	**764,065**
At 31 December 2019 (Unaudited)				
Cost	19,426	657,061	1,984	678,471
Accumulated depreciation	(5,049)	(59,196)	(1,276)	(65,521)
Net carrying amount	14,377	597,865	708	612,950
At 31 December 2020				
Cost	**22,673**	**829,206**	**1,252**	**853,131**
Accumulated depreciation	**(12,013)**	**(76,040)**	**(1,013)**	**(89,066)**
Net carrying amount	**10,660**	**753,166**	**239**	**764,065**

The Group leases the premises and transportation equipment mainly for its daily operations. Lease terms range from 1 to 10 years (2019: 1 to 11 years), with an option either to renew the lease when all terms are renegotiated or to terminate the leases with 1 to 3 months' notice (2019: 1 to 3 months' notice). Lease payments were usually increased annually to reflect current market rentals.

15. LEASES *(Continued)*

Right-of-use assets *(Continued)*

Land use rights represent the prepaid lease payments of land located in the PRC. The land use rights have a finite useful life and are depreciated on a straight-line basis of 18 to 50 years. The remaining useful life are ranged from 8 to 50 years as at 31 December 2020 (2019: 9 to 50 years). As at 31 December 2020, the application of the land use rights with book value of RMB2,370,000 (2019: RMB68,224,000) is in process. In light of the land use rights are used according to related legal agreements, the directors believe that there is no substantive legal obstacle in the transfer of land use rights or impact on the normal use of the land use rights by the Group, no significant impact on the Group's business activities, no impairment of the right-of-use assets, nor significant additional costs.

Restrictions or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

For leases of properties, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Extension and termination options

Some of the lease contracts of buildings contain an extension and termination option, respectively. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leases of office premises is normally exercised because there are significant leasehold improvements while the termination option in the leases of vehicles is normally exercised because the Group could replace the assets without significant cost or business disruption. The Group seldom exercises options that were not included in the lease liabilities.

15. LEASES *(Continued)*

Extension and termination options *(Continued)*

The Group has recognised the following amounts for the year:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (Unaudited)
Lease payments:		
Short-term leases	**18,742**	22,586
Low-value assets	**232**	634
Expenses recognised in profit or loss	**18,974**	23,220
Lease liabilities payments:		
Interest on lease liabilities	**906**	903
Repayment of lease liabilities	**9,623**	4,270
	10,529	5,173
Total cash outflow for leases	**29,503**	28,393

Commitments under leases

As at 31 December 2020, the Group has no commitment for short-term leases (2019: Nil).

Lease liabilities

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Lease payments:			
Current portion	**8,461**	5,858	3,928
Non-current portion	**3,571**	10,653	16,393
	12,032	16,511	20,321

16. INTANGIBLE ASSETS

	Patents RMB'000	Non-patent technologies RMB'000	BOT operating rights RMB'000	Development costs RMB'000	Total RMB'000
Reconciliation of carrying amount – year ended 31 December 2019 (Unaudited)					
At beginning of the year	723	19,486	510,945	17,862	549,016
Additions from acquisition	–	6,228	29,290	–	35,518
Additions from internal development	–	–	–	4,288	4,288
Amortisation	(142)	(3,698)	(58,697)	–	(62,537)
Disposal	–	–	–	(148)	(148)
Others	–	–	3,036	(4,177)	(1,141)
At the end of the reporting period	581	22,016	484,574	17,825	524,996
Reconciliation of carrying amount – year ended 31 December 2020					
At beginning of the year	**581**	**22,016**	**484,574**	**17,825**	**524,996**
Additions from acquisition	**–**	**125**	**87,220**	**–**	**87,345**
Additions from internal development	**–**	**–**	**–**	**8,131**	**8,131**
Reclassification	**–**	**16,341**	**–**	**(16,341)**	**–**
Transfer from CIP	**–**	**–**	**101,697**	**–**	**101,697**
Transfer from property, plant and equipment	**–**	**–**	**20,653**	**–**	**20,653**
Amortisation	**(102)**	**(7,386)**	**(60,555)**	**–**	**(68,043)**
Reversal of impairment loss	**–**	**–**	**22**	**–**	**22**
Others	**–**	**–**	**522**	**–**	**522**
At the end of the reporting period	**479**	**31,096**	**634,133**	**9,615**	**675,323**
At 31 December 2019 (Unaudited)					
Cost	2,012	33,157	955,035	17,825	1,008,029
Accumulated amortisation	(1,431)	(11,141)	(443,004)	–	(455,576)
Accumulated impairment loss	–	–	(27,457)	–	(27,457)
Net carrying amount	581	22,016	484,574	17,825	524,996
At 31 December 2020					
Cost	**2,012**	**49,633**	**1,163,221**	**9,615**	**1,224,481**
Accumulated amortisation	**(1,533)**	**(18,537)**	**(501,653)**	**–**	**(521,723)**
Accumulated impairment loss	**–**	**–**	**(27,435)**	**–**	**(27,435)**
Net carrying amount	**479**	**31,096**	**634,133**	**9,615**	**675,323**

16. INTANGIBLE ASSETS *(Continued)*

Patents represent the licenses on hazardous waste treatment acquired on or before the year of 2016, which has a finite useful life and are amortised on a straight-line basis between 5 to 20 years.

Non-patent technologies mainly represent waste treatment technologies and safety control technologies for the renewable energy utilization services, which have a finite useful life and are amortised on a straight-line basis on an average of 5 years.

Development costs represent costs incurred at the development phase of internal project on hazardous waste treatment and resource utilisation technologies, which are capitalised and, if available for use, amortised under the straight-line method with average 5 years. This asset is tested for impairment where an indicator of impairment appears and, if not yet available for use, tested annually.

The BOT right represented the fair value of operating rights acquired for the food waste and sewage treatment and disposal. The rights were deemed to be definite life intangible assets as the operation periods of the related BOT arrangements vary from 3 years to 24 years. They are expected to generate long-term net cash inflow to the Group.

17. GOODWILL

	Note	**Year ended 31 December 2020 RMB'000**	Year ended 31 December 2019 RMB'000 (Unaudited)
Reconciliation of carrying amount – year ended 31 December			
At beginning of the year		**1,287,973**	1,213,138
Addition from business combination		**–**	113,831
Written off	17(a)	**(24,000)**	–
Impairment loss		**(34,535)**	(38,996)
At the end of the reporting period		**1,229,438**	1,287,973
At 31 December			
Costs		**1,373,822**	1,402,953
Accumulated impairment loss		**(144,384)**	(114,980)
Net carrying amount		**1,229,438**	1,287,973

17(a) There was a contingent consideration payable for the acquisition of the subsidiary, Foshan Fulong, of RMB25,500,000 and the corresponding goodwill of RMB24,000,000 recognised at the initial recognition in previous years. However, the criteria for the contingent consideration failed due to the expiry of time limit for environmental assessment specified in the agreement. In 2020, the Company renegotiated and agreed with the counterparty for a full and final settlement of the contingent consideration payable of RMB1,500,000. Goodwill of RMB24,000,000 was written off during the year accordingly.

17. GOODWILL *(Continued)*

The carrying amount of goodwill was allocated to the Group's CGU identified according to the assets group or assets portfolio, which represented by individual subsidiary, as follows for impairment test:

Name of companies	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)
Zhuhai Qingxin	**449**	13,101
Qingyuan Xinlv	**17,539**	17,539
Jiaxing Deda	**9,098**	9,098
Dongguan Hengjian	**59,797**	59,797
Coastal Solid Waste	**25,663**	25,663
Nanchang Xinguan	**20,271**	20,271
Hefei Xinguan	**6,873**	6,873
Xiamen Oasis	**173,560**	173,560
Wosen Environmental	**14,370**	14,370
Hengjian Tongda	**136,774**	136,774
Zhuhai Yongxingsheng	**141,617**	141,617
Green Environmental	**3,103**	3,103
Weifang Blue Sea	**40,780**	52,000
Hengshui Ruitao	**33,403**	44,066
Zhejiang Jianglian	**108,953**	108,953
Jiangsu Dongjiang	**223,359**	223,359
Dongguan Hengjian	**6,864**	6,864
Huateng Environmental	**16,678**	16,678
Tangshan Wandesi	**100,456**	100,456
Foshan Fulong	**89,831**	113,831
	1,229,438	1,287,973

At 31 December 2020, the Group assessed the recoverable amount of the asset group with reference to the cash flow projections for the next 5 years (the "budget period") prepared according to the most recent financial budget assumptions, assuming that the cash flow for 10 years after the budget period (the "estimation period") grows steady. The calculation uses cash flow projection based on future cash flow forecast of each of the respective asset groups according to the operating conditions, operation plan, macroeconomic environment, industrial conditions and market prospects which covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 0% (2019: 0% – 2%) sustainable growth rate selected due to the project capacity growth capacity.

The Company engaged Beijing Yachao Asset Appraisal Co., Ltd. to evaluate the recoverable amount of the asset group or asset portfolio which contain carrying amount of goodwill at the end of the reporting period.

17. GOODWILL *(Continued)*

Key assumptions and inputs used for the value-in-use calculation for the principal/significant goodwill are as follows:

Name of companies (CGU)	Gross profit margin (%)		Average Growth rate (%)		Discount rate (%)	
	2020	2019	**2020**	2019	**2020**	2019
Qingyuan Xinlv	**6.90**	8.24	**1.59**	2.06	**13.44**	13.35
Jiaxing Deda	**7.93**	7.84	**2.06**	2.06	**13.44**	13.35
Dongguan Hengjian	**9.34**	6.75	**2.23**	3.92	**14.54**	13.35
Coastal Solid Waste	**9.16**	6.34	**4.38**	11.76	**12.54**	13.35
Nanchang Xinguan	**30.95**	29.49	**2.06**	1.02	**8.54**	8.00
Hefei Xinguan	**26.88**	22.60	**0.00**	0.00	**9.04**	8.00
Xiamen Oasis	**20.42**	12.71	**8.59**	0.77	**12.96**	14.41
Wosen Environmental	**26.83**	22.91	**1.53**	0.00	**13.14**	13.35
Hengjian Tongda	**45.46**	63.18	**2.06**	0.50	**8.84**	8.00
Zhuhai Yongxingsheng	**27.04**	35.50	**0.00**	0.00	**13.01**	13.35
Weifang Blue Sea	**11.39**	27.44	**13.40**	14.12	**13.14**	13.35
Hengshui Ruitao	**6.84**	13.47	**9.02**	6.23	**12.94**	13.35
Zhejiang Jianglian	**31.77**	32.19	**2.06**	2.06	**13.44**	13.35
Jiangsu Dongjiang	**39.71**	27.78	**0.78**	1.94	**13.12**	13.35
Huateng Environmental	**20.46**	25.86	**0.00**	0.00	**13.21**	13.67
Tangshan Wandesi	**29.45**	27.20	**11.66**	12.56	**13.08**	14.25
Foshan Fulong	**21.33**	17.69	**24.20**	0.56	**12.91**	13.35

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

Apart from the considerations described above in determining the recoverable amount of the CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

In accordance with the cash flow projections, impairment loss for Zhuhai Qingxin, Weifang Blue Sea and Hengshui Ruitao of RMB12,652,000, RMB11,220,000 and RMB10,663,000 respectively is recognised during the year as the Directors considered that the business of those CGUs was underperformed and hence their budgeted revenue was declined accordingly. Except for those, no further events and circumstances that led to the recognition or reversal of the impairment loss.

Sensitivity of key assumptions

The management identified that average growth rate is the key assumption in the assessment of the recoverable amounts of the CGUs and considered that a reasonably possible change in the key assumption on an individual CGU basis would not cause significant additional impairment loss.

18. INTERESTS IN SUBSIDIARIES

Details of principal subsidiaries as at 31 December 2020 are shown in Note 49 to the consolidated financial statements.

Financial information of subsidiaries with individually material NCI

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material NCI. The summarised financial information represents amounts before inter-company eliminations.

At 31 December 2020

	Zhuhai Yongxingsheng RMB'000	Qiandeng Wastes Treatment RMB'000
Gross amount		
Current assets	144,514	97,347
Non-current assets	191,126	31,750
Current liabilities	(59,472)	(20,544)
Non-current liabilities	(4,011)	–
Equity	272,157	108,553
Reconciliation		
Gross amount of equity	272,157	108,553
NCI's ownership interests	20.00%	49.00%
NCI's share of equity	54,431	53,191

For the year ended 31 December 2020

	Zhuhai Yongxingsheng RMB'000	Qiandeng Wastes Treatment RMB'000
Revenue	217,793	222,508
Expense	(134,454)	(175,127)
Profit for the year and total comprehensive income	83,339	47,381
Total comprehensive income attributable to NCI	16,668	23,216
Dividends paid to NCI	8,000	23,520
Net cash flow from:		
Operating activities	44,291	50,213
Investing activities	(6,361)	(7,444)
Financing activities	(38,370)	(48,000)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI *(Continued)*

At 31 December 2019 (Unaudited)

	Zhuhai Yongxingsheng RMB'000	Qiandeng Wastes Treatment RMB'000
Gross amount		
Current assets	74,478	101,284
Non-current assets	209,228	31,149
Current liabilities	(50,323)	(22,770)
Non-current liabilities	(4,565)	–
Equity	228,818	109,663
Reconciliation		
Gross amount of equity	228,818	109,663
NCI's ownership interests	20.00%	49.00%
NCI's share of equity	45,764	53,735

For the year ended 31 December 2019 (Unaudited)

	Zhuhai Yongxingsheng RMB'000	Qiandeng Wastes Treatment RMB'000
Revenue	184,375	222,840
Expense	(123,017)	(175,635)
Profit for the year and total comprehensive income	61,358	47,205
Total comprehensive income attributable to NCI	12,272	23,130
Dividends paid to NCI	4,000	24,500
Net cash flow from:		
Operating activities	71,025	54,708
Investing activities	(14,083)	(7,065)
Financing activities	(56,081)	(51,200)

19. INTERESTS IN ASSOCIATES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Share of net assets	**172,178**	142,081	192,150
Goodwill	**24,800**	24,800	24,800
	196,978	166,881	216,950

Details of the material associates at the end of the reporting period are as follows:

Name of associates	Principal place of business and place of incorporation	Registered capital	Proportion of value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Shenzhen Resource Environmental Technology Company Limited ("Shenzhen Resource ")# (深圳市萊索思環境技術有限公司)	Shenzhen, PRC	RMB35 million	49.00%	–	Environmental protection
Ousheng Green Fuel (Jieyang) Co., Ltd. ("Ousheng Green")# (歐晟綠色燃料 (揭陽)有限公司)	Jieyang, PRC	RMB218 million	37.10%	–	Waste disposal treatment
Fujian Xingye Dongjiang Environmental Technology Co., Ltd. ("Xingye Dongjiang ")# (福建興業東江環保科技有限公司)	Fujian, PRC	RMB100 million	42.50%	–	Waste disposal treatment
Jiangsu Suquan Solid Waste Disposal Co., Ltd. ("Jiangsu Suquan ")# (江蘇蘇全固體廢物處置有限公司)	Jiangsu, PRC	RMB50 million	–	31.00%	Waste disposal treatment
Dongguan Fengye Solid Waste Treatment Co., Ltd. ("Dongguan Fenye")# (東莞市豐業固體廢物處理有限公司)	Dongguan, PRC	RMB125 million	20.00%	–	Waste disposal treatment

English translation for identification purposes only.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

19. INTERESTS IN ASSOCIATES *(Continued)*

Relationship with associates

All of the above associates operate in environmental protection and industrial waste disposal business which is the same industry of the Group in order to enlarge the Group's market share in the industry.

Fair value of investment

The above associates are private companies and there is no quoted market price available for the investments.

Financial information of individually material associates

Summarised financial information of the each of the material associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

At 31 December 2020

	Ousheng Green RMB'000	Xingye Dongjiang RMB'000
Gross amount		
Current assets	113,191	55,556
Non-current assets	618,075	301,337
Current liabilities	(122,119)	(15,433)
Non-current liabilities	(412,192)	(188,933)
Equity	196,955	152,527
Reconciliation		
Gross amount of equity	196,955	152,527
Group's ownership interests	37.10%	42.50%
Group's share of equity	73,070	64,824

19. INTERESTS IN ASSOCIATES *(Continued)*

Financial information of individually material associates *(Continued)*

For the year ended 31 December 2020

	Ousheng Green RMB'000	Xingye Dongjiang RMB'000
Gross amount		
Revenue	**78,135**	**87,464**
Reconciliation		
Profit (Loss) for the year and total comprehensive income (loss)	**(1,613)**	**20,666**
Group's ownership interests	**37.10%**	**42.50%**
Share of results	**(598)**	**8,783**

At 31 December 2019 (Unaudited)

	Ousheng Green RMB'000	Xingye Dongjiang RMB'000
Gross amount		
Current assets	44,210	77,298
Non-current assets	528,523	319,136
Current liabilities	(106,621)	(51,632)
Non-current liabilities	(317,544)	(212,941)
Equity	148,568	131,861
Reconciliation		
Gross amount of equity	148,568	131,861
Group's ownership interests	37.10%	42.50%
Group's share of equity	55,118	56,041
Elimination of gains or losses for transactions between the Group and the associates	–	(192)
Carrying amount of interests	55,118	55,849

19. INTERESTS IN ASSOCIATES *(Continued)*

Financial information of individually material associates *(Continued)*

For the year ended 31 December 2019 (Unaudited)

	Jieyang ALBA RMB'000	Xingye Dongjiang RMB'000
Gross amount		
Revenue	51,790	101,724
Reconciliation		
Profit (Loss) for the year and total comprehensive income (loss)	(775)	35,324
Group's ownership interests	37.10%	42.50%
Share of result	(287)	15,013

Financial information of individually immaterial associates

The table below shows, in aggregate, the carrying amount and the Group's share of results of associates that is not individually material and accounted for using the equity method.

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Carrying amount of interests	**34,284**	31,114

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (Unaudited)
Group's share of:		
Loss for the year and total comprehensive loss for the year	**(7,638)**	(15,659)

Unrecognised share of losses of associates

As at 31 December 2020, there are no unrecognised share of losses of associates (2019: Nil).

Contingent liabilities of associates

As at 31 December 2020, there are no contingent liabilities incurred by the Group in relation to its interest in associates (2019: Nil).

20. INTERESTS IN JOINT VENTURES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Shares of net assets	**95,156**	85,869	86,511

Details of the joint ventures at the end of the reporting period are as follows:

Name of joint ventures	Principal place of business and place of incorporation	Registered capital	Proportion of value of issued/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Huizhou Dongjiang Veolia Environmental services Limited ("Dongjiang Veolia")# (惠州東江威立雅環境服務有限公司)	Huizhou, PRC	RMB60 million	50.00%	–	Waste disposal treatment
Guangdong ANJIATAI Environmental Protection Science and Technology Co., Ltd ("Guangdong ANJIATAI")# (廣東安佳泰環保科技有限公司)	Huizhou, PRC	RMB175 million	–	50.00%	Waste disposal treatment

English translation for identification purposes only.

The above joint ventures are accounted for using the equity method in the consolidated financial statements.

Relationship with the joint ventures

Dongjiang Veolia and its subsidiary, Guangdong ANJIATAI, are established for participating in the waste disposal treatment industry. These have been strategic moves to close proximity of the enhancement on the industry of hazardous waste treatment. The relevant equity transfer and procedures of change in industrial and commercial registration were completed in July 2015. As the end of the reporting period, the Company holds 50% equity interests and 50% voting rights in Dongjiang Veolia.

Fair value of investment

The above joint ventures are private company and there is no quoted market price available for the investment.

20. INTERESTS IN JOINT VENTURES *(Continued)*

Financial information of individually material joint ventures

Summarised financial information of the above joint ventures of the Group is set out below, which represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

At 31 December 2020

	Dongjiang Veolia and its subsidiary RMB'000
Gross amount	
Current assets	90,007
Non-current assets	332,588
Current liabilities	(149,153)
Non-current liabilities	(27,361)
Non-controlling interests	(55,769)
Equity attributable to the shareholder of Dongjiang Veolia	190,312
Included in the above	
Cash and cash equivalents	36,932
Current financial liabilities*	25,000
Non-current financial liabilities	27,361
* Exclude trade and other payables and provisions.	
Reconciliation	
Gross amount of equity	190,312
Group's ownership interests	50%
Share of net assets	95,156

20. INTERESTS IN JOINT VENTURES *(Continued)*

Financial information of individually material joint ventures *(Continued)*

For the year ended 31 December 2020

	Dongjiang Veolia and its subsidiary RMB'000
Gross amount	
Revenue	**292,831**
Dividends received from joint ventures	**10,000**
Reconciliation	
Profit for the year and total comprehensive income	**38,574**
Group's ownership interests	**50%**
Share of result	**19,287**
Included in above:	
Depreciation and amortisation	**15,342**
Interest income	**188**
Interest expense	**1,041**
Income tax expense	**7,712**

20. INTERESTS IN JOINT VENTURES *(Continued)*

Financial information of individually material joint ventures *(Continued)*

At 31 December 2019 (Unaudited)

	Dongjiang Veolia and its subsidiary RMB'000
Gross amount	
Current assets	120,150
Non-current assets	311,395
Current liabilities	(169,176)
Non-current liabilities	(32,771)
Non-controlling interests	(57,860)
Equity attributable to the shareholder of Dongjiang Veolia	171,738
Included in the above	
Cash and cash equivalents	65,554
Current financial liabilities*	25,000
Non-current financial liabilities	32,771

* Exclude trade and other payables and provisions.

Reconciliation	
Gross amount of equity	171,738
Group's ownership interests	50%
Share of net assets	85,869

20. INTERESTS IN JOINT VENTURES *(Continued)*

Financial information of individually material joint ventures *(Continued)*

For the year ended 31 December 2019 (Unaudited)

	Dongjiang Veolia and its subsidiary RMB'000
Gross amount	
Revenue	341,706
Dividends received from joint ventures	7,499
Reconciliation	
Profit for the year and total comprehensive income	17,248
Group's ownership interests	50%
Group's share of profit	8,624
Elimination of gains or losses for transactions between the Group and the joint ventures	(1,767)
Share of result	6,857
Included in above:	
Depreciation and amortisation	17,245
Interest income	155
Interest expense	925
Income tax expense	1,938

Unrecognised share of losses of the joint ventures

As at 31 December 2020, there are no unrecognised share of losses of the joint ventures (2019: Nil).

Contingent liabilities of the joint ventures

As at 31 December 2020, there are no contingent liabilities incurred by the Group in relation to its interests in the joint ventures (2019: Nil).

21. OTHER NON-CURRENT ASSETS

	Note	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Prepayments for construction of equipment		**76,786**	90,257	179,253
Prepayment for acquisition cost	21(a)	**–**	24,500	17,500
		76,786	114,757	196,753

21(a) The balance represents the prepayment for acquisition cost of a non-controlling interest of a subsidiary in accordance with the sales and purchase agreement in previous years. The Group had paid partial consideration totaling to RMB24,500,000 for the acquisition in previous years. The directors consider the subsidiary was dissolved in the current year and the balance was fully written off.

22. INVENTORIES

	Note	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Goods in transit		**3,754**	2,871	6,235
Raw materials		**197,785**	220,195	209,304
Work-in-progress		**–**	–	2,856
Finished goods		**50,644**	63,188	69,509
Low-valued consumables		**12,409**	11,777	12,085
Engineering construction materials		**4,881**	3,929	180
		269,473	301,960	300,169
Written down to net realisable value, net	22(a)	**(2,368)**	(2,247)	(463)
		267,105	299,713	299,706

22(A) MOVEMENT OF WRITTEN DOWN OF INVENTORIES TO NET REALISABLE VALUE

Inventories are stated at the lower of cost and net realisable value except for the inventories of RMB130,397,000 (2019: RMB136,100,000) which are carried at fair value less costs to sell.

The cost of inventories recognised as an expense during the year in respect of which RMB121,000 (2019: RMB1,784,000) represents net write down of inventories to net realisable value.

23. LOANS RECEIVABLES

	Note	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Loans receivables from money lending business	23(a)	**128,290**	162,490	374,090
Less: Loss allowance	23(b)	**(2,566)**	(2,260)	(1,462)
		125,724	160,230	372,628

23(A) NATURE OF LOANS RECEIVABLES

Loans receivables at the end of the year represent the outstanding loan balance of various types of small-scale credit loans granted by Huiyuan Micro Finance, a subsidiary of the Company.

The carrying amounts are determined using effective interest rates ranging from 15% to 22% (2019: 15% to 22%) per annum and are repayable with fixed terms ranging from 12 to 36 months (2019: 12 to 36 months). At the end of the reporting period, loan receivables of approximately RMB122,000,000 (2019: RMB156,000,000) are secured by borrowers' properties and expected to be settled by the borrowers within 1 year.

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

	2020 RMB'000	2019 RMB'000 (Unaudited)
Within 1 year	–	3,600
1 to 2 years	**2,600**	72,800
2 to 3 years	**72,200**	49,490
Over 3 years	**53,490**	36,600
	128,290	162,490

In respect of the loan receivables with net carrying amount of approximately RMB128,290,000 (2019: RMB162,490,000), the fair values of the collaterals of such loan receivables can be objectively ascertained to cover the outstanding amount of the loan balances.

23(B) LOSS ALLOWANCE OF LOAN RECEIVABLES

The Group classifies its loans receivables under categories of normal, concerned, secondary, suspicious and loss based on the credit risk characteristics, with reference to the Guidelines on Risk-Based Loan Classification of the China Banking Regulatory Commission, and calculates the expected credit losses according to the expected credit loss rates over the next 12 months or throughout the lifetime based on the realisation of mortgage and the default risk exposure.

Information about the Group's exposure to credit risks and loss allowance for loan receivables is included in Note 42(b) to the consolidated financial statements.

24. TRADE RECEIVABLES AND CONTRACT ASSETS

	Note	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Trade receivables				
From third parties		**423,513**	319,846	334,160
From government		**486,203**	535,474	345,060
From joint ventures	24(b)	**43,294**	28,911	10,992
From associates	24(b)	**6,929**	27,701	69,240
From fellow subsidiaries	24(b)	**4,134**	940	2,304
	24(a)	**964,073**	912,872	761,756
Less: Loss allowance	42(b)	**(25,250)**	(18,936)	(19,248)
		938,823	893,936	742,508
Less: Non-current portion of trade receivables		**(9,058)**	(8,962)	(48,736)
		929,765	884,974	693,772
Bills receivables	24(c)	**117,691**	82,321	62,109
Contract assets				
Government construction projects		**97,753**	99,246	70,574
Water treatment projects		**–**	19,346	26,822
		97,753	118,592	97,396
Less: Loss allowance	42(b)	**–**	(676)	(1,692)
	24(d)	**97,753**	117,916	95,704
		1,145,209	1,085,211	851,585

Information about the Group's exposure to credit risks and loss allowance for trade receivables and contract assets is included in Note 42(b) to the consolidated financial statements.

At 31 December 2020, the trade receivables that are expected to be recovered after more than 12 months are RMB360,615,000 (2019: RMB364,775,000).

The credit periods granted to third parties ranged generally from 30 days to 90 days. The credit periods granted to the government depends on the terms on the signed agreement.

24. TRADE RECEIVABLES AND CONTRACT ASSETS *(Continued)*

24(A) TRADE RECEIVABLES

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

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Within 90 days	**337,524**	354,129
91 to 180 days	**111,416**	49,689
181 to 365 days	**119,591**	144,279
1 to 2 years	**183,069**	145,247
2 to 3 years	**106,875**	55,334
Over 3 years	**105,598**	164,194
	964,073	912,872

The balances are trade receivables from contracts with customers within IFRS 15. As at 31 December 2020, impairment loss of RMB25,250,000 (2019: RMB18,936,000) is recognised for trade receivables from contracts with customers within IFRS 15.

24(B) TRADE RECEIVABLES FROM JOINT VENTURES, ASSOCIATES AND FELLOW SUBSIDIARIES

The trade receivables from joint ventures, associates and fellow subsidiaries are unsecured, interest-free and have no fixed repayment term. At the end of the reporting period, no allowance was made for non-repayment of the amounts.

24(C) BILLS RECEIVABLES

The bills receivables represent bank acceptance notes with remaining term within 180 days at the end of the reporting period.

24(D) CONTRACT ASSETS

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within IFRS 15 during the year are as follows:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (Unaudited)
At beginning of the year	**117,916**	95,704
Recognition of revenue	**29,983**	63,729
Transfer to trade receivables	**(50,822)**	(42,533)
Reversal of loss allowance	**676**	1,016
At the end of the reporting period	**97,753**	117,916

25. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Note	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Considerations receivables	25(a)	**138,468**	138,468	137,218
Prepayments		**33,947**	45,139	43,155
Deposits and other receivables				
From third parties	25(b)	**154,676**	164,097	183,609
From government	25(c)	**58,858**	50,277	85,899
From fellow subsidiaries	25(d)	**780**	10,934	8,339
Other taxes receivables		**160,331**	120,934	103,867
		547,060	529,849	562,087
Less: Loss allowance	42(b)	**(195,884)**	(156,926)	(80,411)
		351,176	372,923	481,676

25(A) CONSIDERATIONS RECEIVABLES

The balances represent the considerations arising from the disposal of Qingyuan Dongjiang Environmental Technologies Company Limited ("Qingyuan Dongjiang") and Qidi Sustainable Resources Technology Development Co., Ltd. ("Qidi Company") of RMB37,990,000 and the transfer of current accounts with former subsidiaries of RMB100,478,000. Such receivables were aged over 3 years and full provision were made under the loss allowance at the end of the reporting period.

25(B) DEPOSITS AND OTHER RECEIVABLES FROM THIRD PARTIES

The amounts mainly represent statutory deposits paid to constructors for construction projects which would be refundable upon completion of the projects. Information about the Group's exposure to credit risks and loss allowance for deposits and other receivables from third parties is included in Note 42 (b) to the consolidated financial statements.

25(C) DEPOSITS AND OTHER RECEIVABLES FROM GOVERNMENT

The amounts mainly represent statutory deposits paid to local government authorities which would be refundable upon completion of the projects.

25(D) DUE FROM FELLOW SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed repayment term. At the end of the reporting period, no allowance was made for non-repayment of the amounts.

26. CASH AND CASH EQUIVALENTS

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Cash and time deposits at banks	**403,355**	1,034,490	1,028,991
Cash at other financial institution *(Note 41(iv))*	**250,224**	62,254	–
Cash and time deposits at banks and other financial institution	**653,579**	1,096,744	1,028,991
Pledged deposits *(Note 26(a))*	**8,078**	8,017	25,078
	661,657	1,104,761	1,054,069

Cash at banks and other financial institutions earns interest at floating rates based on daily deposit rates.

26(A) PLEDGED DEPOSITS

The Group has pledged deposits as securities to secure for the bank acceptance notes granted to the Group by banks (Note 24(c)).

27. TRADE PAYABLES

	Note	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Trade payables				
To third parties	27(b)	**715,651**	677,027	557,985
To associates	27(c)	**10,948**	4,962	–
To joint ventures	27(c)	**2,696**	3,683	373
To fellow subsidiaries	27(c)	**672**	219	–
	27(a)	**729,967**	685,891	558,358
Bills payables		**–**	100,360	150,000
		729,967	786,251	708,358

27. TRADE PAYABLES *(Continued)*

27(A) TRADE PAYABLES

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

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Within 90 days	**542,471**	443,765
91 to 180 days	**17,763**	78,561
181 to 365 days	**79,637**	80,189
1 to 2 years	**58,979**	58,227
2 to 3 years	**11,884**	19,293
Over 3 years	**19,233**	5,856
	729,967	685,891

27(B) TRADE PAYABLES TO THIRD PARTIES

The Group is given a credit period within 30 to 90 days from its general trade creditors. For construction projects, the credit period given to the Group is mutually agreed in individual construction agreement.

27(C) TRADE PAYABLES TO ASSOCIATES/JOINT VENTURES/FELLOW SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed repayment term.

28. CONTRACT LIABILITIES

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within IFRS 15 during the year are as follows:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (Unaudited)
At beginning of the year	**169,267**	151,968
Receipt in advance	**121,740**	141,154
Recognised as revenue	**(159,092)**	(123,855)
At the end of the reporting period	**131,915**	169,267

28. CONTRACT LIABILITIES *(Continued)*

Unsatisfied or partially unsatisfied performance obligations

Some of the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2020 (2019: some) are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of IFRS 15, the transaction price allocated to these performance obligations is not disclosed.

The amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2020 is as follows:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Expected timing of revenue recognition		
Within 1 year	**71,883**	242,638

29. OTHER PAYABLES

	Note	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Deposits received		**27,122**	28,133	21,790
Consideration payables for acquisition of subsidiaries	29(a)	**6,266**	47,696	30,362
Accrued charges and other payables	29(b)	**136,985**	98,606	168,869
Employee benefits payables		**59,769**	80,092	82,754
Value-added tax payables		**19,171**	18,069	30,744
Other taxes payables		**9,004**	8,958	11,711
		258,317	281,554	346,230
Less: Non-current portion		**(337)**	(2,958)	(4,435)
		257,980	278,596	341,795

29. OTHER PAYABLES *(Continued)*

29(A) CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES

The balance represents the consideration payables for the subsidiaries acquired in the previous years. During the year, the Company reversed the consideration payable of RMB24,000,000 million for acquisition of Foshan Fulong after negotiation with the counterparty (Note 17(a)).

29(B) ACCRUED CHARGES AND OTHER PAYABLES

The amount mainly represents accruals and other payables for construction costs, legal and professional fees, and transportation costs.

30. INTEREST-BEARING BORROWINGS

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Bank loans:			
Secured	**808,558**	703,645	431,812
Unsecured	**1,607,910**	1,739,672	1,659,484
	2,416,468	2,443,317	2,091,296
Other loans:			
Secured	**16,430**	–	–
Unsecured	**200,000**	150,000	260,000
	216,430	150,000	260,000
	2,632,898	2,593,317	2,351,296

The maturity of the interest-bearing borrowings and analysis of the amount due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) are as follows:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Current portion	**1,971,310**	1,823,658	1,915,497
Non-current portion	**661,588**	769,659	435,799
	2,632,898	2,593,317	2,351,296

Interest-bearing borrowings of RMB161,468,000 (2019: RMB79,492,000), with a clause in their terms that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, are classified as current liabilities even though the directors do not expect that the lenders would exercise their rights to demand repayment.

30. INTEREST-BEARING BORROWINGS *(Continued)*

The Group's secured bank loans are pledged by following assets:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Properties, plant and equipment	**363,720**	202,989
Land use rights	**185,502**	141,692
Construction in progress	**94,353**	217,113
Trade receivables	**690**	7,262

Certain unsecured bank loans are covered by corporate guarantee arrangements amongst the Group's entities.

The secured other loan is pledged by properties, plant and equipment with an carrying amount of RMB149,253,000 (2019: Nil).

The unsecured other loans are covered by corporate guarantee arrangements amongst the Group's entities.

Some banking facilities are subject to the fulfillment of covenants relating to certain financial ratios as are commonly found in lending arrangements with financial institutions. If the Group breached the covenants, the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with these covenants and the scheduled repayments of the term loans and does not consider it probable that the relevant banks will exercise its discretion to demand for repayment so long as the Group continues to meet these requirements. Further details of the Group's financial management of liquidity risk are set out in Note 42(c) to the consolidated financial statements. Throughout the reporting period, none of the covenants relating to drawn down facilities had been breached (2019: Nil).

The weighted average effective interest rate on the interest-bearing borrowings is 4.50% (2019: 5.27%) per annum.

30. INTEREST-BEARING BORROWINGS *(Continued)*

An analysis of the carrying amounts of the Group's total borrowings by type is as follows:

	2020 **RMB'000**	2019 RMB'000 (Unaudited)
At fixed rates	**2,025,185**	2,366,000
At floating rates	**607,713**	227,317
	2,632,898	2,593,317

Secured bank loans bear interest at a fixed rate of 3.00% to 4.75% (2019: 3.00% to 4.75%) and interest at a floating rate of loan prime rate increase/decrease by 0.10% to 0.37% (2019: loan prime rate increase/decrease by 0.10% to 0.37%). The maturity periods of the secured bank loans fell within the range of 1 to 10 years (2019: 1 to 11 years).

Unsecured bank loans bear interest at a fixed rate of 2.05% to 4.35%. (2019: 3.69% to 6.05%) and interest at a floating rate of loan prime rate increase/decrease by 0.04% to 0.25% (2019: loan prime rate increase/decrease by 0.04% to 0.25%). The maturity periods of the unsecured bank loans fell within the range of 1 to 13 years (2019: 1 to 14 years).

Secured other loan bears interest at a floating rate by loan prime rate decrease by 0.3% (2019: nil) and repayable on 25 November 2025. Unsecured other loans bear interest at a fixed rate of 3.30% to 4.13% (2019: 4.35%) and repayable on 21 February 2021 and 20 July 2021 respectively. The loan with fixed rate of 3.30% was fully repaid on the maturity date of 20 February 2021.

The interest-bearing borrowings are denominated in the following currencies:

	2020 **RMB'000**	2019 RMB'000 (Unaudited)
RMB	**2,632,526**	2,585,759
HKD	**372**	7,558
	2,632,898	2,593,317

Details of the Group's foreign currency risk and interest rate risk discussion are set out in Note 42 to the consolidated financial statements.

31. BOND PAYABLES

	Note	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Medium Notes	31(a)	**612,238**	–	–
Green Bond	31(b)	**–**	595,002	623,134
GF Hengjin-Guangdong Rising Group-Dongjiang Environmental Humen Green PPP Project	31(c)	**–**	268,582	279,674
Corporate Bond		**–**	–	358,922
		612,238	863,584	1,261,730

The carrying value of bonds are repayable as follows:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Within 1 year	**12,800**	863,584	358,922
Over 1 year	**599,438**	–	902,808
	612,238	863,584	1,261,730

31(A) MEDIUM NOTES

The Company completed the issuance of the first phase of medium-term notes on 11 May 2020 ("Medium Notes"), the issuing size of Medium Notes was RMB600,000,000 with an annual interest rate of 3.2% and maturity on 12 May 2023, subjected to payment of interest on an annual basis.

Further details of the issuance of Medium Notes are set out in the Company's announcement dated 13 May 2020.

31(B) GREEN BOND

Pursuant to the requirements in the relevant provisions in the "Prospectus of Dongjiang Environmental Company Limited 2017 Green Corporate Bonds (First Tranche) Publicly Issued to Qualified Investors" ("Green Bond"), the issuing size of Green Bond was RMB600,000,000 with expected rate of return of 4.9% and maturity on 10 March 2020, subject to payment of interests on a semi-annual basis with actual interest rate of 5.04%. The Company repaid the principal and relevant interest of Green Bond on 10 March 2020. Green Bond was de-listed on the same date.

31. BOND PAYABLES *(Continued)*

31(C) GF HENGJIN-GUANGDONG RISING GROUP-DONGJIANG ENVIRONMENTAL HUMEN GREEN PPP PROJECT

Humen Green, a subsidiary, set up "Asset-backed Project in relation to the GF Hengjin-Guangdong Rising Group-Dongjiang Environmental Humen Green PPP Project" on 15 March 2017 ("Project"), which includes senior asset-backed securities (senior 01 tranche-senior 05 tranche) and subordinated asset-backed securities. Senior asset-backed securities were fully subscribed for by China Minsheng Banking Corp., Ltd. The actual amount of funds received for the Project by Humen Green was RMB320,000,000.

The breakdown of the asset-backed securities is as follows:

- the issuing size of Humen Green 01 was RMB41,000,000 with expected rate of return of 4.15% and maturity on 21 March 2020, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%;

- the issuing size of Humen Green 02 was RMB49,000,000 with expected rate of return of 4.15% and maturity on 21 March 2023, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%;

- the issuing size of Humen Green 03 was RMB58,000,000 with expected rate of return of 4.15% and maturity on 21 March 2026, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%;

- the issuing size of Humen Green 04 was RMB69,000,000 with expected rate of return of 4.15% and maturity on 21 March 2029, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%; and

- the issuing size of Humen Green 05 was RMB83,000,000 with expected rate of return of 4.15% and maturity on 21 March 2032, subject to payment of principal and interests on a semi-annual basis with actual interest rate of 5.214%.

The Company passed the "Resolution on Early Termination of Asset-backed Project in relation to the Project at the 47th meeting of the sixth session of the Board on 5 February 2020. In order to optimize the debt structure of the Company and reduce the financing costs, after careful consideration, the Company decided to terminate the Project.

31. BOND PAYABLES *(Continued)*

Movement of bond payables is as follows:

As at 31 December 2020

Name of bond	Issue date	Term of bond	Amount issued RMB'000	Balance at the beginning of year RMB'000	Interest provision based on carrying amount RMB'000	Premium/ discounts amortisation RMB'000	Addition (Repayment) during the year RMB'000	Balance at the end of year RMB'000
Medium Notes	2020-05-12	3 year	600,000	–	12,800	(562)	600,000	612,238
Green Bond	2017-03-10	3 year	600,000	595,002	5,689	837	(601,528)	–
Humen Green 01	2017-03-15	3 year	41,000	6,862	–	–	(6,862)	–
Humen Green 02	2017-03-15	6 year	49,000	49,489	–	–	(49,489)	–
Humen Green 03	2017-03-15	9 year	58,000	58,585	–	–	(58,585)	–
Humen Green 04	2017-03-15	12 year	69,000	69,736	–	–	(69,736)	–
Humen Green 05	2017-03-15	15 year	83,000	83,910	–	–	(83,910)	–
Total			1,500,000	863,584	18,489	275	(270,110)	612,238

Movement of bond payables is as follows:

As at 31 December 2019 (Unaudited)

Name of bond	Issue date	Term of bond	Amount issued RMB'000	Balance at the beginning of year RMB'000	Interest provision based on carrying amount RMB'000	Premium/ discounts amortisation RMB'000	Addition (Repayment) during the year RMB'000	Balance at the end of year RMB'000
Green Bond	2017-03-10	3 year	600,000	623,134	30,984	1,172	(60,288)	595,002
Humen Green 01	2017-03-15	3 year	41,000	17,909	603	2,996	(14,646)	6,862
Humen Green 02	2017-03-15	6 year	49,000	49,498	2,064	–	(2,073)	49,489
Humen Green 03	2017-03-15	9 year	58,000	58,595	2,444	–	(2,454)	58,585
Humen Green 04	2017-03-15	12 year	69,000	69,748	2,907	–	(2,919)	69,736
Humen Green 05	2017-03-15	15 year	83,000	83,924	3,497	–	(3,511)	83,910
2014 Corporate Bond	2014-08-01	5 year	350,000	358,922	3,485	–	(362,407)	–
Total			1,250,000	1,261,730	45,984	4,168	(448,298)	863,584

32. DUE TO CONTROLLING SHAREHOLDER

The amounts due to controlling shareholder of RMB320,637,000 (2019: RMB436,745,000) are unsecured, bear the loan prime interest rate by reference of People's Bank of China (2019: loan prime interest rate) and repayable on 20 June 2021. The balance of RMB110,000,000 (2019: Nil) unsecured, bear fixed interest at 3.3% per annum (2019: nil) and are repayable on 21 February 2021. The loan matured on 21 February 2021 was fully settled on 18 February 2021.

33. PROVISIONS

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (Unaudited)
At beginning of the year	**–**	–
Additions	**27,734**	–
At the end of the reporting period	**27,734**	–

At the end of the reporting period, the amount represents provisions in respect of the legal case of which the Group was the defendant.

The Group entered into an Equity Transfer Agreement with Qidi Company for the disposal of a subsidiary, Qingyuan Dongjiang, in April 2016. Given that the technical review of Qingyuan Dongjiang's abandoned electrical appliances in 2015 ("Dissembling Vetting") were still subject to the approval, Qingyuan Dongjiang had obtained vetting opinions with the relevant supervising authorities to initiate a self-investigation for the quantities and types of the Dissembling Vetting in October 2019. The Group and Qidi Company have entered into a conclusion on 22 January 2020, including facilitate the progress of the Dissembling Vetting and reassessment on the potential loss.

During 2020, the Group has received a notice of arbitration (2020) Huzhonganzi No. 3835) issued by the Shanghai Arbitration Commission, under which Qidi Company had filed an application for arbitration with the Shanghai Arbitration Commission in relation to the disputes with the Group on the Equity Transfer Agreement, and the Shanghai Arbitration Commission has accepted such application and the potential compensation payable to Qidi Company is RMB28,973,000 plus relevant interests. Further details of the above transactions are set out in the Group's announcement on 23 January 2020 and 4 December 2020 respectively.

In the view of the directors, the possible potential loss of the disputes in relation to the Equity Transfer Agreement would be the principal amount of the compensation of RMB27,734,000 and it is the best estimate of the provision recognised as at 31 December 2020.

34. DEFERRED INCOME

The followings are the movements of deferred income during the year:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (Unaudited)
At beginning of the year	**164,928**	**184,675**
Additions	**11,850**	**16,674**
Amount recognised as other income *(Note 5)*	**(15,009)**	**(36,421)**
At the end of the reporting period	**161,769**	**164,928**

The government grants mainly represent the amounts received from the local government to support the environmental protection projects and the funding on the land return. The grants are amortised to profit and loss when relevant assets are available-for-use or when constructions started depending on the nature of grants.

The grants are released to profit and loss over the expected useful life of the relevant assets or the expected construction period of the relevant assets by equal annual installment over the period from 6 months to 5 years.

35. DEFERRED TAXATION

The movements for the year in the Group's net deferred tax assets are as follows:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (Unaudited)
At beginning of the year	**23,060**	11,643
Addition from business combination *(Note 39)*	**–**	4,170
Credit to profit or loss *(Note 8)*	**10,174**	7,247
Deferred tax on transfer from investment properties to properties, plant and equipment through OCI	**(131)**	–
At the end of the reporting period	**33,103**	23,060

35. DEFERRED TAXATION *(Continued)*

Recognised deferred tax assets and liabilities at the end of the reporting period represent the following:

	As at 31 December 2020		As at 31 December 2019	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)
Accelerated depreciation allowance	**–**	**(961)**	–	(1,080)
Decelerated depreciation allowance	**1,193**	**–**	1,166	–
Changes in fair value on Investment properties	**–**	**(18,978)**	–	(14,284)
Impairment losses	**39,071**	**–**	28,605	–
Deferred income	**1,753**	**–**	1,927	–
Unrealised profit on intra-group sales	**379**	**–**	379	–
Tax losses	**1,814**	**–**	1,838	–
Others	**8,832**	**–**	4,509	–
Deferred tax assets (liabilities)	**53,042**	**(19,939)**	38,424	(15,364)

Unrecognised deferred tax assets arising from

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Temporary difference – Depreciation allowance	**17,210**	34,064
Tax losses	**432,040**	308,940
	449,250	343,004

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

35. DEFERRED TAXATION *(Continued)*

Unrecognised deferred tax assets arising from *(Continued)*

At the end of the reporting period, the Group has the following unrecognised tax losses arising in the PRC that can be offset against future taxation profits of the subsidiary for a maximum of 5 years from the year in which the tax loss was incurred:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Year of expiry		
2020	**–**	28,679
2021	**32,034**	38,386
2022	**15,295**	27,287
2023	**83,162**	83,324
2024	**80,414**	131,264
2025	**221,135**	–
	432,040	308,940

36. SHARE CAPITAL

	As at 31 December 2020		As at 31 December 2019	
	Number of shares	**RMB'000**	Number of shares (Unaudited)	RMB'000 (Unaudited)
Authorised:				
Ordinary shares of RMB1 each	**879,267,102**	**879,267**	879,267,102	879,267
Issued and fully paid:				
At beginning of the year	**879,267,102**	**879,267**	887,100,102	887,100
Share repurchased	**–**	**–**	(7,833,000)	(7,833)
At the end of the reporting period	**879,267,102**	**879,267**	879,267,102	879,267

36. SHARE CAPITAL *(Continued)*

The Resolution on Repurchase and Cancellation of Restricted Shares Granted under the 2016 Restricted Share Incentive Scheme was considered and approved at the 25th meeting of the sixth session of the Board and the 16th meeting of the sixth session of the board of supervisors convened by the Company on 14 December 2018, and was considered and approved at the first extraordinary general meeting in 2019, the first A shares class meeting in 2019 and the first H shares class meeting in 2019 of the Company. As the 24 participants under the 2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited (Revised Draft) were no longer qualified for the unlocked share incentives during the period, the Company decided to repurchase and cancel a total of 1,138,000 restricted shares held by them. The procedures of repurchase and cancellation for the above 1,138,000 shares were completed at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 8 April 2019.

The Resolution on Repurchase and Cancellation of Restricted Shares Granted under the 2016 Restricted Share Incentive Scheme was considered and approved at the 34th meeting of the sixth session of the Board and the 17th meeting of the sixth session of the board of supervisors convened by the Company on 28 March 2019, and was considered and approved at the annual general meeting in 2019, the second A shares class meeting in 2019 and the second H shares class meeting in 2019 of the Company. As such, the Company repurchased and cancelled a total of 6,695,000 restricted shares granted but not unlocked in the first batch and reserved portion under the Incentive Scheme held by the participants. The procedures of repurchase and cancellation for the above 6,695,000 shares were completed at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 27 June 2019.

37. RESERVES

(a) Capital reserve

	Note	**As at 1 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 31 January 2019 RMB'000 (Unaudited)
Share premium	(i)	**416,992**	416,992	476,932
Treasury shares reserve	(ii)	**–**	–	(67,773)
Other capital reserve	(iii)	**48,456**	21,721	21,721
		465,448	438,713	430,880

37. RESERVES *(Continued)*

(a) Capital reserve *(Continued)*

(i) Share premium

The balance represents the premium on issue of shares net of issuing expenses. In accordance with legal process and is approved to reduction in assets by repurchase of the Company's shares, according to the share capital reduced by cancellation of face value of shares in total, the adjusting shareholders' equity by difference between the consideration paid by repurchase of shares (including transaction fees) and the face value of shares. The portion which exceeds the face value in total shall be credited to share premium whereas the portion which is lower than the face value in total shall be written off in the order of share premium, surplus reserve and undistributed profit.

(ii) Treasury shares reserve

Shares repurchased by the Company shall be managed as treasury shares before cancel or transfer. All expenses related to repurchase of shares shall be transferred as cost of treasury shares. Upon transfer of treasury shares, consideration paid which is higher than the cost of treasury shares shall be credited to share premium. The consideration paid which is lower than the treasury shares shall be written off in the order of share premium, surplus reserve, and undistributed profit. For repurchase of shares of the Company due to the implementation of share incentive scheme, upon repurchase, all expenses in the repurchase of shares shall be treated as treasury shares, and at the same time carry out registration for future reference.

(iii) Other capital reserve

The balance represents the amount arising as a result of the acquisition of non-controlling interests. It is the transactions with non-controlling interests reserve has been set up and is dealt with in accordance with the accounting policies adopted for the changes in the Group's ownership interest in a subsidiary which do not result in change in control as set out in Note 40 to the consolidated financial statements.

(b) Statutory reserve

	Note	**As at 1 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)	As at 31 January 2019 RMB'000 (Unaudited)
Surplus reserve	(i)	**236,849**	219,355	202,916
General risk provision	(ii)	**5,611**	5,611	5,611
		242,460	224,966	208,527

37. RESERVES *(Continued)*

(b) Statutory reserve *(Continued)*

(i) Surplus reserves

In accordance with the relevant PRC regulations, certain PRC subsidiaries are required to appropriate to the surplus reserve an amount not less than 10% of the amount of profit after taxation (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated general reserve reaches 50% of the registered capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The transfer to the surplus reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(ii) General risk provision

General risk provision represented the loan risk provision made by Huiyan Micro Finance, a subsidiary of the Company, in accordance with the requirements of "Regulations on Creation and Management of Provisions" by Financial Institutions", the Group's general provision for risky loans is made based on 1.5% of outstanding balance as at the end of the period and is accounted for with reference to the requirements of the Regulations.

(c) Property revaluation reserve

The property revaluation reserve was set up to deal with the surplus or deficit arising from the revaluation at the date of transfer from property, plant and equipment to investment properties measured at fair value.

(d) Exchange reserve

Exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside PRC. The reserve is dealt with in accordance with the accounting policies set out in Note 2 to the consolidated financial statements.

37. RESERVES *(Continued)*

(e) Other reserve

According to the regulations of "Management Measures of Extraction and Usage of Enterprise Safety Production Costs" (Cai Qi [2012]16) issued by Ministry of Finance and State Administration of Work Safety, the safety production fees of Qingdeng Wastes Treatment, Longgang Dongjiang, Coastal Solid Waste and Wosen Environmental, subsidiaries of the Company, were extracted using excess regressive method every month.

(f) Distributable reserves

During the reporting period, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to approximately RMB1,384,773,000 (2019: RMB1,359,221,000). In addition, no amount in the Company's share premium account is available for distribution by way of capitalization issues.

38. OTHER CASH FLOW INFORMATION

(a) Cash generated from operations

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Profit before taxation	**401,720**	524,405
Interest income	**(11,394)**	(16,392)
Interest expenses	**166,781**	192,207
Depreciation and amortisation	**486,222**	407,905
Amortisation of deferred government grants	**(15,009)**	(36,421)
Net provision for loss allowance on trade, loans and other receivables	**45,095**	75,870
Impairment losses on goodwill	**34,535**	38,996
Write down of inventories	**121**	1,784
Reversal of impairment loss on property, plant and equipment	**(54)**	–
Reversal of impairment loss on intangible assets	**(22)**	–
Gain on disposal of financial assets at FVPL	**–**	(65)
Gain on disposal of property, plant and equipment	**(19,338)**	(661)
Gain on change in fair value of investment properties	**(13,547)**	(8,894)
Loss on disposal of intangible assets	**–**	112
Written off of other non-current assets	**24,500**	–
Gain on remeasurement of equity interest	**–**	(7,245)
Gain on deregistration of subsidiaries	**(3)**	(141)
Share of results of associates	**(547)**	933
Share of results of joint ventures	**(19,287)**	(6,857)
Changes in working capital:		
Inventories	**32,487**	3,545
Loans receivables	**34,200**	211,600
Trade receivables and contract assets	**(65,799)**	(189,959)
Prepayment, deposits and other receivables	**(17,337)**	43,143
Other non-current assets	**13,471**	81,996
Trade payables	**(56,284)**	51,596
Contract liabilities	**(37,352)**	17,299
Deferred income	**11,850**	16,674
Pledged deposits	**(61)**	17,061
Other payables	**171,108**	(17,170)
Cash generated from operations	**1,166,056**	1,401,321

38. OTHER CASH FLOW INFORMATION *(Continued)*

(b) Changes in liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

	Interest-bearing borrowings RMB'000	Lease liabilities RMB'000	Bond payables RMB'000	Due to controlling shareholder RMB'000	Total RMB'000
Year ended 31 December 2020					
At beginning of the year	2,593,317	16,511	863,584	436,745	3,910,157
Interest expenses	144,274	906	18,489	3,112	166,781
Cash inflow (outflow) in financing activities:					
Proceeds from interest-bearing borrowings, bond payables and due to controlling shareholder	1,800,058	–	599,438	126,197	2,525,693
Repayment of interest-bearing borrowings, bond payables and due to controlling shareholder	(1,753,312)	–	(851,414)	(70,178)	(2,674,904)
Repayment of lease liabilities	–	(10,529)	–	–	(10,529)
Interest paid	(151,439)	–	(17,859)	(3,112)	(172,410)
Non-cash transactions:					
Offsetting consideration on deemed disposal of a subsidiary *(Note 38(c))*	–	–	–	(62,127)	(62,127)
Reallocation from other payables	–	5,144	–	–	5,144
At the end of the reporting period	2,632,898	12,032	612,238	430,637	3,687,805

38. OTHER CASH FLOW INFORMATION *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

	Interest-bearing borrowings RMB'000	Lease liabilities RMB'000	Bond payables RMB'000	Due to controlling shareholder RMB'000	Total RMB'000
Year ended 31 December 2019 (Unaudited)					
At beginning of the year	2,351,296	20,321	1,261,730	–	3,633,347
Interest expenses	145,320	903	45,984	–	192,207
Cash inflow (outflow) in financing activities:					
Proceeds from interest-bearing borrowings, bond payables and due to controlling shareholder	2,214,258	–	–	432,140	2,646,398
Repayment of interest-bearing borrowings, bonds payables and due to controlling shareholder	(2,059,773)	–	(410,821)	–	(2,470,594)
Repayment of lease liabilities	–	(4,713)	–	–	(4,713)
Interest paid	(145,164)	–	(33,309)	–	(178,473)
Net cash flow on business acquisition	87,380	–	–	–	87,380
Non-cash transactions:					
Reallocation from other payables	–	–	–	4,605	4,605
At the end of the reporting period	2,593,317	16,511	863,584	436,745	3,910,157

(c) Non-cash transactions

The Group deemed disposed its interests in a subsidiary through offsetting the unsecured debt of RMB62,127,000. For details, please refer to Note 40.

39. ACQUISITION OF BUSINESSES

Acquisition during the 31 December 2019 (Unaudited)

On 18 April 2019, the Company acquired 21% equity interest in Foshan Fulong Environmental Protection Technology Co., Ltd. and its subsidiary ("Foshan Fulong Group") at cash consideration of RMB63,900,000, which specialises in waste disposal treatment activities. Prior to the business combination, the Company already held 30% equity interest in Foshan Fulong Group. As a result of the business combination, the Group is expected to diversify its business opportunities. The Group has selected to measure the non-controlling interest at its proportionate interest in the identifiable assets and liabilities of the acquiree.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognised at the date of acquisition:

	RMB'000
Total consideration transferred	63,957
Fair value of the equity interest held before the business combination	91,366
	155,323

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	56,538
Construction in progress	139,592
Right-of-use assets	63,742
Deferred tax assets	4,170
Cash and cash equivalents	6,352
Inventories	5,336
Trade receivables	2,576
Other receivables	10,779
Trade payables	(26,297)
Other payables	(93,871)
Interest-bearing borrowings	(87,380)
Income tax payables	(180)
Total identifiable net assets	81,357
Non-controlling interest	(39,865)
Goodwill arising on acquisition	113,831
	155,323

39. ACQUISITION OF BUSINESSES *(Continued)*

Acquisition during the 31 December 2019 (Unaudited) *(Continued)*

	RMB'000
Net cash flow on acquisition of subsidiary:	
Net cash acquired from the subsidiary	6,352
Consideration paid	(63,957)
	(57,605)

The Company recognised a gain of RMB7,245,000 as a result of measuring at fair value its 30% equity interest in Foshan Fulong held before the business combination. The gain is included in other gain in the consolidated statement of comprehensive income for the year.

40. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN A LOSS OF CONTROL

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (Unaudited)
Net consideration received (paid) from non-controlling interests	**132,847**	–
Disposal of interests in a subsidiary without loss of control	**(26,735)**	–
Difference recognised in equity	**106,112**	–

Major changes in the Group's ownership interests in subsidiaries

In September 2020, Shaoguan Sustainable Resources, a subsidiary of the Company, entered into the Capitalisation of Debt Agreement with Guangdong Rising Group, pursuant to which Guangdong Rising Group shall inject capital into Shaoguan Sustainable Resources at the price of RMB1.28/RMB1 registered capital (in aggregate of RMB62,127,000). Immediately following the Capitalisation of Debt, the shareholding percentage held by the Company in Shaoguan Sustainable Resources diluted from 100.00% to approximately 92.03%. There is no change of control on Shaoguan Sustainable Resources which remains as a subsidiary of the Group. The capital injection amount shall be settled by setting off the unsecured debt of RMB62,127,000 owed by Shaoguan Sustainable Resources to Guangdong Rising Group. Details of the transaction are set out in the Company's announcement dated 11 September 2020.

In December 2020, Guangdong Rising Group (also the substantial shareholder of the Company) had injected RMB70,200,000 to an existing subsidiary Zhuhai Dongjiang Environment Technology Co., Ltd. ("Zhuhai Dongjiang"). Immediately following the capital injection by Guangdong Rising Group, the shareholding percentage held by the Company in Zhuhai Dongjiang diluted from 100.00% to approximately 74.31%. There is no change of control on Zhuhai Dongjiang which remains as a subsidiary of the Group.

41. RELATED PARTY TRANSACTIONS

The continuing connected transactions under the Listing Rules are set out in the Important Matters of this annual report.

(i) Other than disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years.

Relationship	Nature of transactions	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Companies controlled by	Services income	**95,713**	132,006
the same controlling shareholder	Sales of goods	**2,607**	2,634
of the Company	Service fee	**(63,512)**	(61,287)

(ii) Remuneration for key management personnel (including directors) of the Group:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Salaries, allowances and other short-term benefits	**8,294**	8,000
Contributions to defined contribution plans	**413**	486
	8,707	8,486

41. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) On 15 October 2018, the Company entered into a corporate guarantee and financial assistance framework agreement with Dongguan Fenye, associate company of the Company, pursuant to which the Company shall provide corporate guarantee to the associate company with a total amount of not more than RMB44,000,000, which would be terminated at 15 October 2033.

On 30 March 2018 and 18 July 2018, the Company entered into a corporate guarantee and financial assistance framework agreement with Xingye Dongjiang, associate company of the Company, pursuant to which the Company shall provide corporate guarantee to the associate company with a total amount of not more than RMB150,000,000 and 50,000,000, which would be terminated at 29 March 2025 and 17 October 2024 respectively.

Further details of these above transactions are set out in the Company's announcement and circulars dated 25 October 2018 and 17 January 2018 respectively.

(iv) On 23 January 2019, the Company entered into the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. ("Rising Finance Company"), pursuant to which, Rising Finance Company will provide the Group (including its subsidiaries) with deposit services, settlement services and other financial services as permitted by the China Banking Regulatory Commission. As at 31 December 2020, the Company has a deposit balance of RMB250,224,000 (2019: RMB62,254,000) (Note 26) with Rising Finance Company and a loan balance of RMB216,430,000 (2019: RMB150,000,000) from Rising Finance Company (Note 30) based on actual capital requirements. Deposits with Rising Finance Company constitute continuing connected transactions under Chapter 14A of the Listing Rules of Hong Kong Stock Exchange.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Financial assets at amortised cost (net of allowance)		
Loan receivables	**125,724**	160,230
Trade and bills receivables	**1,056,514**	976,257
Deposit and other receivables (excluding other tax receivables)	**156,898**	206,850
Cash and cash equivalents	**661,657**	1,104,761
	2,000,793	2,448,098
Financial liabilities at amortised cost		
Trade and bills payables	**729,967**	786,251
Other payables (excluding VAT and other tax payables)	**230,142**	254,527
Interest-bearing borrowings	**2,632,898**	2,593,317
Bond payables	**612,238**	863,584
Due to controlling shareholder	**430,637**	436,745
Lease liabilities	**12,032**	16,511
	4,647,914	4,950,935

The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as other receivables and other payables which arise directly from its business activities.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

The directors of the Company generally adopt conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum level. The directors of the Company review and agree policies for managing each risk as summarised below and they manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances and interest-bearing borrowings. Bank balances and interest-bearing borrowings with floating interest rates expose the Group to cash flow interest rate risk. For interest-bearing borrowings, the Group's policy is to manage its interest cost using a mix of fixed and floating rate debts, monitor closely its interest rate exposure and the level of fixed rate and floating rate borrowings in consideration of economic atmosphere and the strategies of the Group.

During the year, the Group has not entered into significant hedging activities to hedge against the exposure to cash flow and fair value interest rate risk. At the end of the reporting period, the Group's borrowings at fixed rate of interest were 2.1% – 4.8% (2019: 3.0% – 6.1%).

At the end of the reporting period, if interest rates of bank balances and interest-bearing borrowings denominated in Hong Kong Dollars ("HKD") and RMB had been 100 (2019: 100) basis point higher/lower respectively and all other variables were held constant, the Group's profit for the year and retained profits would decrease/increase by RMB6,086,000 (2019: decrease/increase by RMB6,109,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for bank balances and interest-bearing borrowings in existence during the year. The 100 (2019: 100) basis point increase or decrease on the bank balances and interest-bearing borrowings dominated in HKD and RMB respectively represent management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis was performed on the same basis for 2019.

(b) Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group reviews the recoverable amount of each individual financial assets at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets

In order to mitigate credit risk, the Group established a committee to be responsible for determining credit limits, approving credit applications and carrying out other monitoring procedures to ensure necessary actions are taken to collect overdue debts. Besides, the Group reassesses the collectability of each amount receivable on an individual basis at each balance sheet date, in order to ensure sufficient bad debt provision is allocated for amounts that are not recoverable. As such, the management of the Company believes the credit risk assumed by the Group has been significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

As at the end of the reporting period, the Group had a concentration of credit risk as 30% (2019: 35%) and 47% (2019: 55%) of the total trade receivables and contract assets were made up by the Group's largest outstanding balance and the five largest outstanding balances respectively.

The Group's customer base consists of a wide range of clients and the trade receivables and contract assets are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and contract assets and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past two years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

The information about the exposure to credit risk and ECL for trade receivables and contract assets using a provision matrix is summarised below.

As at 31 December 2020

Trade receivables

Ageing by due date	Expected loss rate %	Gross carrying amount RMB'000	Loss allowances RMB'000	Credit-impaired	Net carrying amount RMB'000
General customers					
Past due					
Within 1 year	0.8%	327,633	2,695	No	324,938
1 to 2 years	13.6%	18,562	2,517	No	16,045
2-3 years	42.6%	8,063	3,432	No	4,631
Over 3 years	100%	10,134	10,134	Yes	–
		364,392	18,778		345,614
Individual assessment					
Government	0.0%	486,203	–	No	486,203
Associates, joint ventures and fellow subsidiaries	0.0%	54,357	–	No	54,357
Construction project	0.0%	50,020	–	No	50,020
Others	71.1%	9,101	6,472	Yes	2,629
		599,681	6,472		593,209
		964,073	25,250		938,823

Contract assets

Ageing by due date	Expected loss rate %	Gross carrying amount RMB'000	Loss allowances RMB'000	Credit-impaired	Net carrying amount RMB'000
Past due within 1 year	0.0%	97,753	–	No	97,753

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

As at 31 December 2019 (Unaudited)

Trade receivables

Ageing by due date	Expected loss rate %	Gross carrying amount RMB'000	Loss allowances RMB'000	Credit-impaired	Net carrying amount RMB'000
General customers					
Past due					
Within 1 year	0.5%	230,963	1,155	No	229,808
1 to 2 years	6.1%	16,997	1,037	No	15,960
2-3 years	43.7%	4,083	1,784	No	2,299
Over 3 years	100.0%	8,488	8,488	Yes	–
		260,531	12,464		248,067
Individual assessment					
Government	0.0%	535,474	–	No	535,474
Associates, joint ventures and fellow subsidiaries	0.0%	57,552	–	No	57,552
Construction project	0.0%	50,214	–	No	50,214
Others	71.1%	9,101	6,472	Yes	2,629
		652,341	6,472		645,869
		912,872	18,936		893,936

Contract assets

Ageing by due date	Expected loss rate %	Gross carrying amount RMB'000	Loss allowances RMB'000	Credit-impaired	Net carrying amount RMB'000
Past due within 1 year	0.6%	118,592	676	No	117,916

The Group does not hold any collateral over trade receivables and contract assets as at 31 December 2020 (2019: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

The movement in the loss allowance for trade receivables and contract assets during the year is summarised below.

	Trade receivables Year ended 31 December		Contract assets Year ended 31 December	
	2020	2019	**2020**	2019
	RMB'000	RMB'000 (Unaudited)	**RMB'000**	RMB'000 (Unaudited)
At beginning of the year	**18,936**	19,248	**676**	1,692
Provision (reversal) during the period	**6,381**	(301)	**(676)**	(1,016)
Written off during the period	**(65)**	(11)	**–**	–
Exchange difference	**(2)**	–	**–**	–
At the end of the reporting period	**25,250**	18,936	**–**	676

Loans and other receivables

Management has credit risk policies in place for the amount due from other debtors and the exposure to the credit risk is monitored on an ongoing basis. Also, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the debtors and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

The Group considers its deposits and other receivables with government and fellow subsidiaries and other tax receivables are subject to low credit risk and the expected loss rates of these receivables, which are assessed to be insignificant and taking into account their financial position and credit quality of the counterparties and therefore, no loss allowance is made for these receivables during the year.

The Group has established the loans and other receivables credit risk classification system and performs credit risk management based on other receivable classification in one of two categories of internal credit rating.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Loans and other receivables (Continued)

The information about the ECL for the other receivables as at 31 December 2020 is summarised below.

As at 31 December 2020

Loans receivables

Internal credit rating	Gross carrying amount RMB'000	ECL	Loss allowance RMB'000	Net carrying amount RMB'000
Normal *(Note iii)*	–	12-month	–	–
Concerned *(Note iii)*	128,290	Lifetime	2,566	125,724
	128,290		2,566	125,724

Other receivables

Internal credit rating	Gross carrying Amount RMB'000	ECL	Loss allowance RMB'000	Net carrying amount RMB'000
Performing *(Note i)*	246,832	12-month	–	246,832
Underperforming *(Note ii)*	127,293	Lifetime	22,949	104,344
Not performing (credit-impaired)	172,935	Lifetime	172,935	–
	547,060		195,884	351,176

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Loans and other receivables (Continued)

As at 31 December 2019 (Unaudited)

Loans receivables

Internal credit rating	Gross carrying Amount RMB'000	ECL	Loss allowance RMB'000	Net carrying amount RMB'000
Normal *(Note iii)*	49,500	12-month	–	49,500
Concerned *(Note iii)*	112,990	Lifetime	2,260	110,730
	162,490		2,260	160,230

Other receivables

Internal credit rating	Gross carrying Amount RMB'000	ECL	Loss allowance RMB'000	Net carrying amount RMB'000
Performing *(Note i)*	285,766	12-month	–	285,766
Underperforming *(Note ii)*	105,615	Lifetime	18,458	87,157
Not performing (credit-impaired)	138,468	Lifetime	138,468	–
	529,849		156,926	372,923

Notes:

(i) Performing (Normal Credit Quality) refers to the other receivables that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised.

(ii) Underperforming (Significant Increase in Credit Risk) refers to the other receivables that have had a significant increase in credit risk and for which the lifetime ECL will be recognised.

(iii) The 12-month and lifetime ECLs are determined based on the factors which impact the recoveries made post default. These include collateral type and projected collateral values, historical discounts to market/ book values due to forced sales, time to repossession and recovery costs observed.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Loans and other receivables (Continued)

The movement in the loss allowance for loan and other receivables during the year is summarised below.

Loan receivables	Year ended 31 December 2020 RMB'000	2019 RMB'000 (Unaudited)
At beginning of the year	**2,260**	1,462
Provision during the year	**306**	798
At the end of the reporting period	**2,566**	2,260

Other receivables	Consideration receivables RMB'000	Deposits and other receivables from third parties RMB'000	Total RMB'000
For the year ended 31 December 2020			
At beginning of the year	**138,468**	**18,458**	**156,926**
Provision during the year	**–**	**39,084**	**39,084**
Exchange difference	**–**	**(126)**	**(126)**
At the end of the reporting period	**138,468**	**57,416**	**195,884**
For the year ended 31 December 2019 (Unaudited)			
At beginning of the year	62,407	18,004	80,411
Addition from business combination	–	92	92
Provision during the year	76,061	328	76,389
Written off during the year	–	(13)	(13)
Exchange difference	–	47	47
At the end of the reporting period	138,468	18,458	156,926

Cash and time deposits at banks and other financial institutions and bill receivables

The credit risk on cash and time deposits at banks and bills receivables are limited because majority of the counterparties are financial institutions with high credit-ratings assigned by state-owned banks with good reputation. Besides, the credit risk of other financial institutions is assessed to be low given that such financial institution is required to comply with the regulations of the China Banking Commission. No loss allowance was recognised for both years.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. To minimise liquidity risks, management of the Group regularly reviews the current and expected liquidity requirements of operating units to ensure they maintain sufficient reserves of cash to meet operational needs so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet their liquidity requirements in the short and longer terms.

The maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below.

	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Trade payables	**729,967**	**–**	**–**	**–**	**729,967**
Other payables	**257,980**	**337**	**–**	**–**	**258,317**
Due to controlling shareholder	**438,230**	**–**	**–**	**–**	**438,230**
Lease liabilities	**8,461**	**3,665**	**–**	**–**	**12,126**
Interest-bearing borrowings	**2,063,840**	**299,515**	**174,677**	**217,166**	**2,755,198**
Bond payables	**12,800**	**19,200**	**605,838**	**–**	**637,838**
	3,511,278	**322,717**	**780,515**	**217,166**	**4,831,676**

	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019 (Unaudited)					
Trade payables	786,251	–	–	–	786,251
Other payables	278,596	2,958	–	–	281,554
Due to controlling shareholder	455,743	–	–	–	455,743
Lease liabilities	6,761	7,091	5,205	–	19,057
Interest-bearing borrowings	1,902,247	229,590	534,221	107,669	2,773,727
Bond payables	870,110	–	–	–	870,110
	4,299,708	239,639	539,426	107,669	5,186,442

43. CONTINGENT LIABILITIES

On 25 March 2013, Jiangsu Guangxing Group Co., Ltd., ("Jiangsu Guangxing") and Dongheng Environmental, a subsidiary of the Company, entered into an agreement for the construction project of Jiangsu Dongheng High Technology Park. Such construction was completed in June 2015 and there was a dispute on the validity of the agreement, investment return and the project cost between Jiangsu Guangxing and Dongheng Environmental.

On 9 December 2019, Jiangsu Guangxing Group Co., Ltd. sued to the court on the ground that Dongheng Environmental failed to pay the project cost and investment return of RMB48,300,000 as stipulated in the agreement and made a legal claim to Dongheng Environmental for the project costs, investment return and relevant losses arising from the suspension and delay. Both parties disagreed on the above-mentioned claim amounts and they are engaged in a legal proceeding.

The legal proceeding was still in process. Due to the complexity of the case, in the opinion of the directors, the possible outcome for the potential compensation was unable to reliably estimated after careful consideration of the legal advice dated 28 May 2020 and there was no further development up to the date of authorisation of these consolidated financial statements,.

Other than as disclosed above, the Group had no other significant contingent matters as of 31 December 2020.

44. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in the Group's objectives, policies or processes in managing capital during the years ended 31 December 2020 and 2019.

44. CAPITAL MANAGEMENT *(Continued)*

The Group monitors its capital, which comprises all equity components, using a gearing ratio which is calculated on the basis of net debt (trade payables, other payables, due to controlling shareholder, interest-bearing borrowings, lease liabilities and bond payables net of cash and cash equivalents) as a ratio of the equity attributable to owners of the Company. The debt-to-equity ratio at the end of the reporting period was as follows:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Trade payables	**729,967**	786,251
Other payables (excluding value-added taxes and other taxes payables)	**230,142**	254,527
Due to controlling shareholder	**430,637**	436,745
Interest-bearing borrowings	**2,632,898**	2,593,317
Bond payables	**612,238**	863,584
Lease liabilities	**12,032**	16,511
Less: Cash and cash equivalents	**(661,657)**	(1,104,761)
Net debt	**3,986,257**	3,846,174
Total equity attributable to owners of the Company	**4,538,564**	4,344,631
Gearing ratio	**87.83%**	88.53%

45. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, "*Fair Value Measurement*" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

45. FAIR VALUE MEASUREMENTS *(Continued)*

As at 31 December 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	**–**	**–**	**449,741**	**449,741**

As at 31 December 2019 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	–	–	433,545	433,545

Upon initial adoption of IFRSs since 1 January 2020, the fair value measurements of investment properties as of 1 January 2019 and 31 December 2019 were reclassified as Level 3 fair value measurement. During the year ended 31 December 2020, there were no transfer between Level 1 and Level 2 fair value measurement, and no transfer into and out of Level 3 fair value measurements.

Movements in Level 3 fair value measurements

	Investment properties As at 31 December	
	2020 RMB'000	2019 RMB'000 (Unaudited)
At beginning of the year	**433,545**	423,599
Additions	**–**	1,052
Transfer from property, plant and equipment	**2,125**	–
Revaluation on transfer from property, plant and equipment	**524**	–
Change in fair value recognized in profit or loss	**13,547**	8,894
At the end of the reporting period	**449,741**	433,545

45. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Assets measured at fair value

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

Description	Fair value at 31 December		Valuation techniques		Unobservable input		Range (weighted average, if applicable)	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000						
		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)
Investment properties								
– Dongjiang Headquarters and commercial centers located in Shenzhen	**81,231**	80,717	**Income capitalized approach**	Income capitalized approach	**Discount rate**	Discount rate	**6%**	7%
– Industrial building located in Rudong County	**160,431**	154,285	**Income capitalized approach**	Income capitalized approach	**Capitalisation rate**	Capitalisation rate	**6.1%**	6.5%
– Industrial buildings located in Yanjiang Industrial Park Jingzhou	**123,199**	N/A	**Income capitalized approach**	N/A	**Capitalisation rate**	N/A	**6%**	N/A
	N/A	117,173	**N/A**	Cost method	**N/A**	Replacement unit cost	**N/A**	RMB1,150 per square meters
– Land located in Yanjiang Industrial Park Jingzhou	**36,572**	N/A	**Income capitalized approach**	N/A	**Capitalisation rate**	N/A	**6%**	N/A
	N/A	34,783	**N/A**	Comparable market approach	**N/A**	Comparable selling unit price	**N/A**	RMB125 per square meters
– Industrial building located in Yanjiang Industrial Park Jingzhou	**26,099**	N/A	**Income capitalized approach**	N/A	**Capitalisation rate**	N/A	**6%**	N/A
	N/A	25,813	**N/A**	Cost method	**N/A**	Replacement unit cost	**N/A**	RMB1,045 per square meters
– Land located in Yanjiang Industrial Park Jingzhou	**15,164**	N/A	**Income capitalized approach**	N/A	**Capitalisation rate**	N/A	**6%**	N/A
	N/A	14,997	**N/A**	Comparable market approach	**N/A**	Comparable selling unit price	**N/A**	RMB126 per square meters

45. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Assets measured at fair value *(Continued)*

Valuation processes of the Group

The fair values of assets and liabilities that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Other techniques, such as estimated discounted cash flows and net asset value, are used to determine fair value for other assets and liabilities.

The Valuer did not adopt the comparable market and cost approach to value the investment properties. The Valuer had not adopted comparable market approach or cost approach as the investment properties mainly use for generating the rental income for a long term period and the value of the surrounding market price could not be reliably reflected the value of Group's investment properties, including rare publicly listed comparable companies on the industries area and were not comparable to the Group investment properties at similar stage, the Valuer had adopted the income capitalized approach in the valuation of the investment properties in the industrial area.

The lower the capitalisation rate/discounts rate would result the higher of the fair value. Reversionary yield is estimated by the independent valuer based on the risk profile of the properties being valued. The higher the yield, the lower is the fair value.

Assets and liabilities with fair value disclosure, but not measured at fair value

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair values at the end of each reporting period.

46. COMMITMENTS

In addition to the commitments disclosure elsewhere in the consolidated financial statements, the Group has the commitments as follow:

Capital expenditure commitments

Contracted but not provided for:	**As at 31 December 2020 RMB'000**	As at 31 December 2019 RMB'000 (Unaudited)
Consideration payables for the acquisition of subsidiary	**–**	21,160
Construction in progress	**338,433**	144,557
Purchase of property, plant and equipment	**30,232**	42,427
	368,665	208,144

47. EVENTS AFTER THE REPORTING PERIOD

The Company proposes to acquire 70% equity interest in Chenzhou Xiongfeng Environment Technology Company Limited* ("Xiongfeng Environment") held by Beijing Hi-Fortune Union Technology Company Limited* ("Hi-Fortune Union"), a third party of the Group. As at the date of authorisation of these consolidated financial statements, the acquisition is still at its preliminary planning stage, and the specific transaction proposal is still pending for further discussion and negotiation.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	RMB'000	RMB'000
		(Unaudited)
Non-current assets		
Investment properties	**81,231**	80,717
Property, plant and equipment	**80,233**	96,330
Construction in progress	**10,225**	9,487
Intangible assets	**105,345**	111,651
Interests in subsidiaries	**4,301,402**	3,610,796
Interests in associates	**159,726**	131,146
Interests in joint ventures	**95,156**	85,869
Trade receivables and contract assets	**–**	700
Other non-current assets	**1,424**	62,221
Deferred tax assets	**31,986**	22,947
	4,866,728	4,211,864
Current assets		
Inventories	**7,257**	10,502
Trade receivables and contract assets	**389,956**	384,209
Prepayment, deposits and other receivables	**32,187**	20,881
Due from group companies	**1,864,653**	2,479,019
Bank balances and cash	**522,519**	578,527
	2,816,572	3,473,138

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2020 RMB'000	2019 RMB'000 (Unaudited)
Current liabilities		
Trade payables	**160,627**	242,913
Contract liabilities	**1,518**	774
Current portion of interest-bearing borrowings	**1,681,094**	1,616,200
Bond payables	**12,800**	595,002
Due to controlling shareholder	**430,641**	436,745
Due to group companies	**1,670,134**	1,581,427
Income tax payable	**3,723**	3,023
Other payables	**32,203**	78,784
	3,992,740	4,554,868
Net current liabilities	**(1,176,168)**	(1,081,730)
Total assets less current liabilities	**3,690,560**	3,130,134
Non-current liabilities		
Interest-bearing borrowings	**25,400**	134,600
Bond payables	**599,438**	–
Provisions	**27,734**	–
Deferred tax liabilities	**6,395**	6,027
Deferred income	**10,602**	11,562
	669,569	152,189
NET ASSETS	**3,020,991**	2,977,945
Share capital	**879,267**	879,267
Reserves	**2,141,724**	2,098,678
TOTAL EQUITY	**3,020,991**	2,977,945

This statement of financial position was approved and authorised for issue by the Board of Directors on 29 March 2021 and signed on its behalf by:

Tan Kan *Executive Director*	**Lin Peifeng** *Executive Director*

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movements of the reserves

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Property revaluation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2019 (Unaudited)	887,100	525,270	186,405	3,510	1,332,505	2,934,790
Profit for the year	–	–	–	–	164,397	164,397
Transactions with owners						
Contributions and distributions:						
Repurchase of share capital	(7,833)	7,833	–	–	–	–
Transfer to statutory reserve	–	–	16,439	–	(16,439)	–
Dividend	–	–	–	–	(121,242)	(121,242)
As at 31 December 2019 (Unaudited)	879,267	533,103	202,844	3,510	1,359,221	2,977,945
As at 1 January 2020 (Unaudited)	**879,267**	**533,103**	**202,844**	**3,510**	**1,359,221**	**2,977,945**
Profit for the year	**–**	**–**	**–**	**–**	**174,936**	**174,936**
Transactions with owners						
Contributions and distributions:						
Transfer to statutory reserve	**–**	**–**	**17,494**	**–**	**(17,494)**	**–**
Dividend	**–**	**–**	**–**	**–**	**(131,890)**	**(131,890)**
As at 31 December 2020	**879,267**	**533,103**	**220,338**	**3,510**	**1,384,773**	**3,020,991**

49. PRINCIPAL SUBSIDIARIES

The following included the principal subsidiaries directly or indirectly held by the Company and, in the opinion of directors, are significant to the revenue for the year or form a substantial portion of total assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excess length.

Name	Place of incorporation/ operation and legal from if established in PRC	Registered capital	Proportion of ownership interest		Principal activity
			Directly	Indirectly	
Huabao Technology	Shenzhen	RMB10 million	100%	–	Services
Jiangxi Huabao	Yichun	RMB10 million	–	100%	Services
Huateng Environment	Shenzhen	RMB20 million	100%	–	Services
Huiyuan Micro Finance	Shenzhen	RMB300 million	100%	–	Financial
Baoan Dongjiang	Shenzhen	RMB60 million	100%	–	Industrial
Dongjiang Feed	Shenzhen	RMB25 million	100%	–	Industrial
Dongjiang Kaida	Shenzhen	RMB1 million	100%	–	Services
Baoan Energy	Shenzhen	RMB10 million	100%	–	Industrial
Qianhai Dongjiang	Shenzhen	RMB51 million	100%	–	Services
Longgang Dongjiang	Shenzhen	RMB100 million	54%	–	Industrial
Renewable Energy	Shenzhen	RMB90.3 million	100%	–	Industrial
Nanchang Xinguan	Nanchang	RMB10 million	–	100%	Industrial
Hefei Xinguan	Hefei	RMB10 million	–	100%	Industrial
Huizhou Dongjiang	Huizhou	RMB5 million	100%	–	Industrial
Dongjiang Transport	Huizhou	RMB34 million	100%	–	Services
Huizhou Dongton	Huizhou	RMB100 million	60%	–	Industrial
Foshan Fulong	Foshan	RMB100 million	51%	–	Industrial
Zhaoqing Dongsheng	Zhaoqing	RMB50 million	100%	–	Trading
Shaoguan Dongjiang	Shaoguan	RMB5 million	100%	–	Industrial
Shaoguan Sustainable Resources	Shaoguan	RMB607 million	92%	–	Industrial
Zhuhai Yongxingsheng	Zhuhai	RMB45 million	80%	–	Industrial
Zhuhai Dongjiang	Zhuhai	RMB201.9 million	74%	–	Industrial
Zhuhai Qingxin	Zhuhai	RMB9 million	100%	–	Industrial
Qingyuan Xinlv	Qingyuan	RMB52.2 million	63%	–	Industrial
Jiangmen Dongjiang	Jiangmen	RMB50 million	100%	–	Industrial
Jieyang Dongjiang	Jieyang	RMB150 million	85%	–	Industrial
Hengjian Tongda	Shenzhen	RMB10 million	100%	–	Industrial
Humen Green	Dongguan	RMB58 million	–	90%	Industrial
Dongguan Hengjian	Dongguan	RMB39 million	100%	–	Industrial
Xiamen Oasis	Xiamen	RMB35 million	60%	–	Industrial
Xiamen Dongjiang	Xiamen	RMB10 million	60%	–	Industrial
Fujian Oasis Solid Waste	Nanping	RMB20 million	–	100%	Industrial
Longyan Oasis Environmental	Longyan	RMB3 million	–	100%	Industrial
Nanping Oasis Environmental	Nanping	RMB5 million	–	100%	Industrial
Sanming Oasis Environmental	Sanming	RMB4 million	–	90%	Industrial

49. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation and legal from if established in PRC	Registered capital	Proportion of ownership interest		Principal activity
			Directly	Indirectly	
Jiangxi Dongjiang	Fengcheng	RMB50 million	100%	–	Industrial
Hubei Tianyin	Jingzhou	RMB48.8 million	60%	–	Industrial
Tianyin Hazardous	Jingzhou	RMB20 million	–	100%	Industrial
Tianyin Vehicle Dismantle	Jingzhou	RMB10 million	–	100%	Industrial
Jingzhou Dongjiang	Jiangling County	RMB10 million	100%	–	Industrial
Green Environmental	Xiantao	RMB34.4 million	55%	–	Industrial
Xiantao Dongjiang	Xiantao	RMB90 million	100%	–	Services
Huangshi Dongjiang	Yangxin County	RMB10 million	70%	–	Industrial
Dongjiang HK	Hong Kong	HKD24.7 million	100%	–	Services
Lik Shun Services	Hong Kong	HKD10 million	–	100%	Services
Nantong Dongjiang	Rudong County	USD20 million	–	100%	Services
Jiangsu Dongjiang	Rudong County	RMB110 million	100%	–	Industrial
Dongheng Environmental	Jurong County	RMB45.7 million	56%	–	Industrial
Qiandeng Wastes Treatment	Kunshan	RMB30 million	51%	–	Industrial
Jiaxing Deda	Jiashan County	RMB42 million	51%	–	Industrial
Zhejiang Jianglian	Shaoxing	RMB75 million	60%	–	Financial
Huaxin Environmental	Shaoxing	RMB30 million	–	100%	Industrial
Shaoxing Dongjiang	Shaoxing	RMB2 million	52%	–	Industrial
Zhenjiang Dongjiang	Jurong	RMB2 million	60%	–	Services
Coastal Solid Waste	Yancheng	RMB8.7 million	75%	–	Industrial
Hengshui Ruitao	Hengshui	RMB40 million	85%	–	Industrial
Weifang Blue Sea	Changyi	RMB40 million	70%	–	Industrial
Qingdao Dongjiang	Qingdao	RMB15 million	100%	–	Industrial
Tangshan Wandesi	Tangshan	RMB133 million	80%	–	Services
Handan Dongjiang	Handan	RMB5 million	60%	–	Industrial
Wosen Environmental	Kelamayi	RMB50 million	83%	–	Industrial
Hunan Dongjiang	Shaoyang	RMB10 million	95%	–	Industrial
Chengdu Treatment Centre	Chengdu	RMB105 million	100%	–	Industrial
Mianyang Dongjiang	Mianyang	RMB160 million	51%	–	Industrial
Yunnan Dongjiang	Kunming	RMB10 million	100%	–	Industrial

The subsidiaries in the PRC are established and registered as wholly-domestically owned enterprises and limited liability companies.