



DONGJIANG ENVIRONMENTAL COMPANY LIMITED\*

東江環保股份有限公司

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

(Stock Code: 00895)



Annual  
Report  
**2013**

\* For identification purposes only

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

ZHANG Wei Yang (*Chairman*)  
CHEN Shu Sheng (*Chief executive*)  
LI Yong Peng (*Vice president*)

## NON-EXECUTIVE DIRECTORS

FENG Tao (*Vice chairman*)  
FENG Bo  
SUN Ji Ping

## INDEPENDENT NON-EXECUTIVE DIRECTORS

YE Ru Tang  
HAO Ji Ming  
WANG Ji De

## SUPERVISORS

YUAN Wei  
CAI Wen Sheng  
LIU An

## COMPANY SECRETARY

WANG Tian

## AUDIT COMMITTEE

WANG Ji De (*Chairman*)  
YE Ru Tang  
HAO Ji Ming

## REMUNERATION AND APPRAISAL COMMITTEE

YE Ru Tang (*Chairman*)  
HAO Ji Ming  
WANG Ji De

## NOMINATION COMMITTEE

HAO Ji Ming (*Chairman*)  
ZHANG Wei Yang  
YE Ru Tang

## STRATEGIC DEVELOPMENT COMMITTEE

ZHANG Wei Yang (*Chairman*)  
YE Ru Tang  
FENG Tao

## AUTHORISED REPRESENTATIVES

ZHANG Wei Yang  
WANG Tian

## STOCK CODE

A share: 002672  
H share: 00895

## AUTHORISED REPRESENTATIVE TO ACCEPT SERVICE OF PROCESSES AND NOTICES

Loong & Yeung

## AUDITORS

ShineWing Certified Public Accountants

## LEGAL ADVISERS

Loong & Yeung (*as to Hong Kong law*)  
北京市君合律師事務所 (*as to China law*)

## PRINCIPAL BANKER

China Merchants Bank

## HONG KONG H SHARE REGISTRAR

Tricor Tengis Limited  
Level 22  
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 HOMEPAGE

<http://www.dongjiang.com.cn>

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2001-2005, 20th Floor  
Jardine House, 1 Connaught Place  
Central, Hong Kong

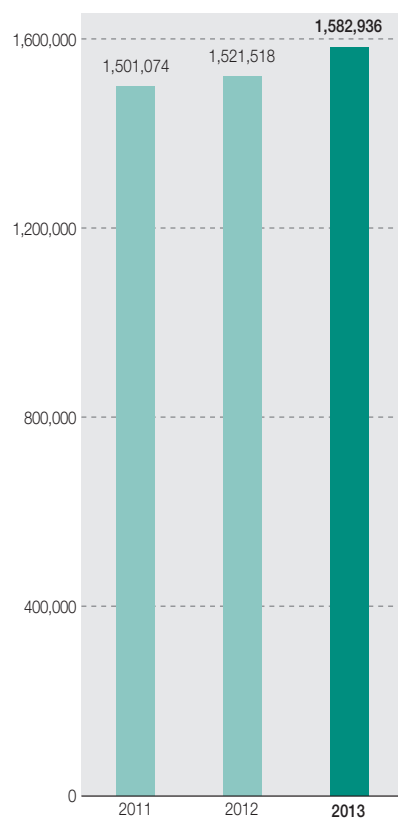
# FINANCIAL SUMMARY

	2013	2012	2011	2010	2009 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Result</b>					
Total operating revenue	<b>1,582,936</b>	1,521,518	1,501,074	1,152,358	834,989
Gross profit	<b>482,537</b>	561,703	522,685	402,322	290,059
Gross profit ratio	<b>30.48%</b>	36.92%	34.82%	34.91%	34.74%
Net profit attributable to shareholders of the Company	<b>208,282</b>	266,706	203,725	155,856	108,315

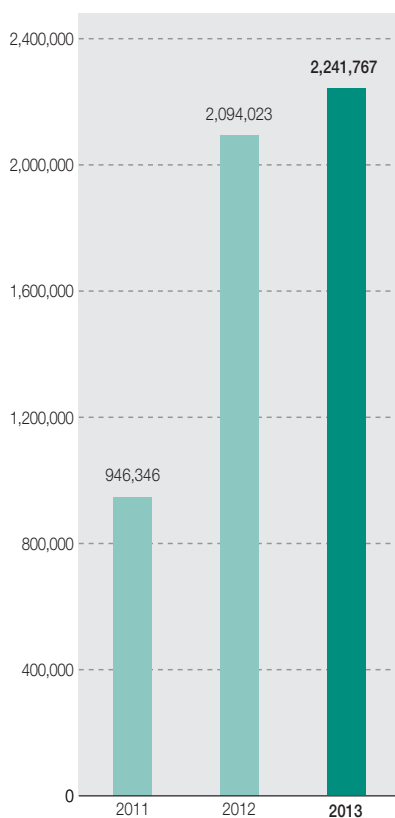
## Financial position as at end of year

Total assets	<b>3,267,457</b>	3,109,606	1,983,716	1,782,077	1,537,059
Total liabilities	<b>817,494</b>	836,660	934,033	943,247	776,223
Minority interests	<b>208,195</b>	178,923	103,338	95,221	133,419
Equity attributable to shareholders of the Company	<b>2,241,767</b>	2,094,023	946,346	743,609	627,416

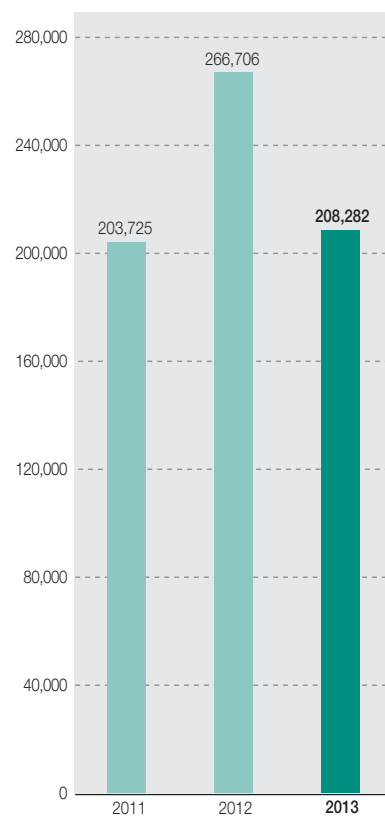
**Total operating revenue**  
RMB'000



**Equity attributable to shareholders of the Company**  
RMB'000



**Net profit attributable to shareholders of the Company**  
RMB'000



(As at 31 December)

# 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 2013 (the "Reporting Period").

## REVIEW

In 2013, as a result of the uncontrollable factors of macro-economic conditions and tradable metal prices, the core business of the Group – the industrial waste treatment business was more affected, and the overall results of the Group was affected to a larger extent. In order to safeguard the sustainable profitability, solvency level and overall risk resistance capability of the Group, the Group actively adjusted the operation mentality, seized the opportunities of development of the sector and favourable policies, and followed the trend and accelerated the strategic adjustment and upgrading of the Group.

During the Reporting Period, the Group achieved operating revenue of approximately RMB1,582,936,400, representing an increase of approximately 4.04% as compared to 2012, this was principally due to the significant fall in tradable metal prices; net profit attributable to shareholders of the Company was approximately RMB208,282,100, representing a decrease of approximately 21.91% as compared to 2012.

In 2013, the Group fully mastered the timing of the new opportunities in the market brought by the "Supreme People's Court and Supreme People's Procuratorate's Interpretation of Several Issues Related to the Laws Applicable to Criminal Cases of Environmental Pollution" ("Two Supreme Explanation"). The Group followed the changes in the market landscape, speeded up the implementation of industrial structural adjustment, implemented the strategic transformation and upgrade plans of the Group step by step. On one hand, it fully carried out work to increase efficiency and technological upgrade measures in order to meet the regulatory requirements on the environmental protection and target discharge of waste of the "Two Supreme Explanation"; on the other hand, in the market expansion aspect, it entered into the market in Dongguan, Guangdong Province through equity acquisition, and added 50,000 tonnes/year capability of handling wastes containing copper, and made a breakthrough in the regional expansion, and effectively reduced the pressure of the limitation of its ability to handle hazardous waste; more importantly, in 2013 through measures such as the continuous optimization of business structure, expansion of diversified and high-end refined products and the other recycling business like expanding the waste electrical home appliance dismantling business, municipal waste treatment business, optimization of product mix of the Company, the Group better coped with the complex and difficult situations, effectively resisted the profit reduction impact of tradable metals upon the results of the Group, and laid a foundation for the implementation of strategic transformation and upgrade of the Group.

It is worthwhile to mention that Qingyuan Waste Electrical Appliance Dismantling Treatment Base and Comprehensive Utilization project was expanded to 30,000 tonnes at the end of 2013, and the handling qualifications of 30,000 tonnes was obtained in February 2014. The Group will continue to strengthen the scale of the construction of the waste electrical appliance dismantling and treatment business, and set up and improve the collection and transportation systems of waste electrical appliances, enhance the competitiveness of the Group in the waste electrical appliance dismantling market so that the project will become one of the major drive of profit generation of the Group. Besides, the Group entered into the soil recovery domain by investing in and setting up a soil recovery company, which will start the soil recovery business step by step according to the most feasible method. It is believed that through continuous market expansion and technological breakthrough, the Group will enhance its market competitiveness in the soil recovery sector and contribute economic benefits to the Group.

In order to ensure human resources for the smooth implementation of the strategic transformation and upgrade plans of the Group, the Group made full use of the A shares capital market and implemented the Restricted A Share Incentive Scheme in 2013 which effectively motivated the directors, senior management and core employees of the Group, provided them with the catalyst to implement the strategy adjustment and upgrade plans thoroughly with full dynamism, and facilitated staff to actively expand business markets, pursue technology innovation, push forward the smooth implementation of new projects, control costs and expenditure, achieve the enhancement of management standard and reverse operating results.

## OUTLOOK

During 2013, following the promulgation of the Opinion on Accelerating the Development of Energy Saving Environmental Protection Industry by the State Council and the Third Plenary session of the 18th Central Committee proposing that China should deepen the system reform of ecological civilization by closely focusing on bringing beauty to China, speed up the setting up of ecological civilization system, and emphasize the important role of market resource allocation on the operation development, the environmental protection industry will tend to follow the market mechanism. In addition, the promulgation and implementation of the "Two Supreme Explanation" have increased the market opportunities of merger and acquisition and reorganization, increased the industrial waste business volume of the environmental protection industry. Under the circumstances of gradual change to market mechanism and standardization of the environmental protection industry, listed environmental protection companies with financial and technological strength will definitely obtain more resources in the market and achieve rapid development.

The Group will regard these as opportunities, seize the opportunities of industry consolidation to actively expand and innovate. The Group will continue to deepen its strategic adjustment internally and will strengthen its regional and new projects layout externally, enhancing its integrated competitiveness continuously. With solid business foundation and sound development strategies, the Group believe that it can calmly cope with the opportunities and challenges of the future, maintain steady enhancement of the operation of the Group, promote healthy development of the Group and continue to build value for shareholders of the Company.

## ACKNOWLEDGEMENTS

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

**Dongjiang Environmental Company Limited\***

**Zhang Weiyang**

*Chairman*

Shenzhen • Guangdong • PRC

27 March 2014

\* *for identification purpose only*

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### OVERVIEW

Since 2012, the domestic and global economy have been sluggish in general and the market demand was weak, the Company has been facing an unfavourable situation of continuous fall in product prices, rising purchase costs of raw materials, and it is expected that the trend may last for a prolonged period of time. The Company had to undergo strategic adjustment and upgrading, strived to eliminate unfavourable market factors, facilitated the driving effects of those factors controllable by the Company towards better results. During the Reporting Period, the Company mainly focused on strategic adjustment and upgrading to set the layout of the whole year's work, including increasing the detoxification disposal of waste business and market exploration, promoting strategies for new products, implementing technological changes and reducing costs as well as to increase efficiency through regulated management. During the Reporting Period, the principal activities of the Group – Industrial waste treatment and disposal maintained stable growth, but the prices of industrial waste resource products were more affected by metal price fluctuations, and the overall results of the Group were affected to a larger extent.

During the Reporting Period, the Group achieved an operating revenue of approximately RMB1,582,936,400, representing an increase of approximately 4.04% as compared to that of the corresponding period in 2012; total profit of approximately RMB271,477,300, representing a decrease of approximately 18.41% as compared to that of the corresponding period in 2012; net profit attributable to owners of the parent company achieved was approximately RMB208,282,100, representing a decrease of approximately 21.91% as compared to that of the corresponding period in 2012; equity attributable to owners of the parent company was approximately RMB2,241,767,600, representing a year-on-year increase of approximately 7.06%; net assets per share were approximately RMB9.93.

### Industrial Waste Treatment

During the Reporting Period, industrial waste treatment business achieved an operating revenue of approximately RMB1,247,243,500, representing an increase of approximately 9.50% as compared to that of the corresponding period in 2012. The recycled products recorded sales revenue of approximately RMB1,003,746,300, representing an increase of approximately 6.94% as compared to that of the corresponding period in 2012; and the industrial waste treatment and disposal recorded service revenue of approximately RMB243,497,200, representing an increase of approximately 21.51% as compared to that of the corresponding period in 2012. In summary, during the Reporting Period, operating revenue from the industrial waste treatment business of the Group generated a growth, but since it was more affected by the fluctuating prices of metals and additional new projects and the related increases in costs etc, the gross profit margin of this business fell approximately 6.47% as compared with the previous year.

Regarding market expansion, with the promulgation and implementation of the “Supreme People’s Court and Supreme People’s Procuratorate’s Interpretation of Several Issues Related to Laws Applicable to Criminal Cases of Environmental Pollution” (“Two Explanations”), the demand for detoxification disposal of hazardous substances and wastes has surged, market competition will tend to be more regulated and disciplined. The Group seized the opportune timing, with the support of two treatment platforms, namely Guangdong Integrated Hazardous Waste Treatment Demonstration Centre and Shenzhen Longgang Hazardous Waste Disposal Base, it fully utilise the advantages of uniform work, refined management and centralized allocation, expanded the detoxification disposal business, and therefore achieved remarkable benefits. At the same time, it entered into the market in Dongguan, Guangdong Province through equity acquisition, and added the capability of handling wastes containing cooper 50,000 tonnes per year, and made a breakthrough in the regional expansion, and effectively reduced the pressure of the limitation of our ability to handle hazardous waste. In addition, all the treatment bases of the Group fully carried out work to increase efficiency, technological upgrade measures. The actual waste treatment ability of Shajing treatment base reached 200,000 tonnes per year through continuous environmental protection facilities optimization, upgrading and transformation, in this regard, Shajing treatment base already started the application for an environmental impact assessment, it is expected it will be completed in the second half of 2014. During the trial operation period of Shenzhen Longgang Hazardous Waste Disposal Base, it continued to foster the improvement of all functions and optimization of techniques and skills, currently it has achieved an operation at full loading, and achieved a revenue of approximately RMB74,055,500 for the Reporting Period.

Regarding waste recycling, as the waste collection and transportation market size increased, the sales volume of recycled products of the Group increased approximately 13.29% during the Reporting Period as compared to that of the same period last year, however due to substantial fluctuation of the negotiable metal market, profitability fell. In order to cope with the uncertain factors brought by the environment of that market, the Group actively launched the product refinement strategy, set up and launched the pilot-scale base of high-end copper salt project. With the strategy of promoting the upgrading of recycled products, the Group implemented the debate of brand creation special work of electrolysis grade sulfuric copper acid during the Reporting Period, and it lay the foundation for creating brand marketing model.

In order to implement the strategic transformation and upgrading of the Group, the Group actively developed new businesses and extended the industry chain. During the Reporting Period, Qingyuan Waste Electrical Appliance Dismantling Treatment Base and Comprehensive Utilization expanded from 10,000 tons to 30,000 tons, and the handling qualifications of 30,000 tons was obtained in February 2014. After more than one year's operation, the operation model of the waste electrical appliance collection and transportation market has initially been formed, 390,000 electric waste objects were dismantled during the Reporting Period, achieving a revenue of approximately RMB41,154,700. The Group will continue to strengthen the scale of the construction of the waste electrical appliance dismantling and treatment business, and to set up and improve the collection and transportation systems of waste electrical appliances, enhance the competitiveness of the Group in the market. Besides, the Group entered into the soil recovery domain by investing in and setting up a soil recovery company, it will start the soil recovery business step by step according to the most feasible method, the Board believes that through continuous market expansion and technological breakthrough, it will enhance the market competitiveness of the Group in the soil recovery domain and contribute economic benefits to the Group.

During the Reporting Period, the Group continued to foster the construction of new projects. It is expected that the hazardous waste incineration project of the North Guangdong Hazardous Waste Centre (10,000 tons/year), the construction project of Jiangmen Industrial Waste Treatment (198,500 tons/year) and Jiaying Deda moving and expansion project (60,000 tons/year) will be constructed and in operation in the 2nd half of 2014. After the commencement of the production of the above projects, it will better solve the problem of inadequate ability of processing Industrial hazardous wastes, and to cope with the increase in demand of the market, and create room for rapid expansion in the future.

### **Municipal solid waste treatment business**

The municipal solid waste treatment business is another pillar business of the Group. Faced with the sluggish economic situation of the non-ferrous metal market, the Group reasonably adjusted the business structure, enhanced the strategic position of the municipal solid waste treatment business. After having gradually accumulated mature operation management experience over a few years, the integrated model of municipal waste treatment and recyclable energy utilization has tended to be stable and maintain a good growth trend. During the Reporting Period, the municipal solid waste treatment business achieved an operating revenue of approximately RMB135,163,600, representing an increase of approximately 6.92% as compared to the same period of 2012.

As for renewable energy utilization, three landfill gas power generation projects have already implemented standardized operation gradually, implemented real time reporting of electricity generation production data, machinery and facilities repair and coordination and allocation of resources, the overall operation efficiency was remarkably improved. During the Reporting Period, the on-grid volume of electricity of the landfill gas power generation projects was about 95,931,600 watt, and achieved an operating revenue of approximately RMB58,930,300, representing an increase of approximately 3.37% as compared to the same period of 2012.



## MANAGEMENT DISCUSSION AND ANALYSIS

On the municipal waste treatment and disposal aspect, the operation was the Xiaping household landfill site operation and management project and Shaoyang domestic waste landfill project was stable, and they achieved an operating revenue of approximately RMB76,249,500 during the Reporting Period. The Phase II of Fuyong sludge treatment project entered into the production stage in September 2013, given the more mature sludge treatment techniques of the Group, the daily sludge treatment has already reached 1,100 tonnes, and achieved an operating revenue of approximately RMB19,420,200 during the Reporting Period. The implementation of that project is beneficial to the further work and expansion of the Group in the research of technologies, like deep dehydration and anaerobic fermentation etc, and serves as a testing field for the development of the Group in the municipal sludge treatment domain in the future. Besides, the Group fostered the construction of Shenzhen Luohu District Kitchen Waste Recycling Project, the collection and transportation system was gradually improved, it is expected that that project will be fully completed in 2014. The construction of the Hunan Shaoyang domestic waste landfill site Phase II expansion project was in normal progress, it is expected that it will be in service in December 2014, after it is in service, the landfill capacity of that project will be increased to over 2 million m<sup>3</sup>.

In order to strengthen the subsequent continuous development momentum of municipal waste treatment business, the Group actively seeks new projects and expands into new domains, including the landfill gas power generation project and household waste incineration domains. At the same time, through gradual improvement of the industry chain of the municipal solid waste treatment business, the Group stresses on creating a new model of urban waste comprehensive treatment so as to increase the market competitiveness of that business.

### Environmental protection services business

In order to cooperate and create a comprehensive and one-stop environmental services platform, the Group actively explored the environmental engineering and services business, integrated the resources, such as environmental engineering design, construction, equipment installment and testing, operation, in an efficient way to provide one-stop services of design, construction, operation environmental protection facilities projects for different types of clients.

During the Reporting Period, the environmental protection services business used the “Two Explanations” regarding the strengthening of management of pollutant discharge, increased the development of the environmental engineering operation business market, optimized the client structure and optimized the industrial sewage project operation model. Since the disposal of equity in a subsidiary and the majority of projects were still in the negotiation or initial stage, the business achieved an operating revenue of approximately RMB95,850,400 during the Reporting Period, representing a decrease of approximately 42.17% as compared to the same period of 2012.

In November 2013, the Group, Shenzhen Environmental Protection Association and some Hungarian environmental protection enterprises signed a memorandum of cooperation in respect of an energy saving, environmental protection and environmental protection technology innovation headquarters base project pave the way to attract and introduce Hungarian technologies and experience. During the Reporting Period, the Group successfully won the tender of Heyuan Southern City Sewage Treatment Plant target enhancement, upgrade and transformation project, it was the first time to introduce and apply the Hungarian FBR stereoscopic ecological treatment technology, the operation conditions were good, the ammonia and nitrogen removal rate over 99%, it laid the foundation for the Group to undertake more urban sewage treatment projects in the future. The environmental protection engineering and services business accepted and operated 54 clients with contracts for the Reporting Period, the contract amount for the Reporting Period was approximately RMB210,000,000, representing an increase of approximately 45% as compared to the same period of 2012 and relied on its good reputation in the market and operation advantages, it expanded the market layout to eastern China like Zhejiang and Jiangsu.

After the recent year of development, testing operation management system, testing quality and efficiency of the environment monitoring services of the Group were largely enhanced. During the Reporting Period, 70 CMA qualifications were added, over 500 projects were certified, approximately 280,000 counts of services were provided for the product testing, laboratory planning and construction and external testing. During the Reporting Period, encouraging results were obtained for that business, it achieved an operating revenue of approximately RMB6,681,500, representing an increase of approximately 101.63% as compared to the same period of 2012.

## Research and Development

In 2013, the R&D of the Company focused on the operation concepts of production and market, strived to foster the construction work of the interaction mechanism of technological R&D, production, and market, emphasized technological innovation, and strengthened the monitoring of R&D projects and government project-creation projects.

After the building up of technological talents and technology research reserve in earlier periods, the technological R&D of the Group, in 2013, the Group focused technology services on production, market concepts, strived to foster the construction work of the interaction mechanism of technological R&D and production and market to form a joint coordination management mechanism of “overall interaction, coordination among departments, implementation of responsibilities”, to provide technology support to all treatment bases, fully show the development mindset of transforming R&D technologies into productivity. At the same time, in order to enhance the ability to convert technology into results, the Group launched pilot-scale projects during the Reporting Period, such as the pilot-scale study on project of prepesation of secondary zinc oxide into alkaline zinc chloride (次氧化鋅製備鹼式氯化鋅), pilot-scale study on project of kitchen waste and sludge anaerobic digestion gasification and deep dehydration of sludge (Fuyong) small industrialized production projects, to provide scale production of projects and provide mature, ancillary production skills and technological equipments.

During the Reporting Period, technological results management work of the Group was remarkable, it applied for 21 state patents, it was granted 23 patents (5 inventions, 18 practical new models); 4 results passed the evaluation and registration of Shenzhen Technology Innovation Commission, and were awarded “Enterprise Technology Research & Development Centre” and “Engineering Technology Research & Development Centre”. During the Reporting Period, the Group obtained approximately RMB38,914,600 of subsidy from the government for the projects and technological research of the Group.

## Corporate Development

Year 2013 is the first complete year after the Group has entered into the A-share capital market. The requirements of a dual listing on the regulated operation of the Group were higher. In this regard, the Group actively pursued the setting up of an internal control regulated system, set up a standardized management and system, fully streamlined and identified the defects of all businesses and management, facilitated the standardization and uniformity of all the processes of production, operation and management, further enhanced the operation management level and risk prevention ability of the Group, facilitated the sustainable development of the Company. As to the human resources aspect, the Group fully utilized the capital market and implemented the Restricted A Share Incentive Scheme, it granted 5,850,000 A shares to 104 senior management and core employees, and such grant was completed in 2014. The implementation of that project effectively motivated the subjective mobility of directors, senior management and core employees of the Company, provide them with the motivation needed to implement the strategic adjustment and upgrade plans thoroughly, and facilitated staff to actively expand business markets, start technology innovation, push forward the smooth implementation of new projects, control costs and expenditure, achieve the enhancement of management level and reverse operating results.

During the Reporting Period, the Group started the public issuance of corporate bond project, and planned to issue RMB700 million corporate bonds to reduce the finance costs, optimize the financing structure of the company and meet the capital requirement of production and operation. Approval for the project was granted by China Securities Regulatory Commission in January 2014, the Group will base on the related requirements and the related authorization of the shareholders' meeting of the Company to choose a good timing to handle the relevant matters of corporate bond issuance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ANALYSIS ON CORE COMPETITIVENESS

### 1. Brand qualification strength

As a leader in the domestic solid waste treatment and disposal field, the Group has accumulated industrial experience and brand qualification strength in the hazardous waste field over many years' growth, the Group has developed into a larger comprehensive domestic environmental service provider of waste treatment with all-round qualifications and extensive business scopes locally. At present, the Group possesses over 72 qualification certificates, including operation of hazardous waste, pollution control, environmental engineering, environmental monitoring and worn-out electronic product treatment, and during the Reporting Period, it obtained 16 new qualification certificates.

### 2. Perfection of the industry chain strength

The Group's business of the Group covers two major areas, namely industrial and municipal. The Group has built a perfect business chain for tailor-made "reduction, bio-safety, recycling" treatment for an small enterprise up to a large city. Leveraging on the all-round waste treatment service platform and comprehensive and fast one-stop service, the Group satisfied customer's requirements as much as possible in compliance with the development trend of the industrial "Entire Solution" service model.

### 3. Technology innovation strength

Technology innovation is the major driving force for the future development of the Group, and the Group places much importance on technology innovation, and has its technology research department and an independent research and development center, which consists of many laboratories, such as heavy metal recycling laboratory, industrial waste treatment and recycling laboratory, and laboratories are facilitated with a series of experimental system and testing instruments. Besides, a major means of promoting independent innovation capability is to communicate and collaborate with domestic and international enterprise and universities. The R&D Centre has conducted over 100 research projects and obtained approximately 67 patents. During the Reporting Period, 23 new invention patents were added, of which 5 were invention patents.

### 4. Operation experience strength

As the earliest participant in the domestic environmental protection industry, the Group accumulated rich experience in the industry, with over 30 subsidiaries and operation of over 20 industrial projects, it possesses professional management ability and experience. Among them, Guangdong Hazardous Waste Comprehensive Treatment and Disposal Centre built and operated by our joint venture with Veolia of France, and Shenzhen Xiaping household waste landfill site operated and managed by the Group were of leading standard in China.

## FINANCIAL REVIEW

### Total Operating Revenue

For the Reporting Period, the Group's total operating revenue increased by approximately 4.04% to approximately RMB1,582,936,364 (2012: approximately RMB1,521,517,728) as compared to the corresponding period in 2012. The main reasons for the increase are that the Group utilized the good situation of environmental protection industry policy, seized the new opportunity derived from the judicial interpretation of the superior court and the superior procuratorate; standardized the internal management; accelerated the construction to increase capability and actively explored the market. During the Reporting Period, except the environmental project and service income decreased by 42.17% compared with the same period of last year, the gross income of other businesses of the Group obtained a growth compared with that of 2012. Above all, the gross income of industrial waste treatment increased by approximately 21.51% compared with last year to approximately RMB243,497,232 (2012: approximately RMB200,398,517); the gross income renewable energy business increased by approximately 14.86% to approximately RMB65,476,857 (2012: approximately RMB57,006,524) due to the sufficient supplement of biogas.

### Profit

For the Reporting Period, the Group's gross profit was decreased by approximately 14.09% to approximately RMB482,537,660 (2012: approximately RMB561,703,255). During the Reporting Period, except the gross margin of industrial solid waste treatment, trade and other business increased slightly compared with last year, the gross margin of other businesses declined as compared to that of 2012. The first reasons for this decline is that the domestic economical situation did not live up to the expectation, and that the metal prices fell, and therefore led to the result that the sales revenue of industrial waste recycling resource did not increase pro rata with the sales volume; second is that affected by domestic inflation, both of the procurement cost of raw materials and overall labor cost rose, and the Group continued to increase the research and development investment in, these resulted in a greater increase of total operating cost than gross revenue of the Group.

For the Reporting Period, the Group's gross profit margin was approximately 30.48% (2012: approximately 36.92%), representing a decrease of approximately 6.44 percentage points as compared to the corresponding period in 2012.

For the Reporting Period, net profit attributable to shareholders of the Company decreased by approximately 21.91% to approximately RMB208,282,106 as compared to the corresponding period in 2012 (2012: approximately RMB266,705,804). The main reason for the decline is that the economical situation of non-ferrous industry remained depressed and the collecting and transportation expenses stayed at high level; the rise in procurement cost of raw material and overall labor cost resulted to the decline of integrated gross margin of the year; secondly, under the condition that the domestic economical situation is inferior to the expectation, the Group intensified the efforts on market development and continued to make research and development investment to improve core competence.

### Sales Expenses

For the Reporting Period, the Group's sales expenses was approximately RMB38,287,888 (2012: approximately RMB34,011,656), representing approximately 2.42% (2012: approximately 2.24%) of the total operating revenue. The increase in selling expense is mainly due to that the Group intensified the efforts on market development under the condition that the domestic economical situation is inferior to the expectation, and the incorporation and accounting calculation of the subsidiaries, such as Qingyuan Xinlv, Jiaying Deda and Zhuhai Qingxin, in the second half of the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative Expenses

For the Reporting Period, the Group's administrative expenses was RMB221,405,604 (2012: RMB207,692,583), representing approximately 13.99% (2012: approximately 13.65%) of the Group's total operating revenue. The increase in administration expenses is mainly due to that the Group continued to make research and development investment. Besides this, the incorporation and accounting calculation of the subsidiaries, such as Qingyuan Xinlv, Jiaying Deda and Zhuhai Qingxin, etc in the latter half of the year is also a reason for the above increase.

## Finance Costs

For the Reporting Period, the Group's finance cost was approximately RMB1,469,229 (2012: approximately RMB3,192,383), representing approximately 0.09% (2012: approximately 0.21%) of the Group's total operating revenue. Decrease in finance costs is mainly because following the receipt of proceeds from the listing of A shares, bank loans decreased.

## Income Tax Expenses

For the Reporting Period, the Group's income tax expenses was approximately RMB27,839,096 (2012: approximately RMB38,711,279), representing approximately 10.25% of the Group's total profit before tax (2012: approximately 11.63%). The decrease in income tax expenses was mainly due to the reduce of total profits of the Group.

## Financial Resources and Liquidity

As at 31 December 2013, the Group had net current assets of approximately RMB1,020,961,492 (2012: approximately RMB1,143,202,211), including cash and cash equivalent of approximately RMB934,877,456 (2012: approximately RMB1,016,889,376).

As at 31 December 2013, the Group's total liabilities was approximately RMB817,494,079 (2012: approximately RMB836,659,992). The Group's gearing ratio was approximately 25.02% (2012: approximately 26.91%) which is calculated based on the Group's total liabilities and total assets. The current liabilities of the Group was approximately RMB605,720,441 (2012: approximately RMB623,416,644). As at 31 December 2013, the Group had outstanding bank loans of approximately RMB434,036,619 (2012: approximately RMB295,505,249).

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

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In January 2013, the Company invested RMB50,000,000 from surplus proceeds to the registered capital of Shaoguan Green Development Co.,Ltd.\* (韶關綠然再生資源發展有限公司), a wholly-owned subsidiary owned of the Company.

In February 2013, the Company invested RMB24,000,000 from surplus proceeds to the registered capital of Huizhou Dongjiang Logistic Limited\* (惠州市東江運輸有限公司), a wholly-owned subsidiary of the Company.

In February 2013, the Company entered into an equity transfer agreement to transfer the 55% equity interest in Beijing Novel Environmental Protection Co., Ltd.\* (北京永新環保有限公司) at the consideration of RMB3,300,000 to an independent third party.

# MANAGEMENT DISCUSSION AND ANALYSIS

In August 2013, the Company entered into a subscription agreement to acquire 100% equity interest in Dongguan Hengjian Environmental Technology Co., Ltd.\* (東莞市恒建環保科技有限公司)(“Dongjiang Hengjian”) at a consideration of RMB76,083,405. Upon completion of the transaction, Dongjiang Hengjian became a wholly-owned subsidiary by the Company.

In December 2013, the Company invested RMB5,100,000 to establish a 51% owned subsidiary of the Company, namely Guangdong (Province) Dongjiang-Suntime Environmental Remediation Co., Ltd\* (廣東東江上田環境修復有限公司).

Save as disclosed in this report, the Group does not have any substantial investments, acquisitions and disposals of subsidiaries and associates during the Reporting Period.

## DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## INTEREST RATE AND EXCHANGE RISK

### Interest Rate Risk

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

The Group is also exposed to cash flow interest rate risk due to floating interest rate bank borrowings. The Group's policy is to maintain the floating interest rate bank borrowings in order to reduce the risk of cash flow interest rate risk.

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

### Foreign Exchange Risk

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

## PLEDGE OF ASSETS

As at 31 December 2013, certain assets of the Group were pledged to secure bank borrowings, guarantees and letters of credit facilities granted to the Group, as follows:

	2013	Unit: RMB 2012
Fixed assets	–	6,100,812
Cash and bank balances	<b>12,010,000</b>	10,925,180
Total	<b>12,010,000</b>	17,025,992

# MANAGEMENT DISCUSSION AND ANALYSIS

## INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the number of full-time employees stood at 2,455 (2012: 2,530) with a total staff cost of approximately RMB206,236,636 (2012: approximately RMB161,191,364). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

The Group determines its remuneration policies for the staff on the basis of the current economic benefits and sustainable development, starting from its economic benefits, it determines the annual remuneration distribution for the staff after overall performance appraisal according to the annual business plan and operational tasks. Besides, the Group lays down and implements the remuneration system appraisal mechanism to make the remuneration system be periodically evaluated and ensure it to be rational and effectively implemented. The Group properly adjusts its staff's remuneration and welfare based on its economic benefits and regional living standard and changes of price index. Apportionment of staff remuneration is base on individual contribution, ability and responsibility taken, and following the principles of distribution according to work, giving priority to efficiency with due consideration to fairness and sustainable development so as to enable our staff to share gains from the Company's development with the Group and effectively combine the short-term, medium-term and long-term gains.

The Restricted A Share Incentive Scheme has been adopted on 13 January 2014 with a view to, among others, motivate the Directors, senior management and the key employees of the Group.

## CONTINGENT LIABILITIES

The Group provided financial guarantee to a bank for securing banking facilities granted to a jointly controlled entity, Huizhou Dongjiang Veolia Environmental Services Company Limited\* (惠州東江威立雅環境服務有限公司). The balance of these financial guarantees have not yet expired as at 31 December 2013 (2012: RMB40,000,000). The maximum amount of these financial guarantee during the Reporting Period was RMB40,000,000 (2012: RMB40,000,000).

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

Save as disclosed above, the Group had no significant contingent liabilities for the years ended 31 December 2012 and 2013.

## CAPITAL COMMITMENT

As at 31 December 2013, the capital commitment of the Group was as follows:

Project	Unit: RMB	
	2013	2012
Capital expenditures contracted for but not provided for in the financial statements		
– Construction in progress	<b>100,715,550.52</b>	21,408,671.43
– Acquisition of land use rights		–
– Acquisition of equipments	<b>8,382,100.00</b>	14,879,563.00
Total	<b>109,097,650.52</b>	36,288,234.43

## FUTURE PROSPECTS

### (1) DEVELOPMENT TREND OF THE INDUSTRY

To tackle the environmental problems such as smog, sewage, solid waste etc, since the “Eleventh Five-year Plan”, China has greatly promoted energy saving and emission reduction, developed a circular economy, and aimed at building a resource saving and environmental friendly society. In August 2013, the State Council issued the Opinion on Accelerating the Development of Energy Saving Environmental Protection Industry, it proposed to position the energy saving environmental protection industry as a new pillar industry of the domestic economy, to further enhance the strategic position of the energy saving environmental protection industry in the market economy, in the Eighteenth Three Plenary Meeting, it was proposed that it should deepen the system reform of ecological civilization by closely focusing on bringing beauty to China, fostering the setting up of ecological civilization system, and emphasizing the important role of market resource allocation on the operation development, the environmental protection industry will tend to follow the market mechanism, besides the promulgation and implementation of the “Two Supreme Explanation”, these increased the market opportunities of merger and acquisition and reorganization, increased the industrial waste business volume to the environmental protection industry, under the circumstances of gradual change to market mechanism and the environmental protection industry, being more regulated, the environmental protection companies with financial and technological strength will definitely obtain more market resources and achieve rapid development.

### (2) DEVELOPMENT STRATEGY AND ANNUAL OPERATION PLAN OF THE GROUP

Since 2012, the domestic and global economy have been sluggish in general and the market demand was weak, the Group has been facing an unfavourable situation of continuous fall in product prices, rising purchase costs of raw materials, and it is expected that the trend may prevail in 2014 and may even continue for a prolonged period. In order to guarantee the healthy development of the Group and to strengthen the overall risk resistance ability of the Group, the Group will adjust the development strategies and business development plans of the Group in the business structure, market expansion and product structure aspects of the Group in 2014.

#### 1. To develop the industrial waste treatment and disposal business, continue to optimize business structure

Due to the excessive proportion of the industrial waste recycling utilization business of the Group and the fact that it is more affected by the fluctuation of economic cycle, and in order to seize the opportunities presented by the serious inadequacy of the treatment facilities of the state and its request to increase the scale of constructing hazardous waste ultimate disposal facilities, the Group will greatly develop the industrial waste treatment and disposal business. On top of the successful setting up of treatment disposal bases in places – Shenzhen Shanjing, Longgang, Huizhou, Kunshan, several treatment disposal bases acquired or newly constructed in Jiangmen, Dongguan, Zhuhai and Shaoguan etc will be in operation successively from 2014 to 2015, the scope of business coverage and waste disposal volume will be further increased. At the same time the Group will increase the acquisition and construction of waste treatment disposal base, explore the hazardous waste collection and transportation market, increase the proportion of the treatment and disposal business in the revenue and profit, optimize the business structure, strengthen the stability of revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **2. To improve the interactive mechanism of waste collection prices and metal prices, actively explore high end refined products**

After several years of practice, the Group has accumulated rich market experience regarding this trading mechanism, and has controlled the impact of metal price fluctuations on gross profit margin within a certain limit, this effectively reduced the impact of metal price fluctuations on the results of the Group. In 2014, the Group will continue to adapt to market changes, improve the interactive mechanism of waste collection prices and metal prices, at the same time it will reasonably use hedging instruments of futures, as well as strengthen the analysis of product marketing environment, research and study of sales information, feedback of information, and integrate them with production allocation to reduce the operational risks brought by metal price fluctuations to the largest extent.

At the same time, the Group will speed up the construction of new product – cooper salt products of electrolysis grade, market development and creation of brands with advantages, through the implementation of upgrade and succession of recycled products to explore a diversified and refined product direction, optimize product structure, enhance the value-added of recycled products, enhance the market competitiveness and profitability level of products.

### **3. Actively explore the municipal waste treatment business which is less affected by the macro-economic operation**

The Group will greatly develop the municipal waste treatment business, implement the “breakthrough in key points”, strengthen the business layout, increase the investment scale and intensity of that business to realize the strategic transformation of the Group. In 2014, Fuyong sludge Phase II project, Luohu District Kitchen Waste Recycling Project and Hunan Shaoyang Domestic Waste Landfill Project Phase II will be in service successively. At the same time, the Group will actively seek new municipal waste projects, including household waste incineration, landfill gas power generation project etc, the municipal waste treatment business will become another pillar for the revenue of the principal activities of the Group.

## **(3) MAJOR RISK FACTORS AND CONTINGENCY MEASURES**

1. Falling prices of non-ferrous metals. In 2014, the economic development of the non-ferrous metal market has a lot of uncertainty, the prices of non-ferrous metals are still worrisome. In 2014, while the Group set up and promote the production and sales of cooper salt high value-added products of electrolysis grade, it will carry out futures business for hedging in the hope of controlling the operating risk caused by falling metal prices.
2. Risk of delays in engineering projects. The Group has established and improved a series of project management system in 2013, however, the solid waste treatment and disposal projects, particularly those for hazardous waste, are complicated and involve many processes and long construction cycle. These projects are exposed to uncertainties, such as long legitimate approval process, which will affect the construction progress of the projects. As such, the Group implemented the project management accountability system to coordinate the management of newly established projects, and impose strict supervision on their progress, quality and fund investment aspects etc, and in second half of 2013, it started to launch and implement the preliminary technology proposal assessment mechanism to reduce the negative impact on the progress due to material technological changes which may occur at the later stage design or during the construction process.

## MANAGEMENT DISCUSSION AND ANALYSIS

3. Operation management risk. In 2013, in order to optimize, regulate the internal management, the Group adopted a series of measures, set up the internal control and standardized systems, improved the systems, but the number of new project systems of the Group were huge, under the situations of rapid market expansion, the corporate management must be further strengthened, the tasks of “Optimization of project investment and construction management”, “Optimization of performance management system”, “Innovative human resources management model” have been included in the ten key tasks of 2014 of the Group to facilitate the further improvement of systems, standardized management in the human resources, technology and project areas.
4. Technological innovation risk. The growth in environmental protection industry has a tendency towards marketization, the gradual strengthening of supervision over environmental protection is beneficial for the development of listed companies with regulated operation, under such circumstances, technological innovation appears to be more important, the technological innovation level of the Group needs to be further enhanced. In 2014, it will promote the transformation of technology management, attract, nurture professional R&D talents while improving the incentive mechanism for the R&D talents, enhance the technological innovation initiative of R&D staff.

# MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Mr. Zhang Wei Yang (張維仰)**, aged 49, is the chairman of the Board, an executive Director and the founder of the Group. Mr. Zhang is responsible for the overall strategic development and policy of the Group. He has over 20 years of experience in the field of environmental protection and chemical technology, including his employment in Shenzhen environmental protection authorities for approximately five years, and in Shenzhen Fang Yuan Petrochemical Industries Co., Ltd. (深圳市方元化工實業有限公司) for six years. Mr. Zhang is currently a committee member of China Association of Environmental Protection Industry (中國環保產業協會), a committee member of the Association for High and New Technology Industry of Shenzhen (深圳市高新技術產業協會) and a vice president of the Association for Environmental Protection Industry of Shenzhen (深圳市環保產業協會). Mr. Zhang is an uncle of Mr. Li Yong Peng, an executive Director. Mr. Zhang was appointed as an executive Director on 16 September 1999. Mr. Zhang is the chairman of the strategic development committee of the Company, and a member of the nomination committee of the Company. He is also the authorised representative of the Company.

**Mr. Chen Shu Sheng (陳曙生)**, aged 48, is an executive Director and the chief executive of the Company. He obtained a bachelor degree from the Chemistry Department of Jiangxi University (江西大學) in 1988, majoring in chemistry. Mr. Chen worked in Jiangxi Provincial Research Institute of Rare Earth (江西省稀土研究所) for about 13 years. Mr. Chen joined the Group in July 2001. Mr. Chen was appointed as an executive Director on 2 June 2005. In October 2012, Mr Chen was appointed as the chief executive of the Company, and is responsible for overseeing the general operation of the Group.

**Mr. Li Yong Peng (李永鵬)**, aged 39, is an executive Director and the vice president of the Company. He graduated from Zhong Nan Finance University (中南財經大學) (currently known as Zhong Nan Finance & Law University (中南財經政法大學)) with a bachelor degree in economics in 1998, majoring in state-owned assets management. Mr. Li was appointed as the vice president of the Company in October 2012, and is responsible for the management of market operation of the Group. Mr. Li is a nephew of Mr. Zhang Wei Yang, the chairman of the Board, an executive Director and the founder of the Group. Mr. Li was appointed as an executive Director on 28 November 2001.

## NON-EXECUTIVE DIRECTORS

**Mr. Feng Tao (馮濤)**, aged 47, is a non-executive Director and the vice-chairman of the Board. Mr. Feng Tao obtained a master degree in science from the Department of Statistics and Applied Probability from the University of Alberta in 1992. Since 1999, he had been serving as the vice president officer of The Foundation of Development in Science and Technology of the State Planning Committee, State Economic and Trade Commission and the China Science Academy (國家計劃委員會、國家經濟貿易委員會、中國科學院科技促進基金委員會) of the PRC. He is also a director of Venturepharm Laboratories Limited (listed on the Growth Enterprise Market of the Stock Exchange ("GEM") (Stock code: 8225)) and Ecogreen Fine Chemicals Group Limited (listed on the Main Board of the Stock Exchange (Stock code: 2341)). He was also a director of Jiangsu Lianhuan Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange (Stock code: 600513)) and Western Mining Co., Ltd. (listed on the Shanghai Stock Exchange (Stock code: 601168)) before 22 May 2009 and 21 February 2011 respectively. Mr. Feng Tao is a brother of Mr. Feng Bo, a non-executive Director. Mr. Feng Tao was appointed as a non-executive Director on 28 November 2001. Mr. Feng is a member of the strategic development committee of the Company.

**Mr. Feng Bo (馮波)**, aged 45, is a non-executive Director. Mr. Feng Bo studied in College of Marin (加州摩雲大學) from 1987 to 1992. From 1997 to 2003, Mr. Feng Bo has worked as China Vest's representative in Beijing and co-founded Chengwei Ventures. Since 2004, Mr. Feng Bo has been a founding partner of Ceyuan Ventures (聯創策源基金). Mr. Feng Bo was a director of Beijing Venustech Inc. (listed on Shenzhen Stock Exchange (Stock code: 002439)) before 26 July 2011. Mr. Feng Bo is a brother of Mr. Feng Tao, a non-executive Director. Mr. Feng Bo was appointed as a non-executive Director on 8 June 2011.

**Ms. Sun Ji Ping (孫集平)**, aged 58, is a non-executive Director. Ms. Sun graduated from Beijing Television Broadcast University (北京廣播電視大學) specializing in Chinese and obtained a diploma in economics from Capital University of Economics & Trade (首都經濟貿易大學) in 2002. She worked with China Petroleum and Chemical Group Limited (中國石油化學工業部) for about three years and with Petrochina Group Limited (中國石油天然氣集團公司) for over 20 years. Ms. Sun is the senior vice president of China Venture Capital Inc. (中國風險投資有限公司). She is also a director of Jiangsu Welle Environmental Co., Ltd (listed on ChiNext of the Shenzhen Stock Exchange (Stock code: 300190)). Ms. Sun was a director of Beijing Dinghan Technology Company (listed on ChiNext of the Shenzhen Stock Exchange (Stock code: 300011)) before 27 January 2011. Ms. Sun was appointed as a non-executive Director on 28 November 2001.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ye Ru Tang (葉如棠)**, aged 74, is an independent non-executive Director. He graduated from the Department of Architecture in Tsinghua University (清華大學) in 1965. From 1985 to 2001, he has acted as the Minister of The Ministry of Urban-Rural Construction and Environment Protection, the PRC (中國城鄉建設環境保護部) and the Deputy Minister of the Ministry of Construction, the PRC (中國建設部). Mr. Ye had been the Vice Director Member of the Ninth Committee of Environment and Resource Protection of the National People's Congress (全國人大環境與資源保護委員會) from February 2001 to March 2003, and the Tenth Standing Member of the National People's Congress (全國人大常務委員會) and the Vice Director Member of the Tenth Committee of Environment and Resource Protection of the National People's Congress from March 2003 to March 2008. Mr. Ye is now the consultant of the China International Institute of Multinational Corporations (中國國際跨國公司研究會), and the honorary director of Architectural Society of China (中國建築學會). He is also a director of Youngor Group Co., Ltd. (listed on the Shanghai Stock Exchange (Stock code: 600177)). Mr. Ye was appointed as an independent non-executive Director on 19 June 2008. Mr. Ye is the chairman of the remuneration and appraisal committee of the Company, and a member of each of the audit committee, the nomination committee and the strategic development committee of the Company.

**Mr. Hao Ji Ming (郝吉明)**, aged 68, is an independent non-executive Director. Mr. Hao graduated from Civil Engineering Department of Tsinghua University (清華大學) in 1970, majoring in water supply and sewage engineering. He obtained a master degree in engineering from Tsinghua University (清華大學) in 1981. In 1984, Mr. Hao obtained a doctorate degree in Civil and Environmental Engineering Department from the University of Cincinnati, the United States. Mr. Hao was elected as an academician of the Chinese Academy of Engineering (中國工程院) in 2005. Since 1970, Mr. Hao had been working at Tsinghua University (清華大學) as lecturer, professor and the dean of the Environment Science and Engineering Department. He is now the director of the Research Institute of Environmental Science and Engineering of Tsinghua University (清華大學). Mr. Hao is a director of Hangzhou Xingyuan Filter Technology Co., Ltd. (listed on ChiNext of the Shenzhen Stock Exchange (Stock code: 300266)). Mr. Hao was appointed as an independent non-executive Director on 19 June 2008. Mr. Hao is the chairman of the nomination committee of the Company, and a member of each of the audit committee and the remuneration and appraisal committee of the Company.

**Mr. Wang Ji De (王繼德)**, aged 64, is an independent non-executive Director. Mr. Wang is a Certificated Public Accountant of the PRC. Mr. Wang worked for Finance Bureau of Da Tong City in Shanxi province between 1972 to 1992. He obtained a bachelor degree from the Finance Department of Hubei Institute of Finance and Economics (湖北財經學院) in 1985, majoring in Financial Revenue. Since 1993, Mr. Wang had been serving as the Commissioner of Audit Department, Deputy Director of Turnover Tax Department and the Inspector of Goods Service Tax Department in The State Administration of Taxation (國家稅務總局) of the PRC. Mr. Wang has retired, and did not hold any position in any government department currently. Mr. Wang was appointed as an independent non-executive Director on 8 June 2011. Mr. Wang is the chairman of the audit committee of the Company, and a member of the remuneration and appraisal committee of the Company.

# MANAGEMENT PROFILE

## SUPERVISORS

**Ms. Yuan Wei (袁桅)**, aged 44, is a supervisor of the Company. Ms. Yuan graduated from Tsinghua University (清華大學) in 1993 majoring in environmental engineering and business management, and obtained a master degree in philosophy, majoring in technology and philosophy from Tsinghua University (清華大學) in 1995. Ms. Yuan worked in the Science and Technology Department of the PRC (中國科學技術部) for about four years. From August 2000 to January 2009, she had been an investment manager, an investment director and a partner of Shanghai New Margin Venture Capital Co., Ltd. (上海聯創創業投資有限公司). She was a partner of Redpoint Ventures (紅點投資). She is currently a funding and managing partner of South River Capital Partners (無錫江南仁和新能源投資管理中心(有限合伙)). Ms. Yuan was appointed as a supervisor of the Company on 28 November 2001.

**Mr. Cai Wen Sheng (蔡文生)**, aged 48, is a supervisor of the Company. Mr. Cai graduated from the Department of Law in Shenzhen University (深圳大學) with a bachelor degree in laws in July 1988. He worked for the Shenzhen Yuan Lin Group (深圳市圓林集團) between 1988 and 1991, and was a lawyer in Shenzhen Pengcheng Law Firm (深圳市鵬城律師事務所) between 1991 and 1993. He has been a senior lawyer in Guangdong Gewei Law Firm (廣東格威律師事務所) since 1993. Mr. Cai was appointed as a supervisor of the Company on 9 December 2010.

**Mr. Liu An (劉安)**, aged 42, is a supervisor of the Company. Mr. Liu was working in the chief executive officer's office of the Company and one of the subsidiaries since 2005 when he joined the Company. He has over 10 years of experience in the field of corporate management. Mr. Liu was appointed as a supervisor of the Company on 19 June 2008.

## COMPANY SECRETARY

**Ms. Wang Tian (王恬)**, aged 38, is the secretary of the Board and has been the company secretary and authorised representative of the Company. Ms. Wang joined the Group in March 2002. She graduated from Zhongshan University (中山大學) in 1999 majoring in international finance and obtained a master degree in economics from University of Birmingham of United Kingdom. Ms. Wang has over 10 years of experience in the field of investment and management. On 17 December 2012, Ms. Wang was appointed as the company secretary and authorised representative of the Company.

## SENIOR MANAGEMENT

**Mr. Cao Ting Wu (曹庭武)**, aged 48, is the vice president of the Group, in charge of financial management and investment management. Mr. Cao had been the financial controller of the Company until his resignation with effect from 8 November 2013. Mr. Cao graduated in statistics from Jiang Xi University of Finance and Economics (江西財經大學) in 1989, and obtained a degree of MBA in finance from Chinese University of Hong Kong. Mr. Cao joined the Group in March 2007. Mr. Cao has over 20 years of experience in financial management.

**Mr. Lan Yong Hui (蘭永輝)**, aged 55, is the vice president of the Group, in charge of human resource, administration, and management of environment, health and safety of the Group and the senior engineer of the Group. Mr. Lan graduated in Northwest University of Light Industry (西北輕工業學院) with a master degree in polymer materials and engineering in 1988. From 1991 to 2003, Mr. Lan worked with China Merchants Group in management position. After joining the Group in 2004, Mr. Lan acted as the general manager of several subsidiaries of the Group. Mr. Lan has rich experience in the technology and management.

**Ms. Wang Tian (王恬)**, aged 38, is the secretary of the Board and the company secretary and authorised representative of the Company. Please refer to the section headed "Company secretary" above for the biographical details of Ms. Wang.

**Mr. Tian Huachen (田華臣)**, aged 43, has been the financial controller of the Group since 8 November 2013 and is mainly responsible for the financial management work of the Group. Mr. Tian was acted as vice-president at Synertone Communication Corporation (Stock Code: 1613). Mr. Tian joined the Group on 8 November 2013. Mr. Tian possesses rich experience in management.

# 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 V.1 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 income statement on page 45 of this report.

## DIVIDENDS

The Company has distributed and paid a final dividend of RMB0.4 for each share of the Company in 2013, thereby distributing dividend of a total of RMB60,190,549.60 in cash.

The Board recommends the payment of a final dividend of RMB0.3 per share of the Company (inclusive of tax) (2012: RMB0.4) to all shareholders of the Company based on the total number of shares of 231,564,561 shares of the Company, with the total amount of dividend to be paid be RMB69,469,368.30, subject to approval by the shareholders of the Company at the 2013 annual general meeting (the "AGM") to be convened and held in June 2014. In addition, the Board proposes to offer to all shareholders of the Company 5 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 115,782,280 shares (including 26,685,000 H shares and 89,097,280 A shares) based on the total number of 231,564,561 shares of the Company. Following the aforesaid conversion of capital reserve, the Company shall have a total of 347,346,841 shares (including 80,055,000 H shares and 267,291,841 A shares). The aforesaid conversion of capital reserve is subject to, among other things, having obtained the approval by shareholders of the Company at the AGM, the class meeting for holders of H shares and the class meeting for holders of A shares to be convened and held, and the Stock Exchange granting approval for the listing of the 26,685,000 H shares to be issued on the Main Board of the Stock Exchange. The Company will make further announcement in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends and the conversion of capital reserve is determined.

Circular containing, among other things, the distribution of final dividend and the capital increase by way of conversion of capital reserve, together with the notice of the annual general meeting, class meeting for holders of H shares and class meeting for holders of A shares will be published and despatched to the shareholders in due course.

# DIRECTORS' REPORT

## ISSUE OF SHARES BY CONVERSION OF CAPITAL RESERVE

On 27 March 2013, the Company announced its proposals to issue 5 new shares for each 10 existing shares by way of conversion of capital reserve to all the shareholders of the Company. The proposed issue of shares of the Company was approved by the shareholders at the annual general meeting of the Company held on 14 June 2013, the class meeting of holders of H shares and the class meeting for holders of A shares held on 14 June 2013.

57,448,187 A shares and 17,790,000 H shares were issued on 26 June 2013 and 27 June 2013, respectively. The total number of issued shares of the Company increased to 225,714,561 shares (comprising 172,344,561 A shares and 53,370,000 H shares) as a result of such issue. The articles of association of the Company have been amended consequential to the completion of issue of shares by conversion of capital reserve on 27 June 2013.

For details of the issue of shares by conversion of capital reserve, please refer to the announcements of the Company dated 27 March 2013, 25 April 2013, 14 June 2013 and 26 June 2013, and the circular of the Company dated 26 April 2013.

## ISSUE OF DOMESTIC CORPORATE BONDS

On 22 August 2013, the Board proposed the issue of domestic corporate bonds with an aggregate principal amount of not exceeding RMB700 million (inclusive of RMB700 million) in the PRC.

On 10 October 2013, the proposed issue of domestic corporate bonds was approved by the shareholders at the extraordinary general meeting of the Company held on 10 October 2013.

On 15 January 2014, the Issuance Examination Committee of China Securities Regulatory Commission of the PRC ("CSRC") approved the application for issuing corporate bonds to the public from the Company.

On 5 March 2014, the Company received the Approval of Public Issue of Corporate Bonds by Dongjiang Environmental Company Limited (ZJXK[2014] No.190) from CSRC, and the contents of the approval are as follows:-

1. The issuance of corporate bonds with a par value not exceeding RMB700 million by the Company to the public has been approved;
2. The corporate bonds shall be issued by instalments, and the par value of the first phase of issue of the corporate bond shall not be less than 50% of total par value of the corporate bonds, and the first phase of the issue shall be completed within 6 months from the date of approval; The issuance of the remaining instalments shall be completed within 24 months respectively from the date of approval;
3. The issuance of the corporate bonds shall be implemented in strict accordance with the offer documents and announcement in relation to the offer submitted to CSRC;
4. The approval shall be valid within 24 months from the date of approval.

For details of the issue of domestic corporate bonds, please refer to the announcements of the Company dated 22 August 2013, 10 October 2013, 15 January 2014 and 5 March 2014, and the circular of the Company dated 23 August 2013.

## ADOPTION OF THE RESTRICTED A SHARE INCENTIVE SCHEME AND THE FIRST GRANT

On 26 November 2013, the Board considered and approved the proposal to adopt the Restricted A Share Incentive Scheme and the proposed grant thereunder.

The share incentive participants of the Restricted A Share Incentive Scheme include directors, senior management and key employees of the Group at the time of implementation of the Restricted A Share Incentive Scheme by the Company.

Pursuant to the Restricted A Share Incentive Scheme, the total number of restricted shares that may be granted shall not exceed 6,710,000 A shares. The Restricted A Share Incentive Scheme shall be effective within 48 months from the date of grant of the restricted shares.

On 8 November 2013, the Company was notified that CSRC has confirmed that it has no objection and has filed the registration about the initial draft of the Restricted A Share Incentive Scheme and its revised contents submitted by the Company.

The proposed adoption of the Restricted A Share Incentive Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 13 January 2014, the class meeting of holders of H shares and the class meeting for holders of A shares held on 13 January 2014.

On 23 January 2014, the first grant under the Restricted A Share Incentive Scheme (the "First Grant") was considered and approved by the Board. On the same date, an aggregate of 5,850,000 A shares have been issued and granted to the share incentive participants at the price of RMB19.37 per share pursuant to the Restricted A Share Incentive Scheme.

On 12 February 2014, all the relevant procedures (including the capital verification of the fund for subscription) concerning the First Grant in accordance with the relevant requirements of CSRC, the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited have been completed.

On 14 February 2014, 5,850,000 A shares commenced trading on the Shenzhen Stock Exchange. Some key information in respect of the listing of A shares is as follows:

Place of listing	:	Shenzhen Stock Exchange
Date of listing	:	14 February 2014
Stock name	:	DJE
Stock code	:	002672
Total number of issued shares of the Company immediately after the issue of A shares under the First Grant	:	231,564,561 (comprising 178,194,561 A shares and 53,370,000 H shares)

On 21 February 2014, the articles of association of the Company have been amended as a result of the completion of issue of A shares under the First Grant.

For details of the Restricted A Share Incentive Scheme and the First Grant, please refer to the announcements dated 19 September 2013, 26 September 2013, 8 November 2013, 27 November 2013, 28 November 2013, 27 December 2013, 13 January 2014, 23 January 2014, 12 February 2014 and 21 February 2014, and the circular of the Company dated 28 November 2013.



# DIRECTORS' REPORT

## AMENDMENT TO THE TERMS OF REFERENCE OF NOMINATION COMMITTEE

The terms of reference of the nomination committee of the Company was amended on 16 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duty.

## CHANGE OF FINANCIAL CONTROLLER OF THE COMPANY

On 8 November 2013, Mr. Cao Tingwu has resigned from the position of the financial controller of the Company. After his resignation, he remained his position as the vice president of the Company. On the same date, Mr. Tian Huachen was appointed as the financial controller in replace of Mr. Cao Tingwu in charge of the financial management of the Company.

## CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 31 March 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited (the "Branch Share Registrar"), will change its address from 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority 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 3 of this report. This summary does not form part of the audited financial statements.

## FIXED ASSETS

Details of movements in the fixed assets of the Group during the Reporting Period are set out in note VI.13 to the financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital are set out in note VI.31 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 AND REDEMPTION OF SECURITIES

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

## RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in shareholders' equity on pages 51 to 52 of this report.

## DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to approximately RMB988,072,505.75. 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 22.74% of the total sales for the year and sales to the largest customer included therein amounted to approximately 6.96%. Purchases from the Group's five largest suppliers accounted for approximately 14.38% of the total purchases for the year and purchase from the Group's largest supplier accounted for approximately 3.74% 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 and up to the date of this report were: Mr. Zhang Wei Yang, Mr. Chen Shu Sheng and Mr. Li Yong Peng as the executive Directors; Mr. Feng Tao, Mr. Feng Bo and Ms. Sun Ji Ping as the non-executive Directors; Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Wang Ji De as the independent non-executive Directors.

The supervisors of the Company ("Supervisors") during the Reporting Period and up to the date of this report were: Ms. Yuan Wei, Mr. Cai Wen Sheng and Mr. Liu An.

## DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Group are set out on pages 18 to 20 of this report.

## 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

Each of the Directors (including independent non-executive Directors) and Supervisors has entered into a service contract with the Company for a term of three years commencing from the conclusion of the annual general meeting held on 8 June 2011. 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' REPORT

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts 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 EMPLOYEES

Details of the emoluments for Directors, Supervisors and employees of the Company are set out in note VII.2(6) to the financial statements.

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.

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

As at 31 December 2013, the interests and short positions of the Directors, Supervisors and chief executive 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
Zhang Wei Yang	Beneficial owner	64,738,446 A shares	28.68%/37.56%
Li Yong Peng	Beneficial owner	9,577,732 A shares	4.24%/5.56%
Chen Shu Sheng	Beneficial owner	3,834,449 A shares	1.70%/2.22%

Save as disclosed above, as at 31 December 2013, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 2013, the following persons (other than Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position 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
Shanghai New Margin Venture Capital Co., Ltd. (Note 1)	Beneficial owner	18,469,966 A shares	8.18%/10.72%
CITIC Securities International Investment Management (HK) Limited	Investment manager	4,837,200 H shares	2.14%/9.06%
China Alpha Fund Management Limited	Investment manager	4,222,250 H shares	1.87%/7.91%
Wang Jun Yan (Note 2)	Interest of controlled corporation	3,935,250 H shares	1.74%/7.37%

Notes:

- Shanghai New Margin Venture Capital Co., Ltd. (上海聯創創業投資有限公司) is owned as to 24.5% by The Foundation of Science and Technology for Development of the State Planning Committee, State Economic and Trade Commission and China Science Academy, a state-owned entity, as to 24.5% by Shanghai Alliance Investment Ltd., a state-owned enterprise and as to 51% equally by Motorola (China) Investments Limited, Kingland Overseas Development Inc. and Asiagrowths Investments Limited.
- These 3,935,250 H shares were held by Mr. Wang Jun Yan through two companies. The entire issue share capital of each of these two companies is owned by Mr. Wang Jun Yan.

Save as disclosed above, as at 31 December 2013, the Directors, Supervisors and chief executive of the Company are not aware of any other person (other than the Directors, Supervisors and chief executive 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 Division 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 2013, none of the Directors, Supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME

No share option scheme was adopted by the Company as at 31 December 2013.

## CONNECTED TRANSACTIONS

### Continuing Connected Transactions

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

The Company entered into a sales agreement (the "Sales Agreement") with Heritage Dongjiang Micronutrients Additive (Shenzhen) Company Limited ("Shenzhen Micronutrients") (a company owned as to 62% by Heritage Technologies LLC ("Heritage") and as to 38% by the Company), pursuant to which Shenzhen Micronutrients agreed to purchase chemical products from the Group and associated companies of the Company from time to time, with a maximum amount of RMB192.8 million for the period from 1 January 2013 to 31 December 2013. During the Reporting Period, the aggregate fees paid by Shenzhen Micronutrients to the Group under the Sales Agreement amounted to RMB110,154,374.

Heritage owns 38% equity interest in, and is therefore a substantial shareholder of, 深圳東江華瑞科技有限公司 (Shenzhen Dongjiang Heritage Technologies Company) ("DJ Heritage"), which is a 62% owned subsidiary of the Company. Heritage and Shenzhen Micronutrients are therefore connected persons of the Company. The Sales Agreement constitute continuing connected transactions for the Company.

As the value of each of total assets, profits and revenue of DJ Heritage represent less than 10% of the relevant percentage ratios for each of the latest three financial years, the transactions contemplated under the Sales Agreement are exempted from reporting, annual review, announcement and independent shareholders' approval pursuant to Rule 14A.33(4) of the Listing Rules.

### Connected Transactions

#### Grant of Restricted Shares under the Restricted A Share Incentive Scheme

Grant of the restricted shares under the Restricted A Share Incentive Scheme to a share incentive participant who is a connected person of the Company for the purpose of the Listing Rules under the First Grant constituted a non-exempt connected transaction of the Company and was subject to, among other things, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of the extraordinary meeting approving the First Grant, Mr. Zhang Wei Yang, the chairman of the Board and an executive Director, holds 64,738,446 A Shares of the Company (representing approximately 28.68% of the then equity interests in the Company). Mr. Zhang is the uncle of Mr. Li Yong Peng (being one of the share incentive participants under the First Grant), and thus having interests therein, were required to, and did, abstain from voting at the extraordinary general meeting in the relevant resolutions.

For details of the Restricted A Share Incentive Scheme, please refer to the paragraph headed "Adoption of the Restricted A Share Incentive Scheme and the First Grant" in this section.

## Service Contracts

The related party transactions in relation to the emoluments of Directors, Supervisors and employees as disclosed in Note VII.2(6) 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.

## Financial guarantee provided by controlling shareholder

The related party transactions in relation to the financial guarantee given by controlling shareholder as disclosed in Note VII.2(4)(2) 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.65(4) of the Listing Rules.

Save as disclosed above, all the related party transactions of the Group for the Reporting Period disclosed in note VII to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders approval requirements under 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.

## COMPETING BUSINESS

During the Reporting Period and up to the date of this report, none of the Directors, Supervisors, chief executive or the management 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.

## AUDITORS

The current auditor of the Company is ShineWing Certified Public Accountants. A resolution to re-elect ShineWing Certified Public Accountants as the Company's auditor will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

**Dongjiang Environmental Company Limited\***

**ZHANG Wei Yang**

*Chairman*

Shenzhen, Guangdong Province, the PRC

27 March 2014

*\* For identification purpose only*

# 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 "Shareholder(s)") 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 27 March 2014, the Supervisory Committee convened a meeting, at which the 2013 financial statements of the Group and a preliminary draft of 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 the senior management of the Group had, under the principles of diligence, fairness and honesty, duly performed the responsibilities stipulated in the Articles of Association of the Company, carefully implemented all resolutions of the general meetings and the Board had never breached any laws, regulations and the Articles of Association of the Company.

In the coming year, the Supervisory Committee shall continue to carry out its duties in accordance with the relevant provisions of requirements and regulations, 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\***

**YUAN Wei**

*Chairman of the Supervisory Committee*

Shenzhen, the PRC

27 March 2014

*\* For identification purpose only*

# 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.

The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the Reporting Period.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by the Directors 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, 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 throughout the Reporting Period.

## THE BOARD

The Board is responsible to the shareholders of the Company. The primary tasks 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, half-year and annual results; as well as approving major transactions and other significant operational and financial matters.

The Board currently comprises three executive Directors, being Mr. Zhang Wei Yang, Mr. Chen Shu Sheng and Mr. Li Yong Peng; three non-executive Directors, being Mr. Feng Tao, Mr. Feng Bo and Ms. Sun Ji Ping; and three independent non-executive Directors, being Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Wang Ji De. Mr. Zhang Wei Yang 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 18 to 20 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 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.



# CORPORATE GOVERNANCE REPORT

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

<b>Name of Directors</b>	<b>Attendance/Number of meetings held</b>
Executive Directors	
Mr. Zhang Wei Yang ( <i>Chairman</i> )	17/17
Mr. Chen Shu Sheng ( <i>Chief Executive</i> )	17/17
Mr. Li Yong Peng ( <i>Vice President</i> )	17/17
Non-executive Directors	
Mr. Feng Tao ( <i>Vice Chairman</i> )	17/17
Mr. Feng Bo	17/17
Ms. Sun Ji Ping	17/17
Independent Non-executive Directors	
Mr. Ye Ru Tang	17/17
Mr. Hao Ji Ming	17/17
Mr. Wang Ji De	17/17
Average attendance rate	100%

Mr. Li Yong Peng (executive Director) is a nephew of Mr. Zhang Wei Yang (Chairman and executive Director).

Mr. Feng Bo (non-executive Director) is a brother of Mr. Feng Tao (non-executive Director).

Save as disclosed above, 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. Zhang Wei Yang serves as the chairman of the Board and Mr. Chen Shu Sheng serves as the chief executive of the Company.

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 take 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

Since the listing of the Company, two-third of the Board comprised non-executive Directors among which one-third 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.

Each of the Directors (including non-executive Directors) has entered into a service contract with the Company for a term of three years.

## 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 attendance:

Name of Directors	Attending training/briefing session	Reading materials
Executive Directors		
Mr. Zhang Wei Yang ( <i>Chairman</i> )	√	√
Mr. Chen Shu Sheng ( <i>Chief executive</i> )	√	√
Mr. Li Yong Peng ( <i>Vice President</i> )	√	√
Non-executive Directors		
Mr. Feng Tao ( <i>Vice Chairman</i> )	√	√
Mr. Feng Bo	√	√
Ms. Sun Ji Ping	√	√
Independent Non-executive Directors		
Mr. Ye Ru Tang	√	√
Mr. Hao Ji Ming	√	√
Mr. Wang Ji De	√	√

Each Director has provided a record of relevant training they received during the Reporting Period to the Company.

## 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.

# CORPORATE GOVERNANCE REPORT

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 adopted the board diversity policy and reviewed 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.

Each of Mr. Zhang Wei Yang, Mr. Li Yong Peng, Mr. Chen Shu Sheng, Mr. Feng Tao, Ms. Sun Ji Ping and Mr. Wang Ji De will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-election pursuant to the Articles.

Mr. Feng Bo, as a non-executive Director, and Mr. Ye Ru Tang and Mr. Hao Ji Ming, as independent non-executive Directors, will retire at the forthcoming annual general meeting of the Company and will not offer himself for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders in relation to the proposed appointment of Mr. Qu Jiu Hui and Mr. Huang Xian Rong as independent non-executive Directors.

Subject to the approval of the shareholders at the forthcoming annual general meeting, the number of Directors will be reduced from 9 to 8. The Board is of the view that such change will not affect the function of the Board.

## GENERAL MEETINGS WITH SHAREHOLDERS

The Company held 3 general meetings during the Reporting Period. Set out below is the record of attendance of the Directors at these general meetings:

<b>Name of Directors</b>	<b>Attendance/Number of meeting held</b>
Executive Directors	
Mr. Zhang Wei Yang ( <i>Chairman</i> )	2/3
Mr. Chen Shu Sheng ( <i>Chief Executive</i> )	2/3
Mr. Li Yong Peng ( <i>Vice President</i> )	1/3
Non-executive Directors	
Mr. Feng Tao ( <i>Vice Chairman</i> )	1/3
Mr. Feng Bo	1/3
Ms. Sun Ji Ping	1/3
Independent Non-executive Directors	
Mr. Ye Ru Tang	2/3
Mr. Hao Ji Ming	2/3
Mr. Wang Ji De	2/3
Average Attendance Rate	51.85%

## 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 and internal control of the Company.

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Wang Ji De. Mr. Wang Ji De 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 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 of the Company.

The Audit Committee met 4 times during the Reporting Period to discuss the Group's 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 meetings held
Mr. Wang Ji De ( <i>Chairman</i> )	4/4
Mr. Ye Ru Tang	4/4
Mr. Hao Ji Ming	4/4
Average attendance rate	100%

## 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, Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Wang Ji De. Mr. Ye Ru Tang 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.

# CORPORATE GOVERNANCE REPORT

The Remuneration and Appraisal Committee met 3 times during the Reporting Period to discuss the remuneration of the Directors and senior management and the relevant assessment policy. The following table shows the attendance records of individual members of the Remuneration and Appraisal Committee:

<b>Name of Remuneration and Appraisal Committee members</b>	<b>Attendance/Number of meetings held</b>
Mr. Ye Ru Tang ( <i>Chairman</i> )	3/3
Mr. Hao Ji Ming	3/3
Mr. Wang Ji De	3/3
Average attendance rate	100%

## 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. Hao Ji Ming and Mr. Ye Ru Tang, and one executive Director, namely Mr. Zhang Wei Yang. Mr. Hao has been appointed as the chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the Board structure, size, composition, diversity and the independent element of the Board, and make recommendations to the Board regarding candidates to fill vacancies on the Board.

The terms of reference of the nomination committee of the Company was amended on 16 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duty. All Board appointments will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and education background, and professional qualification.

The Nomination Committee met twice 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:

<b>Name of Nomination Committee members</b>	<b>Attendance/Number of meetings held</b>
Mr. Hao Ji Ming ( <i>Chairman</i> )	2/2
Mr. Zhang Wei Yang	2/2
Mr. Ye Ru Tang	2/2
Average attendance rate	100%

## 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 one executive Director, namely, Mr. Zhang Wei Yang, one non-executive Director, namely, Mr. Feng Tao and one independent non-executive Director, namely Mr. Ye Ru Tang. Mr. Zhang 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:

<b>Name of Strategic Development Committee members</b>	<b>Attendance/Number of meetings held</b>
Mr. Zhang Wei Yang ( <i>Chairman</i> )	1/1
Mr. Ye Ru Tang	1/1
Mr. Feng Tao	1/1
Average attendance rate	100%

## AUDITORS' REMUNERATION

The remuneration paid to the Company's auditor, SHINEWING CERTIFIED PUBLIC ACCOUNTANTS, for audit services during the Reporting Period was in total RMB800,000. During the Reporting Period, there was no non-audit service provided by our external auditor.

## COMPANY SECRETARY

Ms. Wang Tian has been the company secretary of the Company since 17 December 2012 and Ms. Wang had taken no less than 15 hours of relevant professional training during the Reporting Period.

## SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Shareholders are encouraged to attend the general meeting for which at least 45 days' notice is given. According to the Articles, Shareholders who possess over 10% (including 10%) voting shares issued by the Company has the right to call for extraordinary general meeting by submitting written request to 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 by the Shareholders.

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

Addressee: Ms. Wang Na  
Address: 11th Floor, Dongjiang Environmental Building, No. 9 Langshan Road, Nanshan District, Shenzhen, the People's Republic of China  
Email: [ir@dongjiang.com.cn](mailto:ir@dongjiang.com.cn)  
Tel No.: 86 (755) 86676092  
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".

# CORPORATE GOVERNANCE REPORT

## PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

According to the Articles, where the Company holds a general meeting, the shareholders 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.

## CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

Pursuant to the issue of H Shares and A Shares in June 2013, the Articles was amended to take into account the increase in the Company' registered capital and the number of H Shares and A Shares. Please refer to the circular of the Company dated 26 April 2013 for details of the amendments made to the Articles pursuant to the issue of H shares and A shares.

Save as disclosed above, there has been no material changes in the Company's constitutional documents during the Reporting Period.

## SENIOR MANAGEMENT'S REMUNERATION

The remuneration of the senior management for the Reporting Period is set out below:-

<b>Remuneration by band</b>	<b>Number of senior management</b>
0 – RMB405,450 (HKD500,000)	1
RMB405,451 – RMB810,900 (HKD500,001-1,000,000)	3

Particulars regarding senior management's remuneration and the five individuals with highest emoluments for the Reporting Period are set out in the note VII.2.(6) 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.

## INTERNAL CONTROL AND INTERNAL AUDIT

The Board has conducted a review of the effectiveness of the Group's 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 reviewing, the Board considered that nothing has come to its attention to cause the Board to believe that the internal control system is inadequate.

The Group'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. Each month the executive Directors meet with the management of subsidiaries and individual businesses to review monthly operating performance and address potential business risks and countermeasures.

The Company has established internal audit function to ensure the effectiveness of internal control system, as well as identify and prevent the potential risk. The head of internal audit submits working reports and recommendations on a regular basis to the executive Directors. The 2013 annual audit report for the Reporting Period was submitted to the Board, and no major issues had been identified.

### **FINANCIAL REPORTING**

The Directors acknowledged their responsibility for the preparation of financial statements which gives a true and fair view. In preparing financial statements which gives a true and fair view, 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 auditors on page 40 of this report.



# REPORT OF THE AUDITORS

XYZH/2013SZA1029

## TO THE SHAREHOLDERS OF DONGJIANG ENVIRONMENTAL COMPANY LIMITED

We have audited the accompanying financial statements of Dongjiang Environmental Company Limited (hereinafter referred to as "Dongjiang Environmental Company"), which comprise the consolidated and Company balance sheets as at 31 December 2013, the consolidated and Company income statements, the consolidated and Company cash flow statements and the consolidated and Company statements of changes in shareholders' equity for the year then ended and notes to these financial statements.

### 1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Dongjiang Environmental Company is responsible for the preparation and the fair presentation of the financial statements. These responsibilities include (1) preparing financial statements in accordance with Accounting Standards for Business Enterprises that are fairly presented; (2) designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error

### 2. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified public accountant's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, certified public accountant considers the internal controls relevant to the entity's preparation of financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 3. AUDITING OPINION

In our opinion, the financial statements have been prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material aspects, the consolidated and Company financial position of Dongjiang Environmental Company as at 31 December 2013 and of their financial performance and their cash flows for the year then ended.

#### ShineWing Certified Public Accountants

**Guo Jinlong**

Chinese Certified Public Accountant

**Qiu Lequn**

Chinese Certified Public Accountant

**Beijing, China**

27 March 2014

# CONSOLIDATED BALANCE SHEET

31 December 2013

Unit: RMB

Item	Note	31/12/2013	31/12/2012
<b>Current Assets:</b>			
Bank balances and cash	VI.1	946,887,455.89	1,027,814,556.38
Financial assets at fair value through profit and loss	VI.2	2,007,400.00	3,748,980.00
Notes receivable	VI.3	54,051,330.29	31,778,542.16
Accounts receivable	VI.4	179,584,250.23	207,393,388.94
Prepayments	VI.5	102,659,646.18	164,693,996.63
Interest receivable			
Dividend receivable			
Other accounts receivable	VI.6	53,359,463.07	43,961,746.66
Inventories	VI.7	244,452,387.59	258,488,536.56
Items classified to held for sale non-current assets and items classified to be held for sale assets in disposition group			
Non-current asset due within 1 year	VI.8	28,680,000.00	28,680,000.00
Other current assets	VI.9	15,000,000.00	59,108.33
<b>Total current assets</b>		<b>1,626,681,933.25</b>	1,766,618,855.66
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term accounts receivable	VI.10	56,310,000.00	44,815,000.00
Long-term equity investment	VI.11	103,556,310.18	81,255,271.82
Investment Properties	VI.12	53,630,900.00	53,630,900.00
Fixed assets	VI.13	587,882,227.61	572,193,605.20
Construction in progress	VI.14	288,345,767.66	239,146,012.43
Engineering material			
Disposal of fixed assets			
Intangible assets	VI.15	439,039,924.10	298,560,475.42
Development expenditure			
Goodwill	VI.16	99,534,307.16	42,789,715.19
Long-term unamortized expenses	VI.17	1,882,667.43	1,152,733.51
Deferred income tax assets	VI.18	10,593,534.90	9,443,444.07
Other non-current assets			
<b>Total non-current assets</b>		<b>1,640,775,639.04</b>	1,342,987,157.64
<b>Total assets</b>		<b>3,267,457,572.29</b>	3,109,606,013.30
<b>Current liabilities:</b>			
Short-term borrowings	VI.20	265,724,000.00	38,109,000.00
Financial liabilities at fair value through profit and loss			
Notes payable			
Accounts payable	VI.21	157,926,908.55	209,740,096.74
Receipts in advance	VI.22	38,376,562.90	58,671,791.40
Employee benefits payables	VI.23	33,478,555.80	24,454,789.68

# CONSOLIDATED BALANCE SHEET

31 December 2013

Unit: RMB

Item	Note	31/12/2013	31/12/2012
Items classified to held for sale liabilities in disposition group	VI.24	(109,901.02)	13,538,793.58
Interest payables			
Dividend payables			
Other accounts payables	VI.25	46,631,782.14	114,873,450.85
Non-current liabilities repayable within one year	VI.26	57,619,088.61	160,371,838.90
Other current liabilities	VI.27	6,073,444.20	3,656,883.08
<b>Total current liabilities</b>		<b>605,720,441.18</b>	623,416,644.23
<b>Non-current liabilities</b>			
Long-term borrowings	VI.28	124,713,278.43	110,996,248.67
Bonds receivable			
Long-term accounts payables	VI.29	19,079,554.71	30,947,203.20
Special accounts payable			
Estimated liabilities			
Deferred income tax liabilities	VI.18	1,721,720.00	1,870,895.79
Other non-current liabilities	VI.30	66,259,084.20	69,428,999.87
<b>Total non-current liabilities</b>		<b>211,773,637.34</b>	213,243,347.53
<b>Total Liabilities</b>		<b>817,494,078.52</b>	836,659,991.76
<b>Shareholders' equity:</b>			
Capital	VI.31	225,714,561.40	150,476,374.40
Capital reserve	VI.32	855,365,333.07	930,603,520.07
Less: Treasury share			
Special reserves			
Surplus reserves	VI.33	110,735,300.43	93,173,237.74
Generic Risk Reserve			
Undistributed profits	VI.34	1,050,279,781.79	919,750,287.90
Exchange difference on translation of financial statements denominated in foreign currency		(327,356.22)	19,556.79
<b>Equity attributable to shareholders of the company</b>		<b>2,241,767,620.47</b>	2,094,022,976.90
Minority interests	VI.35	208,195,873.30	178,923,044.64
<b>Total shareholders' equity</b>		<b>2,449,963,493.77</b>	2,272,946,021.54
<b>Total liabilities and shareholders' equity</b>		<b>3,267,457,572.29</b>	3,109,606,013.30
<b>Net current assets</b>		<b>1,020,961,492.07</b>	1,143,202,211.43
<b>Total assets less current liabilities</b>		<b>2,661,737,131.11</b>	2,486,189,369.07

Zhang Wei Yang  
Legal representative:

Tian Hua Chen  
Chief Financial Officer

Wang Min Yan  
Head of Financial Section

# BALANCE SHEET OF THE COMPANY

31 December 2013

Unit: RMB

Item	Note	31/12/2013	31/12/2012
<b>Current Assets:</b>			
Bank balances and cash	XV.1	<b>548,300,795.08</b>	676,513,377.95
Financial assets at fair value through profit and loss	XV.2	<b>2,007,400.00</b>	3,748,980.00
Notes receivable	XV.3	<b>46,118,446.38</b>	18,342,900.60
Accounts receivable	XV.4	<b>90,214,471.70</b>	105,183,188.07
Prepayments	XV.5	<b>24,422,551.27</b>	30,194,171.97
Interest receivable			
Devidend receivable			
Other accounts receivable	XV.6	<b>608,277,237.02</b>	333,526,402.95
Inventories	XV.7	<b>20,571,448.65</b>	21,528,222.81
Items classified to be held for sale non-current assets and items classified to be held for sale assets in disposition group			
Non-current asset due within 1 year	XV.8	<b>28,680,000.00</b>	28,680,000.00
Other current assets			
<b>Total current assets</b>		<b>1,368,592,350.10</b>	1,217,717,244.35
<b>Non-current assets:</b>			
Available-for-sale financial assets			
held-to-maturity investment			
Long-term accounts receivable	XV.9	<b>56,310,000.00</b>	44,815,000.00
Long-term equity investment	XV.10	<b>1,111,221,335.71</b>	933,829,998.04
Investment Properties	XV.11	<b>53,630,900.00</b>	53,630,900.00
Fixed assets	XV.12	<b>170,575,660.17</b>	167,147,809.08
Construction in progress	XV.13	<b>45,922,380.48</b>	29,186,984.71
Engineering material			
Disposal of fixed assets			
Intangible assets	XV.14	<b>72,306,769.56</b>	12,512,091.17
Development expenditure			
Goodwill			
Long-term unamortized expenses	XV.15	<b>961,999.98</b>	
Deferred income tax assets	XV.16	<b>7,606,601.09</b>	7,066,721.32
Other non-current assets	XV.17	<b>9,036,792.00</b>	9,036,792.00
<b>Total non-current assets</b>		<b>1,527,572,438.99</b>	1,257,226,296.32
<b>Total assets</b>		<b>2,896,164,789.09</b>	2,474,943,540.67

# BALANCE SHEET OF THE COMPANY

31 December 2013

Unit: RMB

Item	Note	31/12/2013	31/12/2012
<b>Current liabilities:</b>			
Short-term borrowings	XV.18	<b>250,000,000.00</b>	
Financial liabilities at fair value through profit and loss			
Notes payable			
Accounts payable	XV.19	<b>98,906,191.34</b>	121,152,254.22
Receipts in advance	XV.20	<b>12,459,091.88</b>	11,358,905.81
Employee benefits payables	XV.21	<b>21,078,640.01</b>	16,181,026.05
	XV.22	<b>9,719,578.36</b>	24,690,660.01
Interest payables			
Dividend payables			
Other accounts payables	XV.23	<b>177,265,792.97</b>	150,423,632.80
Items classified to be held for sale liabilities in disposition group			
Non-current liabilities repayable within one year	XV.24	<b>11,000,000.00</b>	14,000,000.00
Other current liabilities	XV.25	<b>2,506,883.09</b>	2,506,883.08
<b>Total current liabilities</b>		<b>582,936,177.65</b>	340,313,361.97
<b>Non-current liabilities:</b>			
Long-term borrowings	XV.26	<b>64,500,000.00</b>	
Bonds receivable			
Long-term accounts payables			
Special accounts payable			
Estimated liabilities			
Deferred income tax liabilities	XV.14	<b>1,721,720.00</b>	782,481.48
Other non-current liabilities	XV.26	<b>20,435,149.19</b>	22,706,032.28
<b>Total non-current liabilities</b>		<b>86,656,869.19</b>	23,488,513.76
<b>Total Liabilities</b>		<b>669,593,046.84</b>	363,801,875.73
<b>Shareholders' equity:</b>			
Capital	XV.28	<b>225,714,561.40</b>	150,476,374.40
Capital reserve	XV.29	<b>916,095,129.79</b>	991,333,316.79
Less: Treasury share			
Special reserves			
Surplus reserves	XV.30	<b>96,689,545.31</b>	79,127,482.62
Generic Risk Reserve			
Undistributed profits	XV.31	<b>988,072,505.75</b>	890,204,491.13
<b>Total shareholders' equity</b>		<b>2,226,571,742.25</b>	2,111,141,664.94
<b>Total liabilities and shareholders' equity</b>		<b>2,896,164,789.09</b>	2,474,943,540.67

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer

**Wang Min Yan**  
Head of Financial Section

# CONSOLIDATED INCOME STATEMENT

For year 2013

Unit: RMB

Items	Note	2013	2012
<b>I. Total operating revenue</b>		<b>1,582,936,364.20</b>	1,521,517,728.17
Including: operating revenue	VI.39	<b>1,582,936,364.20</b>	1,521,517,728.17
<b>II. Total operating cost</b>		<b>1,378,911,762.92</b>	1,217,647,208.58
Including: Cost of operation	VI.39	<b>1,100,398,704.00</b>	959,814,473.64
Sales tax and Levies	VI.41	<b>9,421,694.40</b>	14,873,057.13
Selling expenses	VI.42	<b>38,287,887.95</b>	34,011,655.63
Administrative expenses	VI.43	<b>221,405,603.84</b>	207,692,583.06
Finance costs	VI.44	<b>1,469,229.49</b>	3,192,383.07
Impairment loss for assets	VI.45	<b>7,928,643.24</b>	(1,936,943.95)
Add: Gain (Loss) on fair value changes	VI.46	<b>(1,049,660.00)</b>	237,660.00
Investment income	VI.47	<b>35,875,929.19</b>	11,671,538.33
Including: Share of profit (loss) of associates and jointly controlled entity		<b>22,427,932.85</b>	11,562,993.33
Exchange gain(loss)			
<b>III. Operating profit</b>		<b>238,850,870.47</b>	315,779,717.92
Add: Non-operating income	VI.48	<b>38,108,156.35</b>	19,255,546.88
Including: Disposal income on non-current asset		<b>556,188.45</b>	
Less: Non-operating expenses	VI.49	<b>5,481,719.48</b>	2,307,017.56
Including: Disposal loss on non-current asset		<b>2,442,601.41</b>	1,099,770.97
<b>IV. Total Profit</b>		<b>271,477,307.34</b>	332,728,247.24
Less: Income tax expenses	VI.50	<b>27,839,095.95</b>	38,711,278.72
<b>V. Net profit</b>		<b>243,638,211.39</b>	294,016,968.52
Attributable to shareholders of the Company		<b>208,282,106.18</b>	266,705,803.99
Minority interests		<b>35,356,105.21</b>	27,311,164.53
<b>VI. Earnings per share</b>			
Basic earnings per share	VI.56	<b>0.92</b>	1.23
Diluted earnings per share	VI.56	<b>0.92</b>	1.23
<b>VII. Other comprehensive income</b>	VI.55	<b>(346,913.01)</b>	606,146.94
Items cannot be classified in the future accounting periods			
Items can be reclassified to profit and loss when qualified in future accounting periods		<b>(346,913.01)</b>	606,146.94
<b>VIII. Total comprehensive income</b>		<b>243,291,298.38</b>	294,623,115.46
Attributable to shareholders of the Company		<b>207,935,193.17</b>	267,311,950.93
Minority interests		<b>35,356,105.21</b>	27,311,164.53

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer

**Wang Min Yan**  
Head of Financial Section

# INCOME STATEMENT OF THE COMPANY

For year 2013

Unit: RMB

Items	Note	2013	2012
<b>I. Operating revenue</b>	XV.35	<b>875,831,635.75</b>	842,244,292.45
<b>Less: Operating cost</b>	XV.35	<b>612,041,782.85</b>	512,122,127.19
Sales tax and Levies	XV.37	<b>3,888,609.68</b>	7,589,647.65
Selling expenses	XV.38	<b>12,011,502.66</b>	3,957,424.27
Administrative expenses	XV.39	<b>107,562,546.80</b>	106,117,043.57
Finance costs	XV.40	<b>(3,424,476.29)</b>	(12,757,693.89)
Impairment loss for assets	XV.41	<b>6,204,017.63</b>	(4,257,061.50)
Add: Gain (Loss) on fair value changes	XV.42	<b>(1,049,660.00)</b>	237,660.00
Investment income	XV.43	<b>52,682,604.48</b>	21,545,385.32
Including: Share of profit (loss) of associates and jointly controlled entity		<b>22,427,932.85</b>	12,256,840.32
<b>II. Operating profit</b>		<b>189,180,596.90</b>	251,255,850.48
Add: Non-operating income	XV.44	<b>7,849,347.67</b>	4,468,207.77
Including: Disposal income on non-current asset		<b>11,016.21</b>	371,895.32
Less: Non-operating expenses	XV.45	<b>2,700,859.52</b>	1,598,698.80
Including: Disposal loss on non-current asset		<b>679,807.17</b>	575,141.04
<b>III. Total Profit</b>		<b>194,329,085.05</b>	254,125,359.45
Less: Income tax expenses	XV.46	<b>18,708,458.14</b>	29,938,510.48
<b>IV. Net profit</b>		<b>175,620,626.91</b>	224,186,848.97
<b>V. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			
<b>VI. Other comprehensive income</b>			
Items cannot be classified in the future accounting periods			
Items can be reclassified to profit and loss when qualified in future accounting periods			
<b>VII. Total comprehensive income</b>		<b>175,620,626.91</b>	224,186,848.97

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer

**Wang Min Yan**  
Head of Financial Section

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

		RMB	
Item	Note	2013	2012
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		<b>1,752,851,804.69</b>	1,573,402,425.13
Refund of taxes and levies		<b>7,393,382.98</b>	7,444,054.08
Other cash receipts relating to operating activities	VI.58	<b>93,877,558.71</b>	55,911,124.27
<b>Sub-total of cash inflows from operating activities</b>		<b>1,854,122,746.38</b>	1,636,757,603.48
Cash paid for goods and services		<b>1,070,439,821.57</b>	877,799,252.97
Cash paid to and on behalf of employees		<b>197,212,869.87</b>	166,909,333.85
Payments of taxes and levies		<b>130,068,483.20</b>	132,326,428.87
Other cash payments relating to operating activities	VI.58	<b>112,415,513.71</b>	147,936,737.58
<b>Sub-total of cash outflows from operating activities</b>		<b>1,510,136,688.35</b>	1,324,971,753.27
<b>Net cash flows from operating activities</b>		<b>343,986,058.03</b>	311,785,850.21
<b>II. Cash flows from investing activities</b>			
Cash received from investments		<b>752,711.63</b>	100,000.00
Cash received from returns on investments		<b>1,503,406.11</b>	248,522.82
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>347,698.55</b>	504,676.36
Net cash received from disposal of subsidiaries and other operating units			
Other cash receipts relating to investing activities			
<b>Sub-total cash inflows from investing activities</b>		<b>2,603,816.29</b>	853,199.18
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>317,855,221.30</b>	190,564,485.69
Cash paid on investments		<b>14,940,891.67</b>	
Net cash paid on acquisition of subsidiaries and other operating units		<b>107,736,653.63</b>	66,168,591.79
Other cash payments relating to investing activities		<b>21,563,258.78</b>	
<b>Sub-total cash outflows from investing activities</b>		<b>462,096,025.38</b>	256,733,077.48
<b>Net cash flows used in investing activities</b>		<b>(459,492,209.09)</b>	(255,879,878.30)



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

RMB

Item	Note	2013	2012
<b>III. Cash flows from financing activities</b>			
Cash received from financing			1,061,200,000.00
Including: Cash received from investment from minority shareholders			36,200,000.00
Cash received from borrowings		<b>417,615,000.00</b>	196,877,132.20
Cash received from issuing bonds			
Cash received from other financing activities	VI.58	<b>6,593,250.00</b>	824,340.00
<b>Sub-total cash inflows from financing activities</b>		<b>424,208,250.00</b>	1,258,901,472.20
Cash payments for settlement of borrowings		<b>279,182,069.60</b>	408,617,011.33
Cash payments for interest expenses, distribution of dividend or profits		<b>84,452,787.44</b>	104,623,957.14
Including: cash payments for distribution of dividends to minority shareholders		<b>6,327,500.00</b>	8,820,000.00
Other cash payments relating to financing activities	VI.58	<b>26,732,249.48</b>	33,097,007.86
<b>Sub-total cash outflows from financing activities</b>		<b>390,367,106.52</b>	546,337,976.33
<b>Net cash flows from financing activities</b>		<b>33,841,143.48</b>	712,563,495.87
<b>IV. Effect of foreign exchange rate changes</b>		<b>(346,913.01)</b>	606,146.94
<b>V. Decrease in cash and cash equivalents</b>		<b>(82,011,920.59)</b>	769,075,614.72
Add: Cash and cash equivalents at beginning of year		<b>1,016,889,376.48</b>	247,813,761.76
<b>VI. Cash and cash equivalents at end of year</b>		<b>934,877,455.89</b>	1,016,889,376.48

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer

**Wang Min Yan**  
Head of Financial Section

# CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2013

RMB			
Item	Note	2013	2012
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		<b>941,189,090.69</b>	859,065,506.96
Refund of taxes and levies			
Other cash receipts relating to operating activities	XV.47	<b>138,539,269.31</b>	148,865,820.20
<b>Sub-total of cash inflows from operating activities</b>		<b>1,079,728,360.00</b>	1,007,931,327.16
Cash paid for goods and services		<b>646,659,410.48</b>	479,996,004.92
Cash paid to and on behalf of employees		<b>97,712,975.16</b>	83,754,612.52
Payments of taxes and levies		<b>62,227,212.22</b>	57,228,626.21
Other cash payments relating to operating activities	XV.47	<b>97,435,873.39</b>	101,221,911.22
<b>Sub-total of cash outflows from operating activities</b>		<b>904,035,471.25</b>	722,201,154.87
<b>Net cash flows from operating activities</b>		<b>175,692,888.75</b>	285,730,172.29
<b>II. Cash flows from investing activities</b>			
Cash received from investments		<b>752,711.63</b>	1,104,088.00
Cash received from returns on investments		<b>27,643,405.02</b>	9,686,124.78
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>29,500.00</b>	410,000.00
Net cash received from disposal of subsidiaries and other operating units		<b>3,300,000.00</b>	
Other cash receipts relating to investing activities			
<b>Sub-total cash inflows from investing activities</b>		<b>31,725,616.65</b>	11,200,212.78
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>101,449,777.90</b>	49,416,518.93
Cash paid on investments		<b>84,180,000.00</b>	
Net cash paid on acquisition of subsidiaries and other operating units		<b>117,903,404.82</b>	482,582,600.00
Other cash payments relating to investing activities	XV.47	<b>269,172,021.77</b>	
<b>Sub-total cash outflows from investing activities</b>		<b>572,705,204.49</b>	531,999,118.93
<b>Net cash flows used in investing activities</b>		<b>(540,979,587.84)</b>	(520,798,906.15)

# CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2013

RMB

Item	Note	2013	2012
<b>III. Cash flows from financing activities</b>			
Cash received from financing			1,025,000,000.00
Cash received from borrowings		<b>380,000,000.00</b>	40,000,000.00
Cash received from issuing bonds			
Cash received from other financing activities	XV.47	<b>6,560,000.00</b>	824,340.00
<b>Sub-total cash inflows from financing activities</b>		<b>386,560,000.00</b>	1,065,824,340.00
Cash payments for settlement of borrowings		<b>68,500,000.00</b>	191,000,000.00
Cash payments for interest expenses, distribution of dividend or profits		<b>69,650,397.06</b>	80,165,607.33
Other cash payments relating to financing activities	XV.47	<b>11,640,000.00</b>	17,613,900.00
<b>Sub-total cash outflows from financing activities</b>		<b>149,790,397.06</b>	288,779,507.33
<b>Net cash flows from financing activities</b>		<b>236,769,602.94</b>	777,044,832.67
<b>IV. Effect of foreign exchange rate changes</b>		<b>19,693.18</b>	193,824.31
<b>V. Decrease in cash and cash equivalents</b>		<b>(128,497,402.97)</b>	542,169,923.12
Add: Cash and cash equivalents at beginning of year		<b>667,738,198.05</b>	125,568,274.93
<b>VI. Cash and cash equivalents at end of year</b>		<b>539,240,795.08</b>	667,738,198.05

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer

**Wang Min Yan**  
Head of Financial Section

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year 2013

RMB

Item	2013									
	Attributable to shareholders of the Company									
	Share capital	Capital reserve	Less:							Minority interests
			Treasury share	Special reserves	Surplus reserve	General risk reserve	Undistributed profits	Others		
<b>I. Balance at the end of last year</b>	150,476,374.40	930,603,520.07			93,173,237.74		919,750,287.90	19,556.79	178,923,044.64	2,272,946,021.54
Add: changes in accounting policy										
correction of previous years										
others										
<b>II. Balance at beginning of year</b>	150,476,374.40	930,603,520.07			93,173,237.74		919,750,287.90	19,556.79	178,923,044.64	2,272,946,021.54
<b>III. Movement of the year</b>	75,238,187.00	(75,238,187.00)			17,562,062.69		130,529,493.89	(346,913.01)	29,272,828.66	177,017,472.23
(1) Net profit							208,282,106.18		35,356,105.21	243,638,211.39
(2) Other comprehensive income								(346,913.01)		(346,913.01)
Subtotal							208,282,106.18	(346,913.01)	35,356,105.21	243,291,298.38
(3) Contribution from shareholders and reduction of capital									12,404,223.45	12,404,223.45
1) Injection from shareholders									4,900,000.00	4,900,000.00
2) Share-based payment included in the amount of Stockholders' equity										
3) Others									7,504,223.45	7,504,223.45
(4) Profits appropriation					17,562,062.69		(77,752,612.29)		(18,487,500.00)	(78,678,049.60)
1) Extract for surplus reserve					17,562,062.69		(17,562,062.69)			
2) Extract for general risk reserve										
3) Dividends paid to shareholders							(60,190,549.60)		(18,487,500.00)	(78,678,049.60)
4) Others										
(5) Transfer	75,238,187.00	(75,238,187.00)								
1) Transfer of capital reserve to share capital	75,238,187.00	(75,238,187.00)								
2) Transfer of surplus reserve to share capital										
3) Surplus reserve to compensate deficit										
4) Others										
(6) Special reserve										
1) Extract this year										
2) Usage this year										
(7) others										
<b>IV. Balance at end of year</b>	225,714,561.40	855,365,333.07			110,735,300.43		1,050,279,781.79	(327,356.22)	208,195,873.30	2,449,963,493.77

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year 2013

RMB

Item	2012									
	Attributable to shareholders of the Company									
	Share capital	Capital reserve	Less: Treasury share	Special reserves	Surplus reserve	General risk reserve	Undistributed profits	Others	Minority interests	Total shareholders' equity
<b>I. Balance at the end of last year</b>	125,476,374.40				70,754,552.84		750,701,355.81	(586,590.15)	103,337,513.73	1,049,683,206.63
Add: changes in accounting policy										
correction of previous years										
others										
<b>II. Balance at beginning of year</b>	125,476,374.40				70,754,552.84		750,701,355.81	(586,590.15)	103,337,513.73	1,049,683,206.63
<b>III. Movement of the year</b>	25,000,000.00	930,603,520.07			22,418,684.90		169,048,932.09	606,146.94	75,585,530.91	1,223,262,814.91
(1) Net profit							266,705,803.99		27,311,164.53	294,016,968.52
(2) Other comprehensive income								606,146.94		606,146.94
Subtotal							266,705,803.99	606,146.94	27,311,164.53	294,623,115.46
(3) Contribution from shareholders										
and reduction of capital	25,000,000.00	930,603,520.07							57,094,366.38	1,012,697,886.45
1) Injection from shareholders	25,000,000.00	987,225,849.86							48,800,000.00	1,061,025,849.86
2) Share-based payment included in the amount of Stockholders' equity										
3) Others		(56,622,329.79)							8,294,366.38	(48,327,963.41)
(4) Profits appropriation					22,418,684.90		(97,656,871.90)		(8,820,000.00)	(84,058,187.00)
1) Extract for surplus reserve					22,418,684.90		(22,418,684.90)			
2) Extract for general risk reserve										
3) Dividends paid to shareholders							(75,238,187.00)		(8,820,000.00)	(84,058,187.00)
4) Others										
(5) Transfer										
1) Transfer of capital reserve to share capital										
2) Transfer of surplus reserve to share capital										
3) Surplus reserve to compensate deficit										
4) Others										
(6) Special reserve										
1) Extract this year										
2) usage this year										
(7) Others										
<b>IV. Balance at end of year</b>	150,476,374.40	930,603,520.07			93,173,237.74		919,750,287.90	19,556.79	178,923,044.64	2,272,946,021.54

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer

**Wang Min Yan**  
Head of Financial Section

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year 2013

		2013							RMB
Item	Share capital	Capital reserve	Less: Treasury share	Special reserves	Surplus reserve	General risk reserve	Undistributed profits	Total shareholders' equity	
<b>I. Balance at the end of last year</b>	150,476,374.40	991,333,316.79			79,127,482.62		890,204,491.13	2,111,141,664.94	
Add: changes in accounting policy									
correction of previous years									
others									
<b>II. Balance at beginning of year</b>	150,476,374.40	991,333,316.79			79,127,482.62		890,204,491.13	2,111,141,664.94	
<b>III. Movement of the year</b>	75,238,187.00	(75,238,187.00)			17,562,062.69		97,868,014.62	115,430,077.31	
(1) Net profit							175,620,626.91	175,620,626.91	
(2) Other comprehensive income									
Subtotal							175,620,626.91	175,620,626.91	
(3) Contribution from shareholders and reduction of capital									
1) Injection from shareholders									
2) Share-based payment included in the amount of Stockholders' equity									
3) Others									
(4) Profits appropriation					17,562,062.69		(77,752,612.29)	(60,190,549.60)	
1) Extract for surplus reserve					17,562,062.69		(17,562,062.69)		
2) Extract for general risk reserve									
3) Dividends paid to shareholders							(60,190,549.60)	(60,190,549.60)	
4) Others									
(5) Transfer	75,238,187.00	(75,238,187.00)							
1) Transfer of capital reserve to share capital	75,238,187.00	(75,238,187.00)							
2) Transfer of surplus reserve to share capital									
3) Surplus reserve to compensate deficit									
4) Others									
(6) Special reserve									
1) Extract this year									
2) Usage this year									
(7) Others									
<b>IV. Balance at end of year</b>	225,714,561.40	916,095,129.79			96,689,545.31		988,072,505.75	2,226,571,742.25	

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year 2013

Item	2012								RMB
	Share capital	Capital reserve	Less: Treasury share	Special reserves	Surplus reserve	General risk reserve	Undistributed profits	Total shareholders' equity	
<b>I. Balance at the end of last year</b>	125,476,374.40	4,107,466.93			56,708,797.72		763,674,514.06	949,967,153.11	
Add: changes in accounting policy									
correction of previous years									
others									
<b>II. Balance at beginning of year</b>	125,476,374.40	4,107,466.93			56,708,797.72		763,674,514.06	949,967,153.11	
<b>III. Movement of the year</b>	25,000,000.00	987,225,849.86			22,418,684.90		126,529,977.07	1,161,174,511.83	
(1) Net profit							224,186,848.97	224,186,848.97	
(2) Other comprehensive income									
Subtotal							224,186,848.97	224,186,848.97	
(3) Contribution from shareholders and reduction of capital	25,000,000.00	987,225,849.86						1,012,225,849.86	
1) Injection from shareholders	25,000,000.00	987,225,849.86						1,012,225,849.86	
2) Share-based payment included in the amount of Stockholders' equity									
3) Others									
(4) Profits appropriation					22,418,684.90		(97,656,871.90)	(75,238,187.00)	
1) Extract for surplus reserve					22,418,684.90		(22,418,684.90)		
2) Extract for general risk reserve									
3) Dividends paid to shareholders							(75,238,187.00)	(75,238,187.00)	
4) Others									
(5) Transfer									
1) Transfer of capital reserve to share capital									
2) Transfer of surplus reserve to share capital									
3) Surplus reserve to compensate deficit									
4) Others									
(6) Special reserve									
1) Extract this year									
2) Usage this year									
(7) Others									
<b>IV. Balance at end of year</b>	150,476,374.40	991,333,316.79			79,127,482.62		890,204,491.13	2,111,141,664.94	

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer

**Wang Min Yan**  
Head of Financial Section

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## I. GENERAL INFORMATION

Dongjiang Environmental Company Limited 東江環保股份有限公司 (Formerly known as Shenzhen Dongjiang Environmental Company Limited (深圳市東江環保股份有限公司) (herein after referred as the “Company”) was established in accordance with Companies Law of the People’s Republic of China on 18 July 2002 in the People’s Republic of China (the “PRC”) as joint stock limited company. The business registration licence number is 440301103492937. The legal representative is Mr. Zhang Wei Yang. The registered address 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.

With the approval of Ministry of Finance Caiqi [2002] No. 267 “The Approval of Ministry of Finance to the Issues of Management of State-owned Shares of Shenzhen Dongjiang Environmental Limited Company (under preparation)” and Shen Fu Gu [2002] No. 26 of Shenzhen Municipal Government, the Company was reorganised from the original Shenzhen Dongjiang Environmental Technology Limited Company 深圳市東江環保技術有限公司 to Shenzhen Dongjiang Environmental Company Limited 深圳市東江環保股份有限公司 by its 7 shareholders, namely Mr. Zhang Wei Yang, Shanghai New Margin Venture Capital Co., Limited, Shenzhen Wen Ying Trading Limited, Shenzhen Fang Yuan Petrochemical Industries Co., Limited, China Venture Capital Inc., Shenzhen High and New Technology Industry Investment Service Company and He Jianjun acting as promoters. The net assets value of the original Shenzhen Dongjiang Environmental Technology Limited Company as at 31 March 2002 was RMB 46,565,460.00 and was converted into 46,565,460 shares of the Company of RMB 1 each on 1 to 1 basis. The Company obtained business registration licence on 18 July 2002. The registered share capital was RMB 46, 565,460.00.

On 28 January 2003, the Company offered its H shares to global public at the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited. The shares were listed after the public issue has completed. The par value of the H shares offered for subscription was RMB 0.10 each. The Company issued 177,900,000 H shares comprising 16,172,728 shares converted from state-owned shares and 161,727,272 new shares (of which 154,327,272 new shares were issued as scheduled and 7,400,000 shares were for over-subscription). The issue price for each share was HK\$0.338. The Company completed the changes in business registration on 2 June 2003. The share capital of the Company after the issue was RMB 62,738,187.20.

Pursuant to the resolution approved in a general meeting held on 31 May 2010 in respect of the proposal of profit appropriation for 2009 and capitalisation issue, the Company issued 1 bonus shares for every 1 share held by the shareholders. The share capital of the Company was increased by RMB62,738,187.20 by issuing 627,381,872 shares of RMB0.1 each by transferring RMB31,369,093.60 from the balance of capital reserves and RMB31,369,093.60 from undistributed profits as at 31 December 2007. After the capitalisation issue, the share capital of the Company became RMB 125,476,374.40, comprising 898,963,744 domestic shares and 355,800,000 H shares.

The Company obtained approval for the transfer of listing from the Growth Enterprises Market to the Main Board from China Securities Regulatory Commission (“CSRC”) and the Stock Exchange of Hong Kong Limited on 9 August 2010 and 16 September 2010 respectively. The shares of the Company were delisted from the Growth Enterprises Market on 28 September 2010 and listed on the Main Board at the same time. The stock code was 00895.

Pursuant to the Notice (Record) of Shenzhen Market Administration [2010] No. 3185143, the name of the Company was approved to change from Shenzhen Dongjiang Environmental Company Limited 深圳市東江環保股份有限公司 to Dongjiang Environmental Company Limited 東江環保股份有限公司 on 10 December 2010.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## I. GENERAL INFORMATION (Continued)

On 26 March 2012, after approval by China Securities Regulatory Commission “CSRC[2014] No. 413”, the Company made a public offer of 25,000,000 Renminbi ordinary shares. These shares were listed on the Small and Medium-size Enterprises Board of Shenzhen Stock Exchange on 26 April 2012. The stock code was 002672. After the public offer, the Company’s registered capital was RMB 150,476,374.40. The capital increment was verified by ShineWing Certified Public Accountants on 20 April 2012 with the capital verification report numbered XYZH/2009SZA1057-11 issued. The changes in industrial and commercial registration were completed on 16 May 2012.

Pursuant to the resolution approved in the 2012 annual general meeting, the first class meeting of the holders of H shares in 2013 and the first class meeting of the holders of A shares in 2013 held on 14 June 2013 in respect of the proposal of profit appropriation for 2012. The Group distributed a cash dividend of RMB4.00 for every 10 shares (including tax), based on the total share capital of 150,476,374 shares at 31 December 2012, totally the cash dividends were RMB 60,190,549.60. The retaining earnings carry over to the subsequent periods. Meanwhile, based on the total share capital of 150,476,374 shares at the end of financial year 2012, the Group transferred 5 shares for each existing 10 shares from capital reserve to the registered capital, upon which the transferred shares were 75,238,187 shares in total. Since then, the total share has increased to 225,714,561.

As at 31 December 2013, the share capital and capital structure of the Company were as follows:

	Amount	Proportion of shareholding (%)
<b>I. Selling Restricted Shares</b>		
1. Shares held by senior management	4,102,086.00	1.82
2. Individual shares before IPO	84,647,744.00	37.50
	<b>88,749,830.00</b>	<b>39.32</b>
<b>II. Selling Unrestricted Shares</b>		
1. RMB ordinary shares	83,594,731.00	37.04
2. overseas listed foreign shares	53,370,000.00	23.64
	<b>136,964,731.00</b>	<b>60.68</b>
<b>III. Total</b>	<b>225,714,561.00</b>	<b>100.00</b>

As at 31 December 2013, the Company had 225,714,561.00 shares, of which 136,964,731.00 were tradable shares, representing 60.68% of total capital respectively and 88,749,830.00 were non-tradable shares, representing 39.32% of total capital.

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

The major products of the Group includes dozens series of inorganic salts, organic solvents, basic industrial oil which are widely applicable in animal feeds, agricultural pesticides, wood preservatives, and dyes, pharmaceutical industries; and conversion of methane in landfill field gas into electricity, etc.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## I. GENERAL INFORMATION *(Continued)*

The controlling shareholder of the Company and ultimate controller of the Group is Mr. Zhang Wei Yang. The Company has established functional departments such as Environmental Protection Services Department, Industrial Hazardous Waste Department (Southern China), Industrial Hazardous Waste Department (Eastern China), Municipal Solid Waste Department, Chief Executive Office, Financial Management Department, Investment Management Department, Legal Department, Human Resources Department, Internal Audit Department, EHS Department. Major branches include Shajing Treatment Base Company, Engineering Company, Trading Company. Major subsidiaries are Renewable Energy, Recycled Resource, Shaoguan Green, Longgang Dongjiang, Hunan Dongjiang (The full names of the subsidiaries are set out in note V.1)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis for preparation of financial statements

The financial statements have been prepared based on a going concern basis according to the transactions and events incurred and in accordance with the requirements of “Accounting Standards for Business Enterprises – Basic Standard” and 40 Specific Standards issued by the Ministry of Finance (MOF) of the PRC (including 5 standards modified or issued on January and February 2014), Application Guidance for Accounting Standards for Business Enterprises, Interpretations to Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (collectively referred to as “Accounting Standards for Business Enterprises” or “CAS”). These financial statements also comply with the applicable disclosure requirements of “Regulation of the Preparation of Information Disclosure by Companies Offering Securities to the Public No.15-General Requirements for Financial Reporting (2010 revised)” issued by China Securities Regulatory Commission, Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

### 2. Statement of compliance of Accounting Standards for Business Enterprises

These financial statements are in compliance with the Accounting Standards for Business Enterprises and present truly and completely the financial position of the Group and the Company as at 31 December 2013, and the results of their operation and their cash flows for the year then ended.

### 3. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year.

### 4. Reporting currency

The functional currency of the Company is Renminbi (“RMB”). The functional currency for the overseas subsidiaries is the currency of the country in which they operate.

The financial statements of the Group are expressed in RMB.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 5. Basis of preparation and principle of measurement

The Group's financial statements have been prepared on an accrual basis. Except for financial assets at fair value through profit and loss and investment properties which are measured at fair value, the financial statements are prepared under the historical cost convention. In the event that impairment of assets occurs, a provision for impairment is made accordingly in accordance with the relevant requirements.

### 6. Business combination

A business combination is a transaction or event that brings together two or more separate enterprises into one reporting entity. The Group recognises assets and liabilities obtained through a business combination at the combination date or acquisition date. The combination date or acquisition date is the date on which the absorbing party or acquirer effectively obtains control of the party being absorbed or acquired.

#### *(1) Business combination involving entities under common control*

Assets and liabilities that are obtained through a business combination involving entities under common control are measured at their carrying amounts at the combination date as recorded by the party being combined. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to undistributed profits.

#### *(2) Business combination not involving entities under common control*

For a business combination not involving entities under common control, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the Group in exchange for control of the acquiree. Where the cost of combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the period after re-assessment.

### 7. Preparation of consolidated financial statements

#### *(1) Determination of consolidation scope*

The scope of consolidated financial statements includes those subsidiaries and special purposes entities over which the Group has effective control.

#### *(2) Accounting method for consolidated financial statements*

The consolidated financial statements are prepared in accordance with "Accounting Standards for Business Enterprises No. 33 – Consolidated financial statements" and relevant requirements. On consolidation, all the significant intra-group transactions and balances are eliminated.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 7. Preparation of consolidated financial statements *(Continued)*

#### *(2) Accounting method for consolidated financial statements (Continued)*

In preparing the consolidated financial statements, where there is any inconsistency on the accounting policies or financial period of the Company and the subsidiaries are inconsistent, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period of the Company.

For subsidiaries acquired from a business combination involving enterprise not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date. For subsidiaries acquired from a business combination involving enterprise under common control, they are deemed as if they have already existed at the beginning year of combination. Their assets, liabilities, operating results and cash flows are included in the consolidated financial statements based on their original carrying amounts as from the beginning of the year of combination.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

The portion of the subsidiary's equity and net profits or losses for the period not attributable to the Company are presented separately as minority interests in the consolidated financial statements under equity and net profit respectively.

Where the amount of losses for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against minority interests.

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the minority interests are adjusted and the amount of the consideration paid or received is adjusted to the capital reserve (the share premium) in the consolidated balance sheet. If the credit balance of capital reserve (the share premium) is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, minority interests and other related items in shareholders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognised as investment income for the current period when control is lost.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand and short-term (3 months or less) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### 9. Foreign currency transactions and translation of financial statements denominated in foreign currencies

#### (1) *Foreign currency transactions*

Foreign currency transactions are translated into RMB at the spot exchange rate of the transaction dates.

On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of balance sheet date. Exchange differences arising thereon are directly expensed in the profit and loss of current period unless they arise from foreign currency borrowings for the purchase or construction of qualified assets which are eligible for capitalisation. Non-monetary items in foreign currencies carried at fair value are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items in foreign currency measured at historical cost shall continue to be translated into the reporting currency at the spot exchange rate at the date of transactions.

#### (2) *Translation of financial statements denominated in foreign currencies*

Asset and liability items in the balance sheet of foreign operations are translated at the spot exchange rates at the balance sheet date; equity items other than undistributed profits are translated at the spot exchange rate at the date on which they arose. Income and expense items in the income statements are translated at spot exchange rate at the date of transaction. All resulting translation differences are recognised as a separate component of equity. The cash flows in foreign currencies are translated at the rates prevailing at the date when the cash flows incurred. The effect arising from the foreign currency translation on the cash and cash equivalents is presented separately in the cash flow statement.

When a foreign operation is partially or wholly disposed of, translation differences that were recorded in equity are recognised in the income statement as part of the disposal gain or loss.

### 10. Financial assets and financial liabilities

#### (1) *Financial assets*

##### 1) Classification of financial assets

Financial assets are classified into four categories according to the purposes of investments and the economic substance of the assets: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 10. Financial assets and financial liabilities *(Continued)*

#### *(1) Financial assets (Continued)*

##### 1) Classification of financial assets *(Continued)*

Financial assets at fair value through profit or loss are those financial assets that have been acquired principally for the purpose of selling in the short terms. They are presented in the balance sheets as “Financial assets held-for-trading”.

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that the Management has positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets of any other categories upon initial recognition.

##### 2) Recognition and measurement of financial assets

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contract of the financial instruments. Transaction costs for financial assets measured at fair value through profit or loss are directly charged to profit or loss as incurred. Transaction costs for other financial assets are included in their initially recognized amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the profit or loss of the current period. Interests or cash dividends received during the period, in which such financial assets are held, are recognized as investment income. On disposal, the difference between the fair value of disposal and the initially recognised amounts are recognised as gain or loss on investment and adjust the gain or loss from changes in fair value at the same time.

Except for impairment losses and foreign exchange gains and losses from monetary financial assets, changes in fair value of available-for-sale financial assets are recognized directly in shareholders' equity. When the investment is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss. Interests of debts instruments classified as available-for-sale are calculated using effective interest method during the period in which these debt instruments are held and are recognized to profit or loss of current period as investment income. Cash dividends from equity investments classified as available-for-sale is recognised in profit or loss as investment income when the dividends are declared.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 10. Financial assets and financial liabilities *(Continued)*

#### *(1) Financial assets (Continued)*

##### 3) Impairment of financial assets

Other than financial assets at fair value through profit or loss, the Group assesses the carrying amount of financial assets at each balance sheet date. Impairment loss is provided when there is objective evidence indicating that a financial asset is impaired.

When impairment loss on a financial assets carried at amortised cost has incurred, the amount of loss is provided for at the difference between the assets carrying value and the net present value of the future expected cash flows (excluding future credit loss that has not been incurred). If there is objective evidence indicating that the value of the financial asset recovered and the recovery is objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed and the reversed amount is recognized in profit or loss of current period.

When the fair value of available-for-sale financial assets is significantly or non-temporarily declined, the cumulative losses arising from the decline in fair value that had been recognized directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, the increase in its fair value in a subsequent period is recognized directly in equity.

##### 4) Transfer of financial assets

A financial asset is derecognised when any one of the following conditions is satisfied: (a) the rights to receive cash flows from the asset have expired; (b) the financial asset has been transferred and all risks and rewards relating to the ownership of the Group have been transferred to transferee; or (c) the financial asset has been transferred, although the Group neither transferred nor retained all risks and rewards of the financial asset, the Group gave up its control of the financial asset.

When the entity does not either assign or maintain substantially all the risk and return arising from the ownership of the financial asset and does not give up the control on such financial asset, to the extent of its continuous involvement in the financial asset, the entity recognizes it as a related financial asset and recognizes the relevant liability accordingly. The extent of the continuous involvement is the extent to which the entity exposes to changes in the value of such financial assets.

Where the financial assets satisfy the derecognition conditions, the difference between its carrying value; and the sum of consideration received for the transfer and accumulated change of fair value previously recorded in other comprehensive income is recognised in profit or loss of current period.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 10. Financial assets and financial liabilities *(Continued)*

#### *(1) Financial assets (Continued)*

##### 4) Transfer of financial assets *(Continued)*

If only part of the financial assets satisfy the derecognition conditions, the carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between carrying value of the portion to be derecognised; and the sum of consideration received and accumulated change of fair value previously recorded in other comprehensive income is recognised in profit or loss of current period.

#### *(2) Financial liabilities*

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid are recognized in profit or loss of current period.

Other liabilities are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognized when the underlying present obligations are wholly or partly discharged. The difference between the carrying amount of the portion of financial liability or obligation being derecognised and the consideration paid is recognised in profit or loss of current period.

#### *(3) Method of determination of fair value of financial assets and financial liabilities*

- 1) Where there is active trading market, the fair value of the financial instruments is determined by reference to the quoted price in the active trading market. In the active trading market, the fair value of financial assets already held by the Group or the financial liabilities that the group is proposed to assume is determined by the current bid price of the corresponding assets or liabilities. The fair value of financial assets that the Group is proposed to acquired or the liabilities already assumed by the Group is determined by the ask price of the corresponding assets and liabilities. Where the financial assets and financial liabilities do not have bid price or ask price, and there are no significant changes in operating environment after the recent transaction date, the fair value of such financial assets or financial liabilities are determined by reference to the quoted prices of recent transactions. Where there are significant changes in operating environment after the recent transaction date, the fair value of such financial assets or financial liabilities are determined by the quoted price of the most recent transactions as adjusted by reference to the current prices or interest rate. Where there is sufficient evidence to show that the market quoted price of the recent transactions is the fair value of such financial assets or financial liabilities is determined by the quoted price of the recent transaction after making appropriate adjustments.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 10. Financial assets and financial liabilities *(Continued)*

#### *(3) Method of determination of fair value of financial assets and financial liabilities (Continued)*

- 2) Where there is no active trading market for the financial instruments, the fair value of such financial instruments is determined by valuation techniques. Valuation techniques include making reference to the price of recent market transactions by knowledgeable and willing parties; making reference to the current fair value of another financial assets that are the substantially identical to such financial assets; discounting method of cash flows, share option valuation model, etc.

#### *(4) Offset of Financial Assets and Financial Liabilities*

If the Group has legitimate rights of offsetting the recognized financial assets and financial liabilities, which are enforceable currently, and the Group plans to realize the financial assets or to clear off the financial liabilities by net amount method, the amount of the offsetting financial assets and financial liabilities shall be reported in the balance sheet. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

#### *(5) Equity instruments*

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The price received during the issue of equity instrument shall be added to shareholder's equity after deducting the transaction fees.

The consideration paid for re-purchase of equity instrument of the Company and the related transaction cost shall be deducted from the shareholder's equity.

The distribution (excluding the dividends) to the equity instrument holders by the Group shall reduce the shareholder's equity. The Group shall not recognize the changes of the equity instruments' fair value.

### 11. Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Impairment of accounts receivables are assessed on both individual basis and portfolio basis.

Criteria for provision for bad debts: Provision for bad debts on receivables is made when the debtors are dissolved, bankrupt, insolvent, in significant financial difficulty, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; or the receivables are defaulted for more than 3 years; or when there are objective evidences indicating the debts are not recovered or not likely to be recoverable.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 11. Receivables (Continued)

Provision for bad debts is made using allowance account method. At the balance sheet date, receivables are assessed for impairment on individual or portfolio basis. Provision for bad debts is recognised in the profit or loss for the period. When there are objective evidences indicating the receivable are considered recoverable, it is written off against the allowance account according to the approval procedures of the Group.

(1) *Receivables that are individually significant and provided for bad debts on individual basis*

Recognition criteria of individually significant receivable	Receivable of more than RMB5 million is regarded as individually significant receivable
Method of provision for bad debts for individually significant receivables on individual basis	Provision for bad debts is made as the excess of the carrying amount over the present value of the estimated future cash flows.

(2) *Receivables that are provided for bad debts on portfolio basis*

Basis for determination of portfolio:

Aged group	The group of credit risk characteristics is determined by the aging of the receivables.
Related party group	The group of credit risk characteristics is determined by relationships of the parties of transaction with the Group.
Collateral group	The group of credit risk characteristics is determined by nature of transaction.

Method of provision of bad debts on portfolio basis:

Aged group	Aging analysis
Related party group	Generally, no provision will be made
Collateral group	Generally, no provision will be made

1) Proportion of provision for bad debts for aged group:

<b>Aged</b>	<b>Proportion to accounts receivable (%)</b>	<b>Proportion to other receivables (%)</b>
0-90 days	1.50	1.50
91-180 days	3.00	3.00
181-365 days	5.00	5.00
1-2 years	20.00	20.00
2-3 years	50.00	50.00
Over 3 years	100.00	100.00

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 11. Receivables *(Continued)*

(2) *Receivables that are provided for bad debts on portfolio basis (Continued)*

2) Provision for bad debts for receivables made by other method:

Related party group	Provision for bad debts are generally not made for related parties of the Group (such as jointly controlled entities and associates) where the difference between the present value of future cash flows and their carrying amount is small.
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Collateral group	Provision for bad debts are generally not made for those such as rental deposits, advanced payment for purchases and petty cash where the difference between the present value of future cash flows and their carrying amount is small.
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3) Receivables that are individually insignificant but provided for bad debts individually:

Reason for bad debts provision made individually	Receivables with individually insignificant amount and provision for bad debts made on portfolio basis cannot reflect its credit risk characteristics.
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Method of provision	Provision for bad debts is made as the excess of its carrying amount over the present value of the estimated future cash flows.
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### 12. Inventories

Inventories include raw materials, packaging material, low-value consumables, work in progress and finished goods etc.

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Cost is calculated using weighted average method when the inventories are issued for consumable. Low value consumables and packaging material are amortised in one-time written off.

At the balance sheet date, inventories are stated at the lower of costs or net realisable value. Where the inventories become damaged, partially or wholly obsolete or whose selling price is lower than its cost, provision for inventory impairment is made for the excess of its cost and net realisable value. For inventories with tremendous number and relatively low unit price, provision is determined according to the type of inventory.

Net realisable value of finished goods, work in progress or held-for-sale raw materials are determined by their estimated selling price less estimated selling expenses and related taxes. Net realisable value for raw material for held for production are determined by the estimated selling price of finished goods less the estimated cost to completion, selling expenses and taxes.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 13. Long-term equity investments

Long-term equity investments include equity investments in entity over which the Group has control, joint control or significant influence; and equity investments in entity over which the Group does not have control, joint control or significant influence and it has no quoted price in an active market and the fair value cannot be reliably measured.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

#### *(1) Basis for determining the existence of control, joint control or significant influence over an investee*

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable, etc.

Joint control is the contractual agreement sharing of control over an economic activity. Joint control exists only when any investor does not have power to control operating activities unilaterally and decisions relating to the basis operating activity of the entity require the unanimous consent of the parties sharing the control.

Significant influence exists when the investor has the power to participate in the investee's financial and operating policy decisions, but not able to control or joint control, together with other parties, the formulation of these policies. Significant influence exists when the Group directly or indirectly owned 20% or more but less than 50% shares with voting rights in the investee company. Significant influence cannot be established where there are objective evidences indicating that the Group is incapable of participating in the decision-making of operating policies in the investee company.

#### *(2) Initial measure of long-term equity investment*

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date. The difference between the investment cost and the amount of cash paid, non-cash assets transferred, the carrying value of liabilities resumed and par value of the Company's equity issued is adjusted to capital reserve. Where the capital reserve is not sufficient to absorb the difference, the difference will be adjusted to retained earnings.

For long-term equity investments acquired through a business combination not involving enterprises under common control, the investment cost shall be the fair value at the date of combination (acquisition) of the assets given up, liabilities incurred or committed and equity instruments issued. Where the cost of combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the period after re-assessment.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 13. Long-term equity investments *(Continued)*

#### *(2) Initial measure of long-term equity investments (Continued)*

For long-term equity investment acquired by payment in cash, the investment cost shall be the purchase price actually paid;

For long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued;

For long-term equity investment injected to the Group by the investor, the investment cost shall be the consideration as specified in the relevant contract or agreement;

For long-term equity investment acquired through transactions such as debts restructuring, exchange of non-monetary assets, the cost of investment shall be determined according to the relevant accounting standards.

#### *(3) Subsequent measurement of long-term equity investments*

Investments in subsidiaries are accounted for by the Company's financial statements using cost method and adjusted for by equity method in preparation of consolidated financial statements. Investments in joint ventures and associates are accounted for using equity method. Long-term investments in equities over which the Group do not have control, joint control or significant influence and do not have quoted market price in active markets and their fair value cannot be reliably measured are accounted for using cost method. Long-term investments in equities over which the Group does not have control, joint control or significant influence but have quoted prices in active market and their fair value can be measured reliably are accounted for as available-for-sale financial assets.

Under the cost method, long-term equity investments are measured initially at its investment cost, and adjusted by the amount of additional investment and the amount recovered. Cash dividend or profits distribution declared by the investee are recognized as investment income of current period.

Under the equity method, investment gain or loss of current period represents the Group's share of the net profits or losses made by the investee for the current period. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital reserve (Other capital reserve), provided that the Group's proportion of shareholding in the investee remains unchanged. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. The unrealised gain or loss from internal transactions entered into between the Group and its associates and joint ventures is offset according to the shareholding attributable to the Group and accounted for as investment income and loss based such basis. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate or the jointly controlled enterprise is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled enterprise, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 13. Long-term equity investments *(Continued)*

#### *(3) Subsequent measurement of long-term equity investments (Continued)*

Where the Group has no longer joint control or significant influence in the investee company as a result of reduction of the investment and there are no quoted prices for the investment in active market and its fair value cannot be measured reliably, it will be changed to be accounted for using cost method. Where the Group obtain control over the investee company as results from such as making additional investment, the long-term equity investments will also be changed to be accounted for using cost method. Where the Group obtain joint control or significant influence over the investee company as results from such as making additional investment or where Group has no longer control but remain joint control or significant influence over the investee company as results from such as partially disposal of the investment, the investment will be changed to be accounted for using equity method.

#### *(4) Disposal of long-term equity investments*

On disposal of a long-term investment, the difference between the carrying amount of the investment and the actual consideration paid is recognized in current profit or loss. Where the equity method is adopted, the amount attributable to the long-term equity investments previously included shareholders' equity shall be transferred to current profit or loss on a pro-rata basis.

#### *(5) Impairment of long-term equity investments*

The Group assesses at each balance sheet date whether there is any indication that any long-term equity investments in subsidiaries, jointly controlled entities and associates may be impaired and estimate its recoverable amount. If the recoverable amount of an asset is less than its carrying amount, the reduction is recognized as an impairment loss and charged to profit or loss for the current period. For other long-term equity investments which are not quoted in an active market and whose fair values cannot be reliably measured, the excess of their carrying amounts over the present values of future cash flows discounted at the prevailing market yield rate for similar financial assets is recognised as impairment loss and cannot be reversed once recognised.

### 14. Investment properties

The investment properties of the Group are buildings leased for rental income.

Investment property is initially measured at cost. The cost for investment properties purchased from outsiders includes purchase prices, related taxes and directly attributable expenditure. The cost of self-constructed investment properties includes construction expenses incurred bringing the assets to the status of intended use.

Investment properties of the Group are subsequently measured using fair value model. Gain or loss arising from the changes in fair value of properties is recognised directly in the income statements for the period.

The fair value of the investment properties are determined by the Group's Management on an open market basis by reference to properties of same location and similar usage.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14. Investment properties (Continued)

Where the usage of an investment property is changed to owner-occupied, it will be reclassified as fixed assets at the date of change. Where the usage of an owner-occupied property is transferred out for earning rental income or capital appreciation, it will be reclassified as fixed assets into investment property as from the date of transfer. On transfer, the carrying amount immediate before the transfer is taken as the cost of the assets.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss of current period.

### 15. Fixed assets

Fixed assets are tangible assets that are held for use in the production of goods or supply of services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year.

Fixed assets include buildings, plant and machinery, motor vehicles, office equipment and others. The cost of fixed assets is initially measured at cost. The cost of fixed assets purchased from outsiders includes purchase prices, related taxes and necessary expenses incurred bringing the assets to the status of intended use. The cost of self-constructed fixed assets includes construction expenses incurred bringing the assets to the status of intended use. The cost of fixed assets injected by investors to the Group is measured at the considerations as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets will be recorded at their fair value. The cost of fixed assets acquired under finance lease arrangement is measured at the lower of their fair value and the present value of the minimum lease payment at the inception of the leases.

Subsequent expenditures relating to fixed assets, such as repairing expenditures, renovation and improvements, are recognised as the cost of the assets if they meet the recognition criteria. The carrying amount of the replaced parts is derecognised. Other subsequent expenditures not meeting the recognition criteria are all charged in the profit or loss for the period.

Except for those assets that are fully depreciated but still in use and lands that are separately recorded, depreciation is provided for fixed assets over their estimated useful lives of the fixed assets using the straight-line method. Depreciation charge is included in the cost of relevant assets or expenses for the period according to the usage of the fixed assets. The depreciable period, estimated residual value and annual depreciation rate of each class of fixed assets are as follows:

Classes	Depreciable period (years)	Estimated residual percentage (%)	Annual depreciation rate (%)
Buildings	20-30 years	3.00	3.23-4.85
Plant and Machinery	5-10 years	3.00	9.70-19.40
Motor vehicles	5 years	3.00	19.40
Office equipment	5 years	3.00	19.40
Others	5 years	3.00	19.40

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 15. Fixed assets *(Continued)*

The Group reviews the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes are accounted for as a change in an accounting estimate.

A fixed asset is derecognised when it is disposed or expected not bringing economic benefit through use or disposal. Proceeds from disposal, transfer, retirement or damage of the asset net of the carrying amount and related taxes is recognised in profit or loss for the current period.

### 16. Construction in progress

Cost of construction in progress is measured at the expenditure actually incurred for the construction. Cost of self-operating construction is measured at cost of direct materials, direct wages, and direct construction expenditures. Cost of sub-contracting construction is measured at the amount of construction cost payable. Cost of equipment installation work is measured at cost of the equipment being installed, installation expenses, and test running expenditures. Cost of construction in progress also includes capitalised borrowing costs and exchange difference.

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the construction budget, construction price, or actual cost of construction. Depreciation is provided for from the next month of the transfer. The cost of the asset will be adjusted when the construction finalisation procedures are completed.

### 17. Borrowing cost

Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. Capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, is commenced when expenditures for the asset are being incurred; borrowing costs are being incurred; and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Qualifying assets are assets (fixed assets, investment property, inventories) that necessarily take a substantial period of time (usually more than 1 year) for acquisition, construction or production to get ready for their intended use or sale.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above that amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.



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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 17. Borrowing cost *(Continued)*

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production activities is resumed.

### 18. Build-Operating-Transfer (BOT) projects

The Group participates in BOT projects for public infrastructure construction. Where the Group does not provide actual construction services under the projects by itself but to subcontract the construction works to contractors, no revenue on construction services is recognised during the course of construction. Before the construction work is completed, such BOT projects are accounted for as construction in progress at the construction cost paid according to the contracts. When the construction work is completed, they are transferred from construction in progress to intangible assets as the operating rights under BOT projects.

### 19. Intangible assets

Intangible assets include land use right, patents, technologies, operating rights under BOT projects.

Intangible assets are initially recognised at cost. The cost of intangible assets purchased from outsiders includes purchase prices and necessary expenses. The cost of intangible assets injected by investors to the Group is measured at the considerations as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value.

Intangible with finite useful lives are amortised over from the month of purchase using straight-line method. Land-use rights are amortised over lease terms from the date of purchase. Patented technologies, non-patented technologies and operating rights under BOT projects are amortised over the shortest of their estimated useful lives, contractual beneficial period and useful life specified in the law. Where the beneficial period of an intangible asset cannot be reasonably determined by the above methods, it is treated as intangible asset with indefinite useful life.

Amortisation charge is included in the cost of assets or expenses, as appropriate, for the period according to the usage of the assets.

The estimated useful lives and amortisation method of intangible assets with finite useful lives are reviewed at the end of each financial year. Any changes are accounted for as a change in an accounting estimate.

Intangible assets with infinite useful lives are not amortised. The estimated useful lives of intangible assets with indefinite useful lives are reviewed in each accounting period. Where there are objective evidences indicating that the useful life become definite, amortisation is then provided over its estimated useful life.

# NOTES TO FINANCIAL STATEMENTS

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 19. Intangible assets *(Continued)*

If there is any conclusive evidence that an intangible asset may be impaired, the asset will be tested for impairment, the Group will conduct impairment test for the intangible assets with finite useful lives at the end of the financial period. Intangible asset with infinite useful lives are tested for impairment annually, no matter whether there is any indication that the asset may be impaired.

### 20. Research and development expenditure

Research and development expenditures is classified into expenditure on the research phase and expenditure on the development phase according to the nature of expenditures and uncertainty of the final achievement. Expenditure on the research phase is expensed in the period as incurred. Expenditure on the development phase is recognised as an intangible asset only when all of the following conditions are satisfied:

- 1) it is technically feasible that the intangible asset can be used or sold upon completion;
- 2) there is intention to complete the intangible asset for use or sale;
- 3) there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; or there is market for the intangible asset itself;
- 4) there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- 5) the expenses attributable to the development stage of the intangible asset can be measured reliably.

Expenditure not meeting the above recognition conditions are expensed in the period as incurred. Expenditure expensed in prior periods will not be recognised as an asset in subsequent periods. Capitalised expenditure on the research phase are stated in the balance sheet as 'Development Expenditure' and transfer to as 'Intangible assets' when it gets ready for their intended use.

### 21. Goodwill

Goodwill represents the excess of the cost of equity investment or cost of business combination not under common control over the Group's share of the net identifiable assets of the invested company or acquiree at the date of acquisition or combination.

Goodwill relating to subsidiaries is presented in consolidated financial statements as a separate item. Goodwill relating to associates or joint ventures is included in the carrying amount of the long-term equity investment.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 22. Long-term prepayments

Long-term prepayments are expenditures that have been incurred but shall be amortised over the current period and subsequent periods of more than one year. The expenditures are amortised evenly over the estimated beneficial period. If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortised balance will then be transferred to profit or loss for the period.

### 23. Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured by cost model, investments in subsidiaries, jointly controlled entities and associates may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

### 24. Employee's emoluments

Employee benefits include short-term salaries, post-employment benefits, termination benefits and other long-term staff welfare.

- (1) Short-term salaries include: staff salaries or wages, bonuses, allowances and subsidies, staff welfare, medical insurance, injury insurance, maternity insurance, housing provident fund, union operation cost and staff education cost, short-term compensated leave, short-term profit appropriation scheme, non-monetary welfare and other short-term remuneration.
- (2) Post-employment benefits include: pension, unemployment insurance of the social security scheme, mandatory provident funds organized by the government authorities.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 24. Employee's emoluments *(Continued)*

- (3) Termination benefits include: where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees is recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

Employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in the cost of relevant assets or expenses in the current period. The Compensation to employees for termination of the employment relationship are charged to the profit or loss of current period.

### 25. Shared based payments

Share-based payment represents transactions in which the Company receives services from employee or other suppliers by granting equity instruments or incurring liabilities that are based on the price of the equity instruments to the employee or other suppliers. Share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

#### *(1) Equity-settled share-based payment*

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant, Such fair value during the vesting period of service or before the prescribed exercisable conditions are achieved is recognised as relevant cost or expense on a straight-line during the vesting period based on the best estimated quantity of exercisable equity instruments.

The fair value of the shares granted to the employee are determined according to the market price of the entity's shares and adjusted by such considerations as the terms and conditions of the grant (not including those exercisable conditions other than market conditions).

For the share options granted to the employee, if there are no transactions of options with similar terms and conditions, their fair value will be determined by the option valuation model.

# NOTES TO FINANCIAL STATEMENTS

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(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 25. Shared based payments *(Continued)*

#### *(2) Cash-settled share-based payments*

The liabilities assumed by the Group are for cash-settled share-based payments are measured based on the fair value of shares or other equity instruments. Instruments which are vested immediately upon the grant, the fair value of the liabilities are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions, at each balance date during the vetting period, the Group re-measure the fair value of the liabilities based on the best estimate of exercisable conditions and debits the cost or expenses of the service received for the period and adjust the liabilities accordingly.

#### *(3) Basis for best estimates of exercisable equity instruments*

At each balance sheet date during the vetting period, the best estimates of the exercisable equity instruments are based on information such as latest updates on the change in the number of entitled employees and whether performance conditions have been fulfilled, and etc.

#### *(4) Accounting treatment regarding the modification, termination of share-based payment*

Where the terms of an equity-settled award are modified to increase the fair value of the instrument granted, additional cost of service received are to be recognized. Where the terms of an equity-settled award are modified to increase the number of instruments granted, the cost of service received shall be increased correspondingly by the fair value of the additional equity instrument granted. Where the terms of an equity-settled share-based payment are modified to the advantages to the exercisable conditions of the employee, the exercisable conditions are to be treated according to the modified terms.

Where the terms of an equity-settled share-based payment are modified to reduce the fair value of the instrument granted, the cost of services received are continued to be recognized at the fair value at the date of grant. The reduction in fair value of the instruments is not considered. Where the terms of an equity-settled share-based payment are modified to reduce the number of instruments granted, the reduced portion is treated as if cancelled. Where the terms of an equity-settled share-based payment are modified to the disadvantages to the exercisable conditions of the employee, the exercisable conditions are to be treated as if the terms had not been modified.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

# NOTES TO FINANCIAL STATEMENTS

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 26. Share Repurchase

According to legal procedures, the company reported for approval in reducing company registered capital by share repurchasing, the decrease in share capital equal the total value of shares written-off, owner's equity shall be adjusted using the difference between expenses of the repurchase (including trading expenses) and face value of common shares, the amount exceeds the face value will write down capital reserve (share capital premium), surplus reserve and retained earnings in sequence; the amount lower than the share face value will add to capital reserve (share capital premium).

Repurchased shares before writing-off or transfer is managed as treasury shares, total expenses of the share repurchase shall be the cost of treasury shares.

Matters regarding the transfer of treasury shares, transfer income higher than the cost of treasury shares shall increase capital reserve (share capital premium); the amount lower than the cost of treasury shares shall write down capital reserve (share capital premium), surplus capital, retained earnings in sequence. Share repurchase as a result of implementing share incentive scheme, during the repurchase, all of the expenses of the repurchase shall be processed as treasury stocks, while registered and recorded for future reference.

### 27. Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are classified into a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall recognise all or in the contractual proportion of the assets, liabilities, revenue, and expenses in the joint operation.

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. The initial recognition, subsequent measurement and derecognition are accounted for according to the Accounting Standards for Business Enterprises No. 2-Long-term equity investments.

### 28. Provisions

When related obligations of contingencies are the obligations currently assumed by the Group, and that such obligations is likely to result in outflow of economic benefits and the amount of such obligations could be reliably measured, contingent liabilities will be recognized.

As at the balance sheet date, after considering factors such as the risks related to contingencies, uncertainties and time value of currency, contingent liabilities are measured at the best estimate on the expenses necessary for the performance of the related existing obligations. If the impact of the time value of currency is material, best estimate is determined by discounting the anticipated future cash outflow.

If all or part of the cost necessary for the contingent liabilities is expected to be settled by third party, the amount of settlement, when it is basically certain to be received, is recognized as an asset separately, and the settlement amount recognized shall not be more than the carrying amount of contingent liabilities.

# NOTES TO FINANCIAL STATEMENTS

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 29. Recognition of revenue

The business revenue of the Group are generated mainly from sales of goods, rendering of services and transfer of assets use rights and construction contracts. The principles of revenue recognition are as follows:

- 1) Revenue from sales of goods comprises revenue from sales of industrial wastes recycling and utilisation; revenue from trading and others; and revenue from renewable energy utilisation.

Sales of goods are recognised when the major risks and returns in the ownership of goods is transferred to the customer; when the Group no longer exercises continuing management generally related to the ownership and no longer has actual control over the goods sold; when the amount of revenue can be reliably measured; when it is very likely that the economic benefits will be flowed to the Company; and when the related costs has incurred or will be incurred can be reliably measured.

- 2) Revenue from rendering of services comprises revenue from industrial wastes disposal, revenue from municipal wastes treatment and disposal; and revenue from environmental engineering and services.

Revenue from rendering of services is recognised when the total amount of revenue and cost could be measured reliably; the related economic benefits are likely to inflow to the enterprise, the progress of completion of transaction could be reliably determined.

The Group recognizes related revenue from services in accordance with the percentage of completion as at the balance sheet date. The completion level of service transaction is recognized by the percentage of estimated total cost represented by service cost incurred. If the result of provision of service transaction cannot be reliably estimated, revenue from provision of service is recognized at the service cost incurred and estimated to receive as compensation, and service cost incurred will be regarded as the current cost. If service cost incurred is not anticipated to be compensated, no revenue will be recognized.

- 3) Revenue from transfer of assets use rights

Revenue from transfer of asset use rights is recognised according to the period and calculation method of the charge as specified in the contracts or agreements, and when the associated economic benefits are probably flow to the Group and the amount of revenue can be reliably estimated.

- 4) Recognition of construction contracts are set out in Note II.30.

### 30. Construction contracts

Contract revenue and cost are recognised using the percentage of completion method at the balance sheet date when the total revenue from the contracts can be measure reliably; the associated economic benefits are probably flow to the Group; contract costs actually incurred can be clearly identified and measured reliably; and when the progress of the contract and the future costs to be incurred for the completion of the contract can be measured reliably. The stage of completion is measured by the proportion that contract costs incurred for works performed to date bear to the estimated total contracts costs; or volume of work completed bear to total volume of contract work; or by actual measurement.

# NOTES TO FINANCIAL STATEMENTS

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 30. Construction contracts *(Continued)*

Where the results of the construction contract cannot be reliably estimated and the cost incurred are expected to be recoverable, revenue from construction contracts is recognised to the extent of the cost incurred and such costs are recognised as cost of contract. Where the contract cost is not expected to be recoverable, it will be recognised as an expense for the period and no revenue will be recognised.

Construction contracts are reviewed at the end of each period. Where it is probable that the total contract costs will exceed total contract revenue, provision for loss will be made and recognised as an expense for the period.

### 31. Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for the capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of capital reserve are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

Where a government grant is in the form of a transfer of monetary asset, it is measured at the amount received. Where a government grant is made on the basis of fixed amount or there is conclusive evidence at the end of the period that the Group the conditions attaching to the grants are satisfied and it is expected the Group is entitled to receive the grant, it is measured at the amount receivable.

If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value. If fair value is not reliably determinable, the item is measured at a nominal amount of RMB1.

Government grants are classified into asset-related government grants and income-related government grants. Assets-related government grants are those grants obtained for the purpose of acquisition or construction or in other ways to form long-term assets. Income-related government grants are those government grants other than the asset-related government grants. Where the document from the government has not specified the object to be granted, it will be determined according to the above principle.

A government grant related to an asset is recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant shall be recognized immediately in profit or loss for the current period.

When a government grant that has been recognized by the Group is to be returned, the repayment shall be off set against the carrying amount of the deferred income if there is any balance of deferred income in connection of the grant. Any excess shall be recognized in profit or loss for the current period. If there is no balance of deferred income in connection with the grant, the repayment shall be recognized immediately in profit or loss for the current period.



# NOTES TO FINANCIAL STATEMENTS

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 32. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and liabilities are calculated and recognised based on the differences arising between tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized for the deductible tax losses or tax credit that can be carried forward to subsequent years for deduction of taxable profit in accordance with tax laws. No deferred tax liability is recognized for temporary difference arising from initial recognition of goodwill. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affect neither accounting profit nor taxable profit (deduction loss). At balance sheet date, deferred assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liabilities is settled.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference. On the balance sheet date, the carrying value of the recognised deferred income tax assets is reviewed. If it is very likely that no future taxable profits will be available to deduct the deferred income tax assets, the carrying value of the deferred income tax assets will be reduced. If it is very likely that sufficient taxable profits will be available, the amount reduced will be reversed.

The Group recognises deferred income tax liabilities arising from the temporary difference on tax payable related to investment in subsidiaries, associates and joint venture, unless the Group could control the timing of write back of the temporary difference, and such temporary difference is unlikely to be written back in foreseeable future. For the deductible temporary difference related to investment in subsidiaries, associates and joint venture, the Group will only recognize deferred income tax assets when temporary difference is likely to be written back in the foreseeable future and income tax payable could be utilized to deduct the deductible temporary difference.

Deferred tax assets and liabilities are offset when:

- 1) The deferred taxes are related to the same tax payer within the Group and the same taxation authority; and
- 2) The tax payer within the Group has a legal enforcement rights to offset current tax assets against current tax liabilities.

### 33. Lease

Leases are classified as finance leases and operating leases at the date of inception. Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. Operating leases are leases other than finance leases.

#### *(1) Assets acquired under finance leases*

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair values and the present value of the minimum lease payments, each determined at the inception of the lease. The difference between the value of the leased assets and the minimum lease payments is treated as unrecognised finance charges and is amortised using effective interest method over the lease terms. At the balance sheet date, long-term payables arising from finance leases, net of the unrecognised finance charges, are presented as long-term payables or non-current liabilities due within one year, respectively, in the balance sheet.

# NOTES TO FINANCIAL STATEMENTS

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 33. Lease *(Continued)*

#### *(1) Assets acquired under finance leases (Continued)*

If it is a reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

#### *(2) Assets leased out under finance leases*

The Group recognises the aggregate of the minimum lease receipts and the initial direct costs on the lease inception date as the finance lease receivables. Meanwhile the unguaranteed balance is recorded. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed amount and their respective present values shall be recognized as unrealised finance income. The unrealised finance income is allocated and recognize as finance lease income over the lease period by effective interest rate method.

At the end of each balance sheet date, the unguaranteed balance is reviewed. Where the unguaranteed amount is increase, no adjustment will be made. Where there are evidence indicating the unguaranteed balance has decreased, the implicit interest rate of the lease will be re-calculated and charged to profit or loss for the year. The finance lease income of subsequent period is recognized based on the revised net amount of lease investment and the re-calculated implicit interest rate of the lease. The net amount of the lease investment is the difference of the aggregate of minimum lease receipts and unguaranteed balance and the unrealised finance lease income.

Where the recognized loss of the unguaranteed balance is recovered, it will be reversed from the originally recognized investment and re-calculate the implicit interest rates of the lease. The finance income of subsequent period is recognized based on the revised net amount of lease investment and the re-calculated implicit interest rate of the lease.

Contingent lease income is recognized to the profit or loss for the period as it occurs.

#### *(3) Assets leased under operating leases*

Rental expense for leasing assets under operating leases is recognized in the relevant cost of the asset or profit or loss for the period using the straight-line method over the lease term. Initial direct cost is recognized in income statement as it is incurred. Contingent rent is charged to profit or loss for the period as it incurred.

#### *(4) Assets leased out under operating leases*

Income derived from leasing out of assets under operating leases is recognised in the income statement using the straight-line method over the lease term. Initial direct costs in respect of the assets leased out are charged to profit or loss immediately. If the initial direct costs are material, the costs are initially capitalized and subsequently amortized in profit or loss over the lease term on the same basis as the lease income. Contingent rent is charged to profit or loss for the period as it incurred.

# NOTES TO FINANCIAL STATEMENTS

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## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 34. Accounting for income tax

Income tax is accounted for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions or matters that are directly recorded in shareholders' equity are dealt with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying value of goodwill. All other current tax and deferred tax are recognised in the profit or loss for the period.

The tax currently payable is the amount of tax payable to taxation bureau by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred tax liabilities that should be recognised using the balance sheet liabilities approach at the end of period and their balances originally recognised.

### 35. Segment reporting

The Group determines the operating segments on the basis of internal structure, management requirements and internal reporting system, and determines reporting segments based on the operating segments.

An operating segment is a component of the Group that may earn revenue and incur expenses in daily business activities; operating results of which are regularly reviewed by the Group's management to allocate its resources and assess its performance; and for which discrete financial information on financial positions, operating results and cash flow is available. Two or more operating segments with similar economic characteristics can be aggregated into one operating segment if they meet certain conditions.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the financial statements.

### 36. Key sources of estimation uncertainty and accounting judgements

In the preparation of financial statements, the management of the Group are required to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The following are the estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future periods.

#### *(1) Construction contracts*

Revenue from individual contract is recognised using the percentage of completion method which requires management's estimation. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction work according to the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction business, management reviews and revises the estimates of both budgeted contract revenue and contract costs for each contract as the contracts progress. Where the actual contract revenue are less than the amount expected or actual contract costs are more than the amount expected, a material impairment loss may arise.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 36. Key sources of estimation uncertainty and accounting judgements *(Continued)*

#### *(2) Depreciation and amortisation of fixed assets and intangible assets*

The Group applies straight-line method for depreciation and amortisation, and reviews the estimated useful lives and residual value for its fixed assets and intangible assets annually. The estimated useful lives are determined by management by reference to the historical experience of similar assets, the estimation generally used by other companies in the same industry and anticipated renovation in technologies. When there are significant changes in previous estimates, the Group should adjust the depreciation and amortisation expense in future periods.

#### *(3) Impairment of fixed assets, land use rights, patents and operating rights under BOT projects*

The Group tests annually whether fixed assets, land use rights, patents and operating rights under BOT projects had suffered any impairment. The recoverable amount of asset groups and groups of assets is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the gross margin that is used in the calculation of the future cash flows of assets groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against fixed assets, land use rights, patents and operating rights under BOT projects.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against fixed assets, land use rights, patents and operating rights under BOT projects.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of fixed assets, land use rights, patents and operating rights under BOT projects previously provided for is not allowed to be reversed by the Group.

#### *(4) Impairment of goodwill*

The Group tests annually whether goodwill had suffered any impairment. The recoverable amount of asset groups and groups of assets is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the gross margin that is used in the calculation of the future cash flows of assets groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 36. Key sources of estimation uncertainty and accounting judgements *(Continued)*

(5) *Provision for bad debts of receivables*

Receivables are measured at amortization cost and are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is reversed.

(6) *Provision for impairment of inventories*

The management of the Group reviews the net realisable value of inventories regularly. Provision for impairment of inventories is recognized for the excess of inventories' carrying amounts over their net realizable value. The Group determines the estimated net realizable value of inventories based on the estimated selling price of similar inventories less estimated costs to completion and estimated costs necessary to make the sale and related taxes. When the realized selling price or costs or expenses are different with previous estimates, the Group should adjust the net realizable values of inventories. Therefore, the estimates based on current experience may be different with the actual situation, which could result in adjustment to the carrying amount of inventories on balance sheet. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

(7) *Recognition of deferred tax assets*

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The realization of deferred tax assets depends on the realization of sufficient profitability (taxable profit) of the Group. The change in future income tax rates and timing of reversals of taxable temporary differences would affect income tax expenses or benefits and balance of deferred tax. Any changes in the above estimates could result in material adjustment to the carrying amount of deferred income tax.

## III. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS OF PRIOR PERIODS

### 1. Changes in accounting policies, accounting estimates and their effect

(1) *Changes in accounting policies, accounting estimates according to the requirements of Accounting Standards for Business Enterprises ("ASBE")*

The Group has adopted the 5 new and revised ASBE issued by MOF of the PRC in January to February 2014 as from 1 January 2013. These new and revised accounting standards were: ASBE No.9 (Revised) — Employee's emoluments, ASBE No. 30 (Revised) — Presentation of financial statements, ASBE No. 33 — Consolidated financial statements, ASBE No 39 — Measurement of fair value, ASBE No 40 — Joint arrangements. The adoption of the new and revised ASBE did not have impact on the recognition, measurement and presentation of relevant items in the 2013 financial statements. The details are as follows:

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## III. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS OF PRIOR PERIODS *(Continued)*

### 1. Changes in accounting policies, accounting estimates and their effect *(Continued)*

(1) *Changes in accounting policies, accounting estimates according to the requirements of Accounting Standards for Business Enterprises (“ASBE”) (Continued)*

1) ASBE No. 9 (Revised) — Employee’s emoluments

In accordance with the standard of employee’s emoluments, the Group accounting policies of employee’s emoluments were revised. This change belonged to financial statements figures adjustment and note items presentation adjustments: i) the item of post-employment benefits; accumulated compensated leave were added in employee’s emolument payables. The basic pension, unemployment insurance under the original Social security item” were adjusted to a new item “Post-employment benefits”; ii) the accumulated compensated leave was changed to the profit or loss for the period. The details are set out in Note VI. 21, Note XV.19. This change in accounting policies was accounted for using retrospective method. The implementation of this standard has no impact on the financial statements of the Group.

2) ASBE No. 30 (Revised) — Presentation of financial statements

In accordance with the standard of presentation of financial statements, the Group i) revised the original balance item “financial assets/liabilities held for trading” to as “Financial assets/liabilities at fair value through profit or loss”; ii) added two items of “Other comprehensive income which can be recycled to profit or loss in subsequent accounting periods if conditions are satisfied” and “Other comprehensive income which cannot be recycled to profit or loss in subsequent accounting periods” under the original “Other comprehensive income” income statement item; iii) added the breakdown of expenses by nature for the “Expenses” (including operating costs, selling expenses and administrative expenses”. The details were set out in Note VI.2.53 and supplementary information 4. This change in accounting policies was accounted for using retrospective method.

3) ASBE No. 33 — Consolidated financial statements

The definition of “Control” was revised in accordance with the standard of consolidated financial statements. The details were set out in Note II.7.13. This change in accounting policies was accounted for using retrospective method. The implementation of this standard has no impact on the financial statements of the Group.

4) ASBE No. 39 — Measurement of fair value

The Group originally implemented the HK GAAP. The accounting policies of measurement of fair value were revised in accordance with the standard of fair value measurement. The measurement of fair value of “Foreign currency forward contract” was added. The details were set out in Note XIII.2. This change in accounting policies was accounted for using retrospective method. The implementation of this standard has no significant impact on the financial statements of the Group.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## III. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS OF PRIOR PERIODS *(Continued)*

### 1. Changes in accounting policies, accounting estimates and their effect *(Continued)*

(1) *Changes in accounting policies, accounting estimates according to the requirements of Accounting Standards for Business Enterprises ("ASBE") (Continued)*

5) ASBE No. 40 — Joint arrangements

The definition of jointly controlled entities was revised in accordance with the standard of Joint Arrangements. The details were set out in Note II.25. As the Group has no joint arrangements, the implementation of this standard has no impact on the financial statements of the Group.

(2) Except the above, there are no other changes in accounting policies and changes in accounting estimates during the year.

### 2. Correction of errors of prior periods and their effect

There are no corrections of errors of prior periods made retrospectively.

## IV. TAX

### 1. Enterprise Income Tax ("EIT")

Pursuant to the regulations of State Tax Bureau, the charge of EIT for the Company and the subsidiaries operating at other cities of the Mainland are at the tax rate of 25% on the assessable profits. Subsidiaries operating in Hong Kong are charged at the rate of 16.5% on the estimated assessable profits.

The rates of EIT applicable to the Company and subsidiaries are as follows: (Full name of subsidiaries are set out in Note V.1)

Name	Statutory tax rate for 2013	Actual implementation tax rate		Entitlement of preferential tax incentives
		2013	2012	
The Company	25%	15%	15%	Enjoying preferential tax incentive of "High-New Technology Enterprises" where EIT tax rate was reduced to at 15%. Also, only 90% of the revenue from sale of recycling products was charged for EIT. It was also allowed an extra of 50% of the R&D expenses to be deducted from the income charging for EIT.
Resource Recycling	25%	25%	25%	

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### IV. TAX (Continued)

#### 1. Enterprise Income Tax (“EIT”) (Continued)

Name	Statutory tax rate for 2013	Actual implementation tax rate		Entitlement of preferential tax incentives
		2013	2012	
Dongjiang Heritage	25%	15%	15%	Enjoying preferential tax incentive of “High-New Technology Enterprises” where EIT tax rate was reduced to at 15%.
Longgang Dongjiang	25%	25%	25%	Enjoying preferential tax incentive for enterprises engaging in projects satisfying environmental protection and conservation of energy and water conditions of full exemption of EIT commencing from 2012 for two years and followed by a 50% tax reduction for the next three years from 2015 to 2017.
Huizhou Dongjiang	25%	25%	25%	Enjoying preferential tax incentive that only 90% of the revenue from sale of recycling products was charged for EIT.
Qiandeng Wastes Treatment	25%	15%	15%	Enjoying preferential tax incentive of “High-New Technology Enterprises” where EIT tax rate was reduced to at 15%; only 90% of the revenue from sale of recycling products was charged for EIT; and additional of 50% of research and development expenses was allowed for profit before taxation.
Kunshan Kunpeng	25%	25%	25%	
Beijing Novel	25%	15%	15%	Enjoying preferential tax incentive of “High-New Technology Enterprises” where EIT tax rate was reduced to at 15%.
Huabao Technology	25%	25%	25%	
Qingyuan Dongjiang	25%	25%	25%	
Qingdao Dongjiang	25%	25%	25%	



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### IV. TAX (Continued)

#### 1. Enterprise Income Tax (“EIT”) (Continued)

Name	Statutory tax rate for 2013	Actual implementation tax rate		Entitlement of preferential tax incentives
		2013	2012	
Hunan Dongjiang	25%	25%	25%	Enjoying preferential tax incentive for enterprises engaging in projects satisfying environmental protection and conservation of energy and water conditions of full exemption of EIT commencing from 2011 for two years and followed by a 50% tax reduction for the next three years from 2014 to 2016.
Chengdu Treatment Centre	25%	25%	25%	
Renewable Energy	25%	25%	12.5%	Enjoying EIT Transitional Preferential Policy and preferential tax incentive for production enterprises of full exemption of PRC EIT for two years commencing from 2008 and followed by a 50% tax reduction for the next three years until 2012.
Shaoguan Dongjiang	25%	25%	25%	
Shaoguan Green	25%	25%	25%	
Baoan Dongjiang	25%	25%	25%	
Dongjiang Property Service	25%	25%	25%	
Yunnan Dongjiang	25%	25%	25%	
Dongjiang HK	16.5%	16.5%	16.5%	
Lik shun Services	16.5%	16.5%	16.5%	
Products Trading	25%	25%	25%	
Dongjiang Transport	25%	25%	25%	
Dongjiang Songsao	25%	25%	25%	
Zhuhai Qingxin	25%	25%	25%	
Hubei Dongjiang	25%	25%	25%	

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### IV. TAX (Continued)

#### 1. Enterprise Income Tax (“EIT”) (Continued)

Name	Statutory tax rate for 2013	Actual implementation tax rate		Entitlement of preferential tax incentives
		2013	2012	
Qingyuan Xinlv	25%	25%	25%	Enjoying preferential tax incentive that only 90% of the revenue from sale of recycling products was charged for EIT.
Jiaxing Deda	25%	25%	25%	
Jiangmen Dongjiang	25%	25%	25%	
Dongguan Hengjian	25%	25%	25%	

#### 2. Value added tax (“VAT”)

The rate of VAT on sales for subsidiaries, being a general VAT tax payer, is 17%. The VAT paid on purchase of materials can be offset with the VAT on sales. The amount of VAT payable is the net amount of VAT on sales less input VAT on purchases for the period.

The applicable VAT tax rate for subsidiaries, being the small-scale VAT taxpayer, is 3%, 4%, 6%.

Huabao Technology qualified as a pilot enterprise for the change of business tax to VAT. As from November 2012, revenue of Huabao Technology from rendering of services is charged with VAT at 3%.

Zhuhai Qinxin qualified as a pilot enterprise for the change of business tax to VAT. As from November 2012, revenue of Zhuhai Qinxin from rendering of services is charged with VAT at 6%.

Dongjiang Transport qualified as a pilot enterprise for the change of business tax to VAT. As from November 2012, revenue of Dongjiang Transport from rendering of transportation services is charged with VAT at 11%.

#### 3. Business Tax

According to the tax regulation of the State, the business tax is charged at 3% on the construction contract income and 5% on service income.

Tax incentives:

According to the reply about the receipts that Dongjiang Environment Company Limited issued for the revenue of wasted treatment service, No.74 of 2010 issued by Shenzhen Nanshan Tax Bureau, the Company could issue receipt for waste treatment income and the incomes are exempted from business tax.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## IV. TAX (Continued)

### 4. Property Tax

Self-owned properties: The charge is calculated at the tax rate of 1.2% on the 70% of the original cost of the properties.

Leased properties: The charge is calculated at the tax rate of 12% on the rental income.

### 5. Other principal taxes and tax rates

Type	Calculation basis	Tax rate
Urban maintenance and construction tax	Turnover tax payable	7%, 5%, 1%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

### 1. Subsidiaries

Name of company	Place of registration/operation	Business nature	Registered capital/paid-up capital	Business scope	Investment cost as at 31 December 2013	Other amounts constitute as net investment in the subsidiaries	Organisation code	Proportion of share holding (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB'000
												Amount in minority interests used to write down the losses of minority interests
Subsidiaries obtained through business combination involving entities not under common control												
Huabao Technology	Shenzhen	Services	5,500.00	Consultation of environmental testing technology, laboratory testing	5,500.00	-	783926298	100.00	100.00	yes	-	-
Shaoguan Green	Shaoguan	Industrial	160,000.00	Sales and purchase of zinc wastes, lead wastes, and copper wastes	280,800.00	-	79299871X	100.00	100.00	yes	-	-
Lik Shun Services	Hong Kong	Services	HKD 10 million	Collection and disposal of municipal domestic wastes	HKD 10 million	-	N/A	100.00	100.00	yes	-	-
Dongjiang Songzao	Chongqing	Industrial	33,210.40	Construction, management, operation of VAM project	16,796.90	-	686598688	93.86	80.00	yes	719.10	-
Zhuhai Qingxin	Zhuhai	Industrial	9,000.00	Wholesale, retail, and treatment of hazardous wastes	18,104.60	-	732179587	75.00	75.00	yes	1,666.80	-
Qingyuan Xinlv	Qingyuan	Industrial	52,160.00	Collection and utilisation of waste, environmental engineering, treatment of wastewater, and trading of chemical products	54,310.00	-	768417348	62.50	62.50	yes	38,300.30	-

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013  
(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Subsidiaries (Continued)

Name of company	Place of registration/operation	Business nature	Registered capital/paid-up capital	Business scope	Investment cost as at 31 December 2013	Other amounts constitute as net investment in the subsidiaries	Organisation code	Proportion of share holding (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB'000
												Amount in minority interests used to write down the losses of minority interests
Jiaying Deda	Jiashan County	Industrial	42,000.00	Collection, storage and utilisation of hazardous waste such as PCB etching solution, electro-plating wastes, paints; production and sales of copper chloride, copper carbonate, tin hydroxide	30,183.60	-	254836027	51.00	51.00	yes	22,783.40	-
Climate Solution (Asia)	Hong Kong	Investment holding	HKD 9.4614million	Investment holding	USD 10,000.00	-	N/A	100.00	100.00	yes	-	-
Dongguang Hengjian	Dongguang	Industrial	39,000.00	Research and development of environmental technology and pollution treatment, Collection, and utilisation of PCB etching solution, transportation of hazardous goods and copper sulfate production	76,083.40	-	782964540	100.00	100.00	yes	-	-
<b>Subsidiaries obtained through establishment or investment</b>												
Resource Recycling	Shenzhen	Industrial	1,000.00	Collection and sales of industrial waste water (liquid)	2,094.00	-	755694530	100.00	100.00	yes	-	-
Dongjiang Heritage	Shenzhen	Industrial	25,000.00	Production and sales of tribasic copper chloride, additive premixed feeds, etching solution and development of related products	15,500.00	-	755672809	62.00	60.00	yes	15,941.30	-
Longgang Dongjiang	Shenzhen	Industrial	100,000.00	Collection, disposal and utilisation of industrial wastes	46,350.00	-	750498397	54.00	54.00	yes	83,673.30	-
Huizhou Dongjiang	Huizhou	Industrial	5,000.00	Collection, disposal and utilisation of industrial wastes	6,458.35	-	738594407	100.00	100.00	yes	-	-
Qandeng Wastes Treatment	Kunshan	Industrial	30,000.00	Collection, disposal and utilisation of industrial wastes	3,916.80	-	76287004	51.00	56.00	yes	31,024.70	-
Kunshan Kumpeng	Kunshan	Industrial	6,600.00	Disposal and utilisation of industrial wastes; and environmental technology consultation	3,439.00	-	725182702	51.00	51.00	yes	8,460.20	-
Qingyuan Dongjiang	Qingyuan	Industrial	172,469.50	Treatment of industrial wastes	172,469.50	-	664960362	100.00	100.00	yes	-	-

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Subsidiaries (Continued)

Name of company	Place of registration/operation	Business nature	Registered capital/paid-up capital	Business scope	Investment cost as at 31 December 2013	Other amounts constitute as net investment in the subsidiaries	Organisation code	Proportion of share holding (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB'000
												Amount in minority interests used to write down the losses of minority interests
Qingdao Dongjiang	Qingdao	Industrial	15,000.00	Development of utilisation of landfill gas; investment and management of energy recycling projects	15,000.00	-	67528718	100.00	100.00	yes	-	-
Hunan Dongjiang	Zhaoyang	Industrial	10,000.00	Environmental industries and utilisation	9,500.00	-	668585045	95.00	95.00	yes	736.70	-
Chengdu Treatment Centre	Chengdu	Industrial	10,000.00	Treatment of wastes and technology consultation	6,105.50	-	728086895	100.00	100.00	yes	-	-
Renewable Energy	Shenzhen	Industrial	90,324.50	Power generation from landfill gas	90,324.50	-	786560404	100.00	100.00	yes	-	-
Shaoguan Dongjiang	Shaoguan	Industrial	5,000.00	Development, promotion and application of technology for new environmental products, production of cathode copper	5,000.00	-	782025746	100.00	100.00	yes	-	-
Baoan Dongjiang	Shenzhen	Industrial	10,000.00	Development of landfill gas utilization technology; industrial investment	17,230.10	-	674839742	100.00	100.00	yes	-	-
Dongjiang HK	Hong Kong	Services	HKD 24.70 million	Provision of environmental protection services; international trading	HKD 24.70 million	-	N/A	100.00	100.00	yes	-	-
Dongjiang Property Service	Shenzhen	Services	1,000.00	Property management	1,000.00	-	699086185	100.00	100.00	yes	-	-
Yunnan Dongjiang	Kunming	Industrial	10,000.00	Research and promotion of environmental technology and treatment of wastewater.	10,000.00	-	560058446	100.00	100.00	yes	-	-
Dongjiang Transport	Huizhou	Services	34,000.00	Transportation of hazardous goods	34,000.00	-	688636380	100.00	100.00	yes	-	-
Products Trading	Shenzhen	Trading	2,000.00	Chemical Products Trading	2,000.00	-	582711805	100.00	100.00	yes	-	-
Hubei Dongjiang	Hubei Xiaochang County	Industrial	10,000.00	Production and sales of recycled products; collection, disposal and utilisation of industrial wastes,	10,000.00	-	58824921-X	100.00	100.00	yes	-	-
Jiangmen Dongjiang	Jiangmen	Industrial	50,000.00	Research and promotion, environmental technology; treatment of wastewater	50,000.00	-	05683160-4	100.00	100.00	yes	-	-
Dongjiang Shangtian	Shenzhen	Service	10,000.00	Design, consultation, construction, supervision of environmental restoration project; treatment of wastewater; construction project	5,100.00	-	088640941	51.00	51.00	yes	4900.00	-

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Subsidiaries (Continued)

Note:

- 1) The subsidiaries of the Company are companies with limited liabilities.
- 2) Other than Dongjiang HK, Climate Solution (Asia) and Lik Shun Services whose shares are ordinary shares, the type of shares of other subsidiaries are registered capital.
- 3) None of the subsidiaries had issued any debt securities at 31 December 2013 and any time during the year.

#### (1) *Huabao Technology*

Full name: Shenzhen Huabao Technology Limited (深圳市華保科技有限公司)

Huabao Technology was established on 9 January 2006 with approval from Shenzhen Commercial and Industrial Administrative Bureau with registration no. 440306103720849. Its registered capital is RMB500,000. The legal representative is Mr. Huang Jingying. On 1 January 2008, the Company acquired equity interests of 40%, 30% and 30% equity interests in Huabao Technology from the original shareholders Liao Jiaru, Yu Weiguo and Chen Qiuzhang respectively at a total consideration of RMB500,000. After the acquisition has completed, the Company owned 100% equity interests in Huabao Technology. In July 2012, the Company further contributed RMB5,000,000 to capital of Huabao Technology. The register capital of Huabao Technology was increased from RMB500,000 to RMB5,500,000. The change in industrial and commercial registration was completed on 9 July 2012. As at 31 December 2013, the Company owns 100% equity interests in Huabao Technology.

#### (2) *Shaoguan Green*

Full name: Shaoguan Green Recycling Resource Development Co Limited (韶關綠然再生資源發展有限公司)

Shaoguan Green was established on 30 September 2006 with approval from Shaoguan Commercial and Industrial Administrative Bureau with registration no. 440229000001506. Its original registered capital was RMB13,880,000. On 1 January 2008, the Company invested RMB50,000,000 to Shaoguan Green as additional capital and the original shareholders also increased their investment on a pro-rata basis. After the investment has completed, the Company owned 50% equity interests in Shaoguan Green and the registered capital was increased to RMB40,000,000. In December 2008, the shareholders invested again an additional capital of RMB40,000,000. The registered capital of Shaoguan Green was then increased to RMB80,000,000. The legal representative is Mr. Zhang Guoyan.

Pursuant to the investment agreement entered between the two natural person shareholders and the Articles of Shaoguan Green, other than those specified material matters which have to be resolved at the Directors' meeting, the Company has the rights to determine the operating and financial policies of Shaoguan Green. Accordingly, Shaoguan Green has been included in the scope of consolidation since 2009.

On 11 December 2009, Mr. Tang Xiao Guan and the Company entered into a share transfer agreement. Pursuant of which, the Company acquired 10% equity interests in Shaoguan Green from Mr. Tang Xiao Guan at a consideration of RMB17,800,000.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Subsidiaries (Continued)

#### (2) Shaoguan Green (Continued)

On 8 February 2012, Mr. Zhang Guoyan and Mr. Tang Xiao Guan entered into a share transfer agreement, whereby Mr. Tang Xiao Guan transferred his 10% equity interests in Shaoguan Green to Mr. Zhang Guoyan. After the transfer, the Company had 60% equity interests in Shaoguan Green and Mr. Zhang Guoyan owned 40%.

In April 2012, the Company and Mr. Zhang Guoyan further contributed RMB18,000,000 and RMB 12,000,000 respectively to capital of Shaoguan Green. The register capital of Shaoguan Green was increased from RMB80,000,000 to RMB110,000,000. The change in industrial and commercial registration was completed on 27 April 2012.

In November 2012, the Company and Mr. Zhang Guoyan entered into a share transfer agreement, pursuant to which, the Company acquired 40% equity interests in Shaoguan Green from Mr. Zhang Guoyan at a consideration of RMB95,000,000. The changes of industrial and commercial registration for the change in ownership were completed on 13 December 2012. At the same time, Mr Chen Shusheng became the legal representative of Shaoguan Green.

In April 2013, the Company further contributed RMB50,000,000 to capital of Shaoguan Green. The register capital of Shaoguan Green was increased from RMB110,000,000 to RMB160,000,000. The change in industrial and commercial registration was completed on 7 April 2013. As at 31 December 2013, the Company owns 100% equity interests in Shaoguan Green.

#### (3) Lik shun Services

Full name: Hong Kong Lik Shun Services Limited (力信服務有限公司)

Lik shun Services is a limited company established in Hong Kong on 11 December 1988 with issued and fully paid share capital of HK\$10,000. On 19 November 2008, Dongjiang HK acquired 100% shareholding from an independent third party at a consideration of HK\$3,600,000 and injected additional funds of HK\$9,990,000 to Lik shun Services at the same time. Its share capital was then changed to HK\$10,000,000. As at 31 December 2013, the equity interests in Lik shun Services was indirectly wholly owned by the Company.

#### (4) Dongjiang Songzao

Full name: Chongqing Dongjiang Songzao Renewable Energy Development Limited (重慶東江松藻再生能源開發有限公司)

Dongjiang Songzao was a Sino-foreign joint venture formed by Renewable Energy Co. Limited, Climate Solution (Asia) Ltd and Chongqin Songzao Coal and electricity Co. Limited in Chongqin, with registration no. 500000400046128. Its original registered capital was RMB33,210,400. The equity interests in Dongjiang Songzao as to 50.39%, 43.47% and 6.14% were owned by Renewable Energy Co. Limited, Climate Solution (Asia) Ltd and Chongqin Songzao Coal and electricity Co. Limited respectively. The legal representative was Mr. Huang Jingying. The main business scope includes VAM project construction, management, and operation.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 1. Subsidiaries *(Continued)*

#### *(4) Dongjiang Songzao (Continued)*

Dongjiang Songzao was originally an associate of the Company and accounted for using equity method of accounting.

In July 2012, the Company's wholly-owned subsidiary Dongjiang HK and the parent company of Climate Solution (Asia) Ltd, AES CC&T International Ltd entered into a share transfer agreement. Pursuant to which, Dongjiang HK acquired 100% equity interests in Climate Solution (Asia) Ltd at a consideration of USD10,000. The share transfer was completed in September 2012. From October 2012 onwards, Dongjiang Songzao was incorporated into the Group's consolidation scope. In January 2013, Renewable Energy and Climate Solution (Asia) entered into a share transfer agreement. Pursuant to which, Climate Solution (Asia) transferred all the shares hold in Dongjiang Songzao to Renewable Energy. As at 31 December 2013, 93.86% equity interests in Dongjiang Songzao was indirectly wholly owned by the Company through wholly owned subsidiary Renewable Energy.

The Board of Dongjiang Songzao consists of 5 directors, of them 4 were nominated by Renewable Energy, and 1 was nominated by Chongqin Songzao Coal and electricity Co. Limited. Accordingly, the Group has 80% voting rights in Dongjiang Songzao.

#### *(5) Zhuhai Qingxin*

Full name: Zhuhai Qingxin Industrial Environment Limited (珠海市清新工業環保有限公司)

Zhuhai Qingxin was established on 8 October 2001 with registration no. 440400000119362. Its registered capital is RMB9,000,000. The legal representative is Mr. Diao Weihua. In October 2010, the Company acquired 35% equity interests in Zhuhai Qingxin at a consideration of RMB6,615,000.

Zhuhai Qingxin was originally an associate of the Company and accounted for using equity method of accounting.

On 12 June 2012, the Company and the other individual shareholder of Zhuhai Qingxin, Mr. Chen Huigen entered into a share transfer agreement. Pursuant to which, the Company acquired 40% equity interests in Zhuhai Qingxin from Mr. Chen Huigen at a consideration of RMB12,000,000. The change of industrial and commercial registration for the change in ownership was completed on 3 July 2012. As at 31 December 2013, 75% equity interests in Zhuhai Qingxin was owned by the Company. It was incorporated into the Group's consolidation scope.

#### *(6) Qingyuan Xinlv*

Full name: Qingyuan Xinlv Environmental Technology Limited (清遠市新綠環境技術有限公司)

Qingyuan Xinlv was established on 28 October 2004 with approval from Qingxin Commercial and Industrial Administrative Bureau with registration no. 441827000006424. The legal representative was Mr. Cheng Shusheng.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Subsidiaries (Continued)

#### (6) Qingyuan Xinlv (Continued)

In January 2012, the Company and the other shareholders of Qingyuan Xinlv entered into a capital increment agreement, pursuant to which the Company made additional contribution of RMB22,000,000 to Qingyuan Xinlv, of which, RMB6,520,000 was injected to the registered capital and the remaining balance was recorded in capital reserves. After the capital increment, the registered capital of Qingyuan Xinlv was increased from RMB26,080,000 to RMB32,600,000 and the Company owned 20% of the equity interests in Qingyuan Xinlv.

In June 2012, the Company and the shareholders of Qingyuan Xinlv entered into another capital increment agreement. Pursuant to which, the Company further made additional contribution of RMB33,000,000 to Qingyuan Xinlv, of which, RMB19,560,000 was injected to the register capital and the remaining balance was recorded in capital reserves. After the capital increment, the Company owned 50% equity interests in Qingyuan Xinlv. Also, the Company entered into a share transfer agreement with the individual shareholder of Qingyuan Xinlv, that the Company acquired all his equity interests of 12.5% in Qingyuan Xinlv at a consideration of RMB13,750,000.

After capital increase and share transfer, the changes in industrial and commercial registration for the above capital increment and share transfer were completed on 5 July 2012. Qingyuan Xinlv's equity interests as to 62.5% were owned by the Company, and it was incorporated into the Group's consolidation scope.

As at 31 December 2013, the registered capital of Qingyuan Xinlv was RMB52,160,000. The shareholding was the Company 62.5%, Guo Baixin 12.5%, Shang Sutang 12.5%, Shang Sutang 10% and Shang Sutang 2.5%.

#### (7) Jiaxing Deda

Full name: Jiaxing Deda Resource Recycling Limited (嘉興德達資源循環利用有限公司)

Jiaxing Deda was established on 31 March 1997 with approval from Zhejiang Jiashan Commercial and Industrial Administrative Bureau with registration no. 330421000042207. The legal representative was Mr. Zou Hongtu.

In August 2012, the Company and the individual shareholders of Jiaxing Deda entered into a capital increment agreement that the Company contributed RMB30,183,600 to Jiaxing Deda, of which, RMB9,367,300 was injected to the registered capital and the remaining balance was recorded as capital reserves. The change in industrial and commercial registration was completed on 20 August, 2012. After the change, the registered capital of Jiaxing Deda was increased from RMB9,000,000 to RMB18,367,300. The Company owned 51% of the equity interests in Jiaxing Deda, and incorporated it into the Group's consolidation scope.

As at 31 December 2013, the Company increased its registered capital by transferred capital reserve and retain earnings to registered capital, the registered capital of Jiaxing Deda was increased to RMB42,000,000. As at 31 December 2013, the registered capital of Jiaxing Deda was RMB42,000,000. The shareholding was the Company 51%, Zheng Feng 14.7%, Yao Jieying 12.25%, Shen Luting 9.8%, Wu Zhe 2.45%, Jin Zhengxin 4.9% and Tao Weisheng 4.9%.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 1. Subsidiaries *(Continued)*

(8) *Climate Solution (Asia)*

Full name: Climate Solutions (Asia) LTD (亞洲氣候策略有限公司)

Climate Solution (Asia) was established in Hong Kong for the sole purpose of investment holding of Dongjiang Songzao by its parent company AES CC&T International Ltd. In 2012, Dongjiang HK acquired 100% equity interests in Climate Solution (Asia) from AES CC&T International Ltd at a consideration of USD10,000. Accordingly, Climate Solution (Asia) was incorporated into the Group's consolidation scope.

(9) *Dongguan Hengjian*

Full name: Dongguan Hengjiang Environment Technology Co. Limited (東莞市恒建環保科技有限公司)

Dongguan Hengjian was established on 29 November 2005 with approval from Dongguan Commercial and Industrial Administrative Bureau with registration no. 441900000078117. The legal representative is Mr. Li Yong Peng.

In August 2013, the Company and Hengjian Energy Environment Group entered into a share transfer agreement and supplementary agreement. Pursuant to which, the Company acquired all the shares Hengjian Group owned in Dongguan Hengjian at a consideration of RMB76,083,404.82. The change of industrial and commercial registration for the change in ownership was completed on 30 August 2013, after that, 100% equity interests in Dongguan Hengjian were owned by the Company. It was incorporated into the Group's consolidation scope.

As at 31 December 2013, the registered capital of Dongguan Hengjian was RMB39,000,000, and Dongguan Hengjian was wholly owned by the Company.

(10) *Resource Recycling*

Full name: Shenzhen Dongjiang Environment Recycled Resources Co. Limited (深圳市東江環保再生資源有限公司)

Resource Recycling was established on 19 November 2003 with approval from Shenzhen Commercial and Industrial Administrative Bureau with registration no. 440301103644517. Its registered capital was RMB1,000,000. The legal representative is Mr. Chen Shu Sheng. As at 31 December 2013, the equity interests in Resource Recycling was wholly owned by the Company.

(11) *Dongjiang Heritage*

Full name: Shenzhen Dongjiang Heritage Technologies Co. Limited (深圳東江華瑞科技有限公司)

Dongjiang Heritage was established on 16 March 2004 with approval from Shenzhen Commercial and Industrial Administrative Bureau with registration no. 440306501133460. Its registered capital was RMB25,000,000. The legal representative is Mr. Li Yong Peng. As at 31 December 2013, the equity interests of Dongjiang Heritage of 62% and 38% were owned by the Company and Heritage Technologies Asia, LLC respectively.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Subsidiaries (Continued)

#### (11) Dongjiang Heritage (Continued)

The Board of Dongjiang Heritage consists of 5 directors. 3 of them were nominated by the Company and the other 2 were nominated by Heritage Technologies Asia, LLC. Accordingly, the Group has 60% voting rights in Dongjiang Heritage.

#### (12) Longgang Dongjiang

Full name: Shenzhen Longgang Dongjiang Industrial Waste Treatment Company Limited (深圳市龍崗區東江工業廢物處置有限公司)

Longgang Dongjiang was established on 2 July 2003 with approval from Shenzhen Commercial and Industrial Administrative Bureau with registration no. 440307103656838. Its registered capital was RMB20,000,000. The legal representative was Mr. 廖若岸. The company owned 51% of equity interest in Longgang Dongjiang

On December 2012, Longgang Dongjiang applied for capital increment of RMB 80,000,000 register capital, of which the Company contributed RMB43,800,000, the other shareholders, Shenzhen Meidadi Environmental Engineering Company Limited contributed RMB 7,500,000, Shenzhen Longguan District Environmental Technologies Services Centre contributed RMB9,200,000, Zhuang Zhihua contributed RMB12,500,000, and Lin Liming contributed RMB7,000,000. The changes in industrial and commercial registration were completed on 18 December 2012.

As at 31 December 2013, the registered capital of Longgang Dongjiang was RMB100,000,000. The equity interests as to 54%, 13.5%, 13%, 12.5%, and 7% were owned by the Company, Meidadi Environmental Engineering Company Limited, Shenzhen Longguan District Environmental Technologies Services Centre, Zhuang Zhihua, and Lin Liming respectively.

#### (13) Huizhou Dongjiang

Full name: Huizhou Dongjiang Environment Technology Co. Limited (惠州市東江環保技術有限公司)

Huizhou Dongjiang was established on 22 May 2002 with approval from Huizhou Commercial and Industrial Administrative Bureau with registration no. 4413002002604. Its registered capital was RMB5,000,000. The legal representative is Mr. Diao Weihua. As at 31 December 2013, the equity interests in Huizhou Dongjiang was wholly owned by the Company.

#### (14) Qiandeng Wastes Treatment

Full name: Kunshan Qiandeng Three Wastes treatment Co. Limited (昆山市千燈三廢淨化有限公司)

Qiandeng Wastes Treatment was established on 16 June 2004 with approval from Kunshan Commercial and Industrial Administrative Bureau of Suzhou with registration no. 320583000010561. Its registered capital was RMB30,000,000. The legal representative is Mr. Zou Hong Tu. As at 31 December 2013, the equity interests of Qiandeng Wastes Treatment as to 51%, 19%, 10 and 10% were owned by the Company, Qingdeng Datang Economic Cooperative, Chen Deming and Gu Yingying respectively.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Subsidiaries (Continued)

#### (14) Qiandeng Wastes Treatment (Continued)

The Board of Qiandeng Wastes Treatment consists of 9 directors. 5 of them were nominated by the Company and the other 4 were nominated by other shareholders. Accordingly, the Group has 60% voting rights in Qiandeng Wastes Treatment.

#### (15) Kunshan Kunpeng

Full name: Kunshan Kunpeng Environmental and Technology Co. Limited (昆山市昆鵬環境技術有限公司)

Kunshan Kunpeng was established on 18 December 2000 with approval Kunshan Commercial and Industrial Administrative Bureau of Suzhou with registration no. 320583000035525. Its registered capital was RMB6,600,000. The legal representative was Mr. Mr. Zou Hong Tu. As at 31 December 2013, the equity interests of Kunshan Kunpeng of 51%, 29%, 10 and 10% were owned by the Company, Guo Quandi, Chen Yunming and Ren Peiyang respectively.

#### (16) Qingyuan Dongjiang

Full name: Qingyuan Dongjiang Environmental Technologies Company Limited (清遠市東江環保技術有限公司)

Qingyuan Dongjiang was established on 12 July 2007 with approval from Qingyuan Kunshan Commercial and Industrial Administrative Bureau with registration no. 441800000000590. Its registered capital was RMB2,000,000. The equity interests of Qingyuan Dongjiang of 90% and 10% were owned by the Company and Ye Zijun respectively. The legal representative was Mr. Chen Shu Sheng.

In June 2010, the Company acquired 10% equity interests in Qingyuan Dongjiang from Qingyuan Fogang Yifeng Recycled Resources Co., Limited at a consideration of RMB200,000.

In November 2011, the Company increased the capital by investing cash of RMB 3,760,000 and Land Use Rights valued at RMB13,040,000. After capital increment, the registered capital of Qingyuan Dongjiang was increased to RMB18,800,000. In May 2012, the Company further contributed cash of RMB 153,669,500 to Qingyuan Dongjiang. After the capital increment, the register capital of Qingyuan Dongjiang became RMB172,469,500. As at 31 December 2013, the equity interests in Qingyuan Dongjiang was wholly owned by the Company.

#### (17) Qingdao Dongjiang

Full name: Qingdao Dongjiang Environmental Recycled Power Limited (青島市東江環保再生能源有限公司)

Qingdao Dongjiang was established by the Company on 13 June 2008 with approval Qingdao Commercial and Industrial Administrative Bureau with registration no. 370214020000235. Its registered capital was RMB15,000,000. The legal representative was Mr. Huang Xiaowen. As at 31 December 2013, the equity interests of Qingdao Dongjiang was wholly owned by the Company.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 1. Subsidiaries *(Continued)*

#### *(18) Hunan Dongjiang*

Full name: Hunan Dongjiang Environmental Protection Investment Development Limited (湖南東江環保投資發展有限公司)

Hunan Dongjiang was established on 6 December 2007 with approval from Hunan Commercial and Industrial Administrative Bureau and registration no. 430000000016917. Its registered capital was RMB10,000,000. The legal representative was Mr. Jia Zi Liang. As at 31 December 2013, the equity interests in Hunan Dongjiang as to 95% and 5% were owned by the Company and Yuan Yu respectively.

#### *(19) Chengdu Treatment Centre*

Full name: Chengdu Hazardous Waste Treatment Centre Co. Limited (成都市危險廢物處理中心有限公司)

Chengdu Treatment Centre was established on 25 June 2001 with approval from Chengdu Commercial and Industrial Administrative Bureau and registration no. 510100000152917. Its registered capital was RMB10,000,000. The legal representative was Mr. Li Yongpeng. In May 2007, the Company acquired 49% shareholding from the minority shareholder Sichuan Xingli Wheel Company. As at 31 December 2013, the equity interests in Chengdu Treatment Centre was wholly owned by the Company.

#### *(20) Renewable Energy*

Full name: Shenzhen Dongjiang Renewable Energy Limited (深圳市東江環保再生能源有限公司)

Renewable Energy was established on 23 March 2006 with approval from Shenzhen Commercial and Industrial Administrative Bureau and registration no. 440301102885046. Its registered capital was RMB10,000,000. The legal representative was Mr. Li Yongpeng.

In June 2012, the Company contributed cash of RMB 80,324,500 to Renewable Energy. After the capital increment, the registered capital of Renewable Energy became RMB90,324,500. As at 31 December 2013, the equity interests in Renewable Energy was wholly owned by the Company.

#### *(21) Shaoguan Dongjiang*

Full name: Shaoguan Dongjiang Environmental Technology Company Limited (韶關市東江環保技術有限公司)

Shaoguan Dongjiang was established on 27 October 2005 with approval from Shaoguan Commercial and Industrial Administrative Bureau and registration no. 440200000006382. Its registered capital was RMB5,000,000. The legal representative was Mr. Chen Shusheng. As at 31 December 2013, the equity interests in Shaoguan Dongjiang was wholly owned by the Company.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 1. Subsidiaries *(Continued)*

#### *(22) Baoan Dongjiang*

Full name: Shenzhen Baoan Dongjiang Environmental Renewable Energy Limited (深圳市保安東江環保再生能源有限公司, Formerly known as Shenzhen Dongjiang Lisai Renewable Energy Limited 深圳市東江利賽再生能源有限公司)

Baoan Dongjiang was established jointly by the Company and Shenzhen Lisai Industrial Development Limited on 14 May 2008 with approval from Shenzhen Commercial and Industrial Administrative Bureau and registration no. 440306103351553. Its registered capital was RMB10,000,000. The legal representative was Mr. Xie Henghua. The equity interests in Baoan Dongjiang was wholly owned by the Company

As at 31 December 2013, the 80% equity interests in Baoan Dongjiang held by the Company was pledged to bank for bank loans granted. (Note VI.28 (2)).

#### *(23) Dongjiang HK*

Full name: Dongjiang Environmental (HK) Limited (東江環保(香港)有限公司)

Dongjiang HK was a wholly owned subsidiary established by the Company on 5 October 2005 in Hong Kong. Its issued and fully paid share capital was HK\$24,700,000. As at 31 December 2013, the Company owned 100% equity interests in Dongjiang HK.

#### *(24) Dongjiang Property Service*

Full name: Shenzhen Dongjiang Properties Service Co Limited (深圳市東江物業服務公司)

Dongjiang Property Service was a wholly owned subsidiary established by the Company on 25 December 2009 with registration no. 440301104434566. Its registered capital was RMB1,000,000. The legal representative was Mr. Lan Yonghui. As at 31 December 2013, the Company owns 100% equity interests in Dongjiang Property Service.

#### *(25) Yunnan Dongjiang*

Full name: Yunnan Dongjiang Environmental Technologies Company Limited (雲南東江環保技術有限公司)

Yunnan Dongjiang was established by the Company on 16 August 2010 with registration no. 530102000007511. Its registered capital was RMB10,000,000. The legal representative was Mr. Xie Henghua. As at 31 December 2013, the Company owned 100% equity interests in equity interests in Yunnan Dongjiang.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 1. Subsidiaries *(Continued)*

#### *(26) Dongjiang Transport*

Full name: Huizhou Dongjiang Logistic Limited (惠州東江運輸有限公司)

Dongjiang Transport was a limited company established jointly by Huizhou Dongjiang and Resource Recycling in April 2009 by making contribution of RMB1,600,000 and RMB400,000 respectively. Its registration no. is 44130000073398 and the original registered capital was RMB2,000,000. In June 2010, the shareholders made additional investment in Dongjiang Transport on a pro-rata basis. The registered capital was then changed to RMB10,000,000. The legal representative was Mr. Li Yongpeng. In December 2012, Huizhou Dongjiang and Resource Recycling transferred all their shares hold in Dongjiang Transport to the Company. In February 2013, the Company contributed RMB24,000,000 to Dongjiang Transport, after that, the registered capital has increased to RMB34,000,000. As at 31 December 2013, the Company owned 100% equity interests in Dongjiang Transport.

#### *(27) Products Trading*

Full name: Shenzhen Dongjiang Products Trading Limited (產品貿易公司)

Products Trading was a limited company established in Shenzhen on 7 September 2011, registration no. is 440306105689803. The registered capital was RMB2,000,000. The legal representative was Mr. Li Yongpeng. As at 31 December 2013, the Company owned 100% equity interests in Products Trading.

#### *(28) Hubei Dongjiang*

Full name: Hubei Dongjiang Environmental Limited (湖北東江環保有限公司)

Hubei Dongjiang was established on 1 March 2012 with approval from Xiaochang Commercial and Industrial Administrative Bureau with registration no. 420921000011999. Its registered capital was RMB10,000,000. The legal representative was Mr. Chen Shusheng. As at 31 December 2013, the equity interests in Hubei Dongjiang was wholly owned by the Company.

#### *(29) Jiangmen Dongjiang*

Full name: Jiangmen Dongjiang Environmental Technology Limited (江門東江環保技術有限公司)

Jiangmen Dongjiang was established on 19 November 2012 with approval from Heshan Commercial and Industrial Administrative Bureau with registration no. 440784000045816. Its registered capital was RMB50,000,000. The legal representative was Mr. Li Yongpeng. As at 31 December 2013, the equity interests in Hubei Dongjiang was wholly owned by the Company.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Subsidiaries (Continued)

#### (30) Dongjiang Shangtian

Full name: Guangdong Dongjiang Shangtian Environmental Restoration Limited (廣東東江上田環境修復有限公司)

At 21 November 2013, Dongjiang Shangtian acquired notification about approval of company name no.1300040103 [2013] in advance; and jointly established by the Company and Jiangsu Shangtian Environmental Restoration Limited. The register capital was RMB10,000,000; the Company contributed RMB5,100,000, holding 51% interest shares and Jiangsu Shangtian Environmental Restoration Limited contributed RMB 4,900,000, holding 49% interests shares. The capital contribution was verified by Yida Certified Public Accountants Limited on 17 December 2013 with the capital verification report numbered Shenyiyan[2013] No. 131 issued.

Dongjiang Shangtian acquired the license of the business corporation with registration no. 4403011080657158. on 9 January 2014. The legal representative was Mr. Li Yong Peng, registration no. 4403011080657158.

### 2. Changes in consolidation scope during the year

#### (1) Details of subsidiaries newly included in consolidation scope during the year

Name of company	Reason for newly included in consolidation scope	Proportion of shareholding (%)	Net Assets as at 31 December 2013	Net profit for the year
Dongguan Hengjian	Business combination involving entities not under common control	100.00	14,861,885.36	(1,424,908.35)
Dongjiang Shangtian	Newly established	51.00	10,000,000.00	

#### (2) Details of subsidiaries not included in consolidation scope during the year

Name of company	Reason for not included in consolidation scope	Proportion of shareholding (%)	Net Assets as at 31 December 2013	Net profit for the year
Beijing Novel	Sold all shares, lost control	55.00	(15,717,400.00)	(140,800.00)

Pursuant to the resolution approved in the No.40 meeting of the fourth board of directors held on 24 January 2013, the Company transferred the 55% of interest equity hold in Beijing Novel to Mr. Niu Jingjun at a consideration of RMB3,300,000.

On 18 February 2013, Mr. Niu Jinjun and the Company entered into a share transfer agreement, and received the consideration of RMB3,300,000 from Mr. Niu Jinjun. After the share transfer, the Company lost the control of Beijing Novel, since March 2013, Beijing Novel were no longer included in consolidation scope.



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Business combinations for the year

(1) *Subsidiaries obtained through business combination involving entities not under common control*

No.	Name of company	Place of registration	Registered capital	Investment amount	Proportion of shareholding (%)	Business scope
1	Dongguan Hengjian	Dongguan	39,000,000.00	76,083,404.82	100.00	See V.1

1. Dongguan Hengjian

(1) The details of acquisition of Dongguan Hengjian are set out in Note V.1 (9).

(2) Acquisition date: 31 August 2013, evidenced by:

1) The parties to the acquisition have completed the transfer of equity procedures;

2) 85.83% of consideration was paid and the Group has ability to pay the remaining balance;

3) The Company has obtained effective control over the financial and operating policy, and taking the relevant returns and risks.

(3) The net identifiable assets and liabilities of Dongguan Hengjian at the date of acquisition

(Unit: in '000)

Item	31 August 2013 (Acquisition date)	
	Carrying amount	Fair value
Total assets	<b>17,655.64</b>	<b>17,655.64</b>
Total liabilities	<b>1,368.84</b>	<b>1,368.84</b>
Net assets	<b>16,286.79</b>	<b>16,286.79</b>

(4) Cost of acquisition consists of the amount of capital increment and the consideration for the share transfer. The cost of acquisition was exceeded the share of net identifiable assets and liabilities of Dongguan Hengjian. Accordingly, goodwill of RMB59,796,611.11 was recognized.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Business combinations for the year (Continued)

(1) Subsidiaries obtained through business combination involving entities not under common control (Continued)

1. Dongguan Hengjian (Continued)

(5) The operating results of Dongguan Hengjian after the date of acquisition (in RMB'000)

Item	31 August 2013 (Acquisition date)
	-31 December 2013
Operating revenue	2,997.1
Net profit	(1,424.91)
Net cash flow from operating activities	2,201.92
Net cash flows	2,116.31

### 4. Translation of financial statements denominated in foreign currency.

The consolidated financial statements incorporated the financial statements of Dongjiang HK, Lik Shun Services and Climate Solution (Asia) whose functional currency was Hong Kong Dollars. The asset and liability items in the balance sheets were translated at the rate of exchange prevailing at the balance sheet date (i.e. HKD: RMB = 1:0.7862). Other than the undistributed profits, other equity items are translated at the spot rates. Income and expense items in the income statement are translated at the average rate for the period (i.e. HKD: RMB = 1:0.7986).

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

### 1. Bank balances and cash

Item	2013			2012		
	Original currency	Exchange rate	Amount in RMB	Original currency	Exchange rate	Amount in RMB
<b>Cash in hand</b>						
RMB	211,160.64	1.0000	211,160.64	243,036.13	1.0000	243,036.13
HKD	38,305.40	0.7862	30,115.71	133,000.00	0.8109	107,849.70
<b>Sub-total</b>			<b>241,276.35</b>			<b>350,885.83</b>
<b>Bank deposits</b>						
RMB	930,875,270.34	1.0000	930,875,270.34	1,010,746,239.13	1.0000	1,010,746,239.13
HKD	4,654,070.82	0.7862	3,659,030.48	6,813,019.39	0.8109	5,524,677.42
USD	37.87	6.0969	230.87	10,220.04	6.2855	64,238.06
<b>Sub-total</b>			<b>934,534,531.69</b>			<b>1,016,335,154.61</b>
<b>Other bank balances and cash</b>						
RMB	12,111,647.85	1.0000	12,111,647.85	11,128,515.94	1.0000	11,128,515.94
<b>Total</b>			<b>946,887,455.89</b>			<b>1,027,814,556.38</b>

As at 31 December 2013, the restricted bank deposits of the Group were RMB 12,010,000.00 (2012: RMB10,925,179.90) which were the guarantee deposits for borrowing and were included in "Other bank balances and cash".

### 2. Financial assets at fair value through profit and loss

Item	2013	2012
Equity investments held for trading, at fair value	2,007,400.00	3,748,980.00

The equity investments are shares listed on the Shanghai Stock Exchange in the PRC.

As at 31 December 2013, the fair value of the listed shares was RMB2,007,400.00 (2012: RMB3,748,980.00).

There was no material restrictions in the realisation of the above held for trading financial assets.

# NOTES TO FINANCIAL STATEMENTS

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## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes receivable

(1) Categories of notes receivable

Category	2013	2012
Bank acceptance notes	54,051,330.29	31,778,542.16
Commercial acceptance notes	-	-
<b>Total</b>	<b>54,051,330.29</b>	<b>31,778,542.16</b>

All notes receivable held by the Group are aged within one year.

(2) As at 31 December 2013, the top five notes receivable that were endorsed to other parties for payments and yet to mature were as follows:

Type of bills	Drawer	Date of draft	Due date	Amount
Bank acceptance notes	No.1	2013-7-2	2014-1-2	3,000,000.00
Bank acceptance notes	No.2	2013-11-13	2014-2-13	1,935,850.00
Bank acceptance notes	No.3	2013-10-15	2014-1-15	1,377,925.00
Bank acceptance notes	No.4	2013-12-20	2014-3-20	1,202,380.00
Bank acceptance notes	No.5	2013-10-15	2014-1-15	1,000,000.00
<b>Total</b>				<b>8,516,155.00</b>

In the opinion of the directors, the risks of being recourse by the parties accepting such notes were extremely remote, accordingly such notes receivable and corresponding liabilities had been derecognised.

(3) There was no note receivable from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.

(4) As at 31 December 2013, the notes receivable from related parties were RMB 5,778,580.00, representing 10.69% of total accounts receivables (2012: RMB 7,111,520.00, 22.38%). The details are set out in note VII.3 (2).

### 4. Accounts receivable

	2013	2012
Accounts receivable	190,364,856.98	225,191,559.54
Less: Provision for bad debts	10,780,606.75	17,798,170.60
<b>Total</b>	<b>179,584,250.23</b>	<b>207,393,388.94</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. Accounts receivable (Continued)

(1) Aging analysis of accounts receivable

Prior to the acceptance of new customers, the Group applies internal credit assessment policies to assess the credit quality of potential customers and formulates credit limit. Apart from requiring new customers to pay in advance, the Group formulates different credit policies according to different customers. The credit period is generally three months, and can be extended to six months for major customers. For the sales, the Group recognizes accounts receivable and operating revenue at the time point of outbound and acceptance of products, when calculation of the ages of the account begins. Aging analysis of accounts receivable, net of provision for bad debts, presented based on the recognition date is as follows:

Item	2013	2012
0-90 days	<b>137,868,783.93</b>	145,044,585.87
91-180 days	<b>31,164,256.77</b>	28,506,013.00
181-365 days	<b>3,615,411.20</b>	17,343,548.09
1-2 years	<b>4,396,811.63</b>	13,212,542.88
2-3 years	<b>1,288,986.70</b>	3,267,469.10
Over 3 years	<b>1,250,000.00</b>	19,230.00
<b>Total</b>	<b>179,584,250.23</b>	207,393,388.94

(2) Disclosure of accounts receivable by categories is as follows:

Category	2013			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and are provided for bad debts on individual basis	-	-	-	-
Accounts receivable that are provided for bad debts on portfolio basis				
Aged group	<b>161,603,670.88</b>	<b>84.89</b>	<b>9,451,816.43</b>	<b>5.85</b>
Related party group	<b>27,432,395.78</b>	<b>14.41</b>	-	-
Sub-total	<b>189,036,066.66</b>	<b>99.30</b>	<b>9,451,816.43</b>	<b>5.00</b>
Accounts receivable that are individually insignificant but are individually provided for bad debts	<b>1,328,790.32</b>	<b>0.70</b>	<b>1,328,790.32</b>	<b>100.00</b>
<b>Total</b>	<b>190,364,856.98</b>		<b>10,780,606.75</b>	

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(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. Accounts receivable (Continued)

(2) Disclosure of accounts receivable by categories is as follows: (Continued)

Category	2012		Bad debt provision	
	Book balance Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and are provided for bad debts on individual basis	–	–	–	–
Accounts receivable that are provided for bad debts on portfolio basis				
Aged group	151,016,510.85	67.06	9,404,322.65	6.23
Related party group	66,921,200.74	29.72	1,140,000.00	1.70
Sub-total	217,937,711.59	96.78	10,544,322.65	4.84
Accounts receivable that are individually insignificant but are individually provided for bad debts	7,253,847.95	3.22	7,253,847.95	100.00
Total	225,191,559.54		17,798,170.60	

1) Details of accounts receivables that are provided for bad debts based on ageing analysis are as follows:

Item	2013			2012		
	Amount	Proportion (%)	Provision for bad debts	Amount	Proportion (%)	Provision for bad debts
0-90 days	125,370,431.17	1.50	1,880,556.50	106,872,122.94	1.50	1,582,387.81
91-180 days	19,148,444.61	3.00	574,453.35	15,712,467.01	3.00	471,374.00
181-365 days	3,502,866.52	5.00	175,143.35	4,843,524.31	5.00	242,176.22
1-2 years	6,898,828.33	20.00	1,379,765.68	16,515,678.59	20.00	3,303,135.72
2-3 years	2,482,405.40	50.00	1,241,202.70	6,534,938.20	50.00	3,267,469.10
Over 3 years	4,200,694.85	100.00	4,200,694.85	537,779.80	100.00	537,779.80
Total	161,603,670.88		9,451,816.43	151,016,510.85		9,404,322.65

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. Accounts receivable (Continued)

(2) Disclosure of accounts receivable by categories is as follows: (Continued)

2) As at 31 December 2013, accounts receivable that are individually insignificant but are individually provided for bad debts.

Name	Book value	Bad debts provision	Proportion (%)	Reason for
Baoan Shajing Shatou Baoxun Electronics Factory	735,708.53	735,708.53	100.00	Irrecoverable
Lianneng Technology (Shenzhen) Co. Limited	487,508.00	487,508.00	100.00	Irrecoverable
Yangxin Yinyuan Environment Technology Co. Limited	100,000.00	100,000.00	100.00	Irrecoverable
Others (Items under RMB100,000.00)	5,573.79	5,573.79	100.00	Irrecoverable
<b>Total</b>	<b>1,328,790.32</b>	<b>1,328,790.32</b>		

(3) Aging analysis of overdue but without impairment accounts receivable at balance date:

Item	2013	2012
0-90 days	<b>15,271,600.00</b>	38,582,399.14
91-180 days	<b>12,160,795.78</b>	14,456,601.60
181-365 days	-	12,742,200.00
<b>Total</b>	<b>27,432,395.78</b>	65,781,200.74

Overdue but without impairment accounts receivables are related to related parties, those accounts have good credit. According to the past experiences, the management believes that impairment is unnecessary, because the credit quality remains unchanged, and the balances will be recovered in the future.

(4) Details of bad debts provision reversed (or recovered) during the year

There was no previous year bad debts provision fully or partially reversed or recovered during the year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

(5) Accounts receivable written off during the year ended 31 December 2013.

Name	Nature of transaction	Amount	Reason	Whether arisen from related party transaction
Suzhou Jinxiang Electronic Limited	Purchase of goods	246,623.00	Irrecoverable	No
Kaifeng Yanglong Gongmao Limited	Purchase of goods	100,000.00	Irrecoverable	No
Others (Items under RMB100,000.00)	Purchase of goods	54,855.05	Irrecoverable	No
<b>Total</b>		<b>401,478.05</b>		

(6) There was no accounts receivables from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013

(7) Top five accounts receivable outstanding as at 31 December 2013 were as follows:

Name	Relationships with the Company	Amount	Aged	Proportion to total accounts receivable (%)
No.1	Independent third party	30,382,646.50	Within 1 year	15.96
Shenzhen Micronutrients	Associate	27,104,025.78	Within 1 year	14.24
No.3	Independent third party	16,595,353.04	Within 1 year	8.72
		3,846,264.49	1-2 years	2.20
No.4	Independent third party	14,622,497.00	Within 1 year	7.68
No.5	Independent third party	7,470,750.00	Within 1 year	3.92
<b>Total</b>		<b>100,021,536.81</b>		<b>52.54</b>

(8) As at 31 December 2013, the accounts receivable from related parties were RMB 27,432,395.78, representing 14.41% of total accounts receivables (2012: RMB 66,921,200.74, 29.72%). The details are set out in note VII.3 (1).

(9) Accounts receivable comprised the following balances in foreign currencies:

Foreign currency	2013			2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
HKD	7,310,292.90	0.7862	5,747,352.28	8,594,328.00	0.8109	6,969,140.58



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Prepayments

	2013	2012
Prepayments	<b>102,659,646.18</b>	165,178,226.06
Less: provision for bad debts	-	484,229.43
<b>Total</b>	<b>102,659,646.18</b>	164,693,996.63

(1) The aged analysis of prepayments is as follows:

Item	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	<b>82,540,185.73</b>	<b>80.40</b>	137,903,299.17	83.73
1-2 years	<b>13,354,780.70</b>	<b>13.01</b>	25,883,163.67	15.72
2-3 years	<b>6,559,101.69</b>	<b>6.39</b>	404,697.11	0.24
Over 3 years	<b>205,578.06</b>	<b>0.20</b>	502,836.68	0.31
<b>Total</b>	<b>102,659,646.18</b>	<b>100.00</b>	164,693,996.63	100.00

(2) Prepayment written off during the year ended 31 December 2013

Name	Nature	Amount	Reason	Whether arisen from related party transaction
Weijun Electronic (Kunshan) Limited	Prepayment for purchasing goods	484,229.43	Irrecoverable	No

(3) Details of the top five prepayments at 31 December 2013:

Name	Relationship with the Company	Amount	Aged	Reason of outstanding
No.1	Independent third party	15,000,000.00	Within 1 year	Progress payments as contracted
No.2	Independent third party	9,645,000.00	Within 1 year	Progress payments as contracted
No.3	Independent third party	1,768,950.00	Within 1 year	Progress payments as contracted
No.4	Independent third party	7,025,052.37	1-2 years	
No.5	Independent third party	1,900,000.00	Within 1 years	Progress payments as contracted
		6,459,451.69	2-3 years	
No.5	Independent third party	6,889,674.42	Within 1 year	Progress payments as contracted
<b>Total</b>		<b>48,688,128.48</b>		

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For the year ended 31 December 2013

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Prepayments (Continued)

(4) There was no prepayments from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.

(5) Prepayments comprised the following balances in foreign currencies:

Foreign currency	2013			2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
HKD	<b>14,036,736.39</b>	<b>0.7862</b>	<b>11,035,682.15</b>	9,890,732.43	0.8109	8,020,394.93

#### 6. Other receivables

Item	2013	2012
Other receivables	<b>60,728,375.64</b>	54,500,372.25
Less: Provision for bad debts	<b>7,368,912.57</b>	10,538,625.59
	<b>53,359,463.07</b>	43,961,746.66

(1) The aged analysis of other receivables is as follows:

Item	2013	2012
0-90 days	<b>20,621,808.27</b>	18,933,055.93
91-180 days	<b>3,686,249.60</b>	4,450,083.93
181-365 days	<b>15,917,077.22</b>	5,431,915.84
1-2 years	<b>7,345,851.47</b>	9,910,940.82
2-3 years	<b>2,530,633.35</b>	1,451,182.69
Over 3 years	<b>3,257,843.16</b>	3,784,567.45
<b>Total</b>	<b>53,359,463.07</b>	43,961,746.66

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Other receivables (Continued)

(2) Disclosure of other receivables by categories is as follows:

Category	2013			
	Book balance		Bad debts provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and are provided for bad debts on individual basis	-	-	-	-
Other receivables that are provided for bad debts on portfolio basis				
Aged group	7,097,465.62	11.69	1,539,219.41	21.69
Related party group	96,382.17	0.16	-	-
Collateral group	47,704,834.69	78.55	-	-
Subtotal	54,898,682.48	90.40	1,539,219.41	2.80
Other receivables that are individually insignificant but are individually provided for bad debts	5,829,693.16	9.60	5,829,693.16	100.00
<b>Total</b>	<b>60,728,375.64</b>		<b>7,368,912.57</b>	

Category	2012			
	Book balance		Bad debts provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and are provided for bad debts on individual basis	-	-	-	-
Other receivables that are provided for provision for bad debts on portfolio basis				
Aged group	11,339,697.83	20.81	5,801,663.93	51.16
Related party group	640,511.09	1.17	571,117.32	89.17
Collateral group	38,302,548.99	70.28	-	-
Subtotal	50,282,757.91	92.26	6,372,781.25	12.67
Other receivables that are individually insignificant but are individually provided for bad debts	4,217,614.34	7.74	4,165,844.34	98.77
<b>Total</b>	<b>54,500,372.25</b>		<b>10,538,625.59</b>	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Other receivables (Continued)

(2) Disclosure of other receivables by categories is as follows: (Continued)

1) Details of other receivables that are provided for bad debts based on ageing analysis are as follows:

Item	Amount	2013		Amount	2012	
		Proportion (%)	Provision for bad debts		Proportion (%)	Provision for bad debts
0-90 days	5,281,113.04	1.50	79,216.69	4,255,784.40	1.50	63,844.05
91-180 days	25,355.66	3.00	760.67	73,093.84	3.00	2,192.82
181-365 days	180,479.39	5.00	9,023.97	18,859.50	5.00	942.98
1-2 years	146,653.48	20.00	29,330.70	1,535,727.51	20.00	307,145.50
2-3 years	85,953.35	50.00	42,976.68	57,388.00	50.00	28,694.00
Over 3 years	1,377,910.70	100.00	1,377,910.70	5,398,844.58	100.00	5,398,844.58
<b>Total</b>	<b>7,097,465.62</b>		<b>1,539,219.41</b>	11,339,697.83		5,801,663.93

2) As at 31 December 2013, other receivables that are not individually insignificant but are individually provided for bad debts:

Name	Book value	Bad debts provision	Proportion (%)	Reason for provision
CB (Holding) Co., Limited	1,567,417.36	1,567,417.36	100.00	Irrecoverable
Wuhan Qiangsheng Environment product Co., Limited	1,000,000.00	1,000,000.00	100.00	Irrecoverable
Huizhou Shengtianhan Industrial Co., Limited	500,000.00	500,000.00	100.00	Irrecoverable
Nao Zhijun	500,000.00	500,000.00	100.00	Irrecoverable
Xue Yaochun	300,000.00	300,000.00	100.00	Irrecoverable
Shenzhen Kaixiang Industrial Development Co., Limited	300,000.00	300,000.00	100.00	Irrecoverable
Others (Items under RMB300,000)	1,662,275.80	1,662,275.80	100.00	Irrecoverable
<b>Total</b>	<b>5,829,693.16</b>	<b>5,829,693.16</b>		

(3) Details of bad debts provision reversed during the year ended 31 December 2013

There was no previous year bad debts provision fully or partially reversed or recovered during the year.

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Other receivables (Continued)

(4) Details of other receivables written off during the year ended 31 December 2013

Name	Nature of other receivables	Amounts written-off	Reason for written-off	Whether arisen from related party transaction
Others (Items under RMB50,000)	Transaction	10,323.00	Irrecoverable	No

(5) There was no other receivables from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.

(6) The top five other receivables outstanding as at 31 December 2013 are as follows:

Name	Relationships with the Company	Amount	Aged	Proportion to total other receivables (%)	Nature
Heyuan High Technology Development Zone Co., Limited	Independent third party	4,580,000.00	Within 1 year	7.54	Deposit for performance
Hanyubode Technology (Jiangyin) Co., Limited	Independent third party	3,200,000.00	Within 1 year	5.27	Deposit for performance
		300,000.00	1-2years	0.49	Deposit for performance
Jianding (Wuxi) Electronic Co., Limited	Independent third party	3,200,000.00	Within 1 year	5.27	Deposit for performance
		50,000.00	1-2years	0.08	Deposit for performance
Jiashan Land Resources Bureau	Independent third party	2,227,743.00	Within 1 year	3.67	Deposit for performance
Suzhou Property Rights Exchange Co., Limited	Independent third party	1,440,000.00	Within 1 year	2.37	Deposit for performance
		404,000.00	1-2years	0.67	Deposit for performance
<b>Total</b>		<b>15,401,743.00</b>		<b>25.36</b>	

(7) Other receivables from related parties as at 31 December 2013 were RMB96,382.17, representing 0.16% of the total other receivables (2012: RMB 640,511.09, 1.17%). The details are set out in note VII.3 (3).

(8) Other receivables comprised the following balances in foreign currencies:

Foreign currency	2013			2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
HKD	8,004,592.54	0.7862	6,293,210.65	3,409,149.80	0.8109	2,764,479.57

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Inventories

(1) Categories of inventories are as follows:

Item	Carrying amount	2013	
		Provision for inventories	Carrying value
Raw material	191,440,867.59	3,700,617.64	187,740,249.95
Work-in-progress	1,400,219.44	–	1,400,219.44
Finished goods	42,083,553.00	–	42,083,553.00
Consumables	10,301,258.39	–	10,301,258.39
Goods in transit	2,927,106.81	–	2,927,106.81
<b>Total</b>	<b>248,153,005.23</b>	<b>3,700,617.64</b>	<b>244,452,387.59</b>

Item	Carrying amount	2012	
		Provision for inventories	Carrying value
Raw materials	176,868,977.55	46,922.67	176,822,054.88
Work-in-progress	46,607,092.07	–	46,607,092.07
Finished goods	25,612,434.95	–	25,612,434.95
Consumables	9,182,646.40	–	9,182,646.40
Goods in transit	264,308.26	–	264,308.26
<b>Total</b>	<b>258,535,459.23</b>	<b>46,922.67</b>	<b>258,488,536.56</b>

(2) Movements of provision for inventories during the year ended 31 December 2013 are as follows:

Item	As at 1 January 2013	Provision for the year	Decrease		As at 31 December 2013
			Reversal	Other transfer	
Raw materials	46,922.67	3,653,694.97	–	–	3,700,617.64
<b>Total</b>	<b>46,922.67</b>	<b>3,653,694.97</b>	<b>–</b>	<b>–</b>	<b>3,700,617.64</b>

(3) Cost of inventories recognized as expenses for the year was RMB1,100,398,704.00 (2012: RMB959,814,473.64).

#### 8. Non-current assets due within 1 year

Item	2013	2012
Long-term accounts receivable due within 1 year (VI.10)	28,680,000.00	28,680,000.00

## NOTES TO FINANCIAL STATEMENTS

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 9. Other current assets

Item	2013	2012
Prepaid rent	–	59,108.33
Bank financial products	15,000,000.00	–
<b>Total</b>	<b>15,000,000.00</b>	59,108.33

Other current assets were “Golden Key • The Li & Feng”, which is 2013 No.479 VIP Renminbi financial product purchased by Qingyuan Xinlv. It is a principle and profit guaranteed financial product with a low risk rating; the highest expected annual rate of return for cooperate (excluding expenses) is: above RMB3, 000,000.00, 5.8%. Value date was 20 December 2013; maturity date was 28 January 2014.

#### 10. Long-term accounts receivable

Item	2013	2012
Receivables for rendering of services to be recovered by installments	84,990,000.00	73,495,000.00
Less: Amount due within 1 year and showed as non-current assets due within one year (Note VI.8)	28,680,000.00	28,680,000.00
Amount to be recovered after one year	56,310,000.00	44,815,000.00

(1) The aged analysis of the long-term accounts receivable is as follows:

Items	2013	2012
0-90 days	22,900,000.00	73,495,000.00
181-365 days	13,495,000.00	–
1-2years	48,595,000.00	–
<b>Total</b>	<b>84,990,000.00</b>	73,495,000.00

(2) Name of the receivables: Jiangmen Sungde Circuits Technology Limited(2013: RMB62,090,000.00, 2012: RMB73,495,000.00), Heyuan new High-technology development zone Co., Limited (2013: RMB22,900,000.00, 2012:RMB0.00).

(3) There was no long-term accounts receivable from shareholders holding over 5% (or 5%) of the Company’s shares entitling voting rights as at 31 December 2013.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013  
(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. Long-term equity investments

(1) The category of long-term equity investments is as follows:

Item	2013	2012
Investments in jointly controlled entities and associates – accounted for using equity method	102,285,959.18	79,984,920.82
Less: Provision for impairment loss	529,649.00	529,649.00
Carrying value of investments in jointly controlled entities and associates	101,756,310.18	79,455,271.82
Other long-term equity investments – accounted for using cost method	1,800,000.00	1,800,000.00
<b>Total</b>	<b>103,556,310.18</b>	<b>81,255,271.82</b>

Category	2013	2012
Unlisted long-term equity investments	103,556,310.18	81,255,271.82

(2) Investments in jointly controlled entities and associates

Name	As at 31 December 2013		Cost of Investment	As at 1 January 2013	Movement		As at 31 December 2013
	Proportion of Shareholding (%)	Proportion of voting rights (%)			Share of profit (loss) for the year	Transfer out	
<b>Jointly controlled entity</b>							
Dongjiang Veolia	51.00	50.00	22,440,000.00	47,784,234.93	20,822,620.12	-	68,606,855.05
<b>Associate</b>							
Shenzhen Micronutrients	38.00	40.00	760,000.00	2,135,152.50	1,111,926.18	-	3,247,078.68
Shenzhen Resource	49.00	42.86	21,312,060.00	29,938,638.90	493,386.55	-	30,432,025.45
Lisheng Membrane	-	-	450,000.00	126,894.49	-	126,894.49	-
Zhejiang Shuangyi	-	-	150,000.00	-	-	-	-
Beijing Shuangyi	-	-	3,000,000.00	-	-	-	-
<b>Total</b>			48,112,060.00	79,984,920.82	22,427,932.85	126,894.49	102,285,959.18

The full name of the jointly controlled entity and associates are set out in Note VI.11 (3).

Lisheng Membrane, Zhejiang Shuangyi, Beijing Shuangyi were long-term investment of Beijing Novel, the reason for transferring out was Beijing Novel was no longer included in consolidation scope since March 2013, therefore the carry amount of its long-term investment were transferred out. Note V.2 (2).



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. Long-term equity investments (Continued)

(3) Particulars of the jointly controlled entity and associates at 31 December 2012

Name	Proportion of Shareholding (%)	Proportion of voting rights (%)	Place of registration/ operation	Business nature	Legal representative	Registered capital (RMB'000)	Organisation code
<b>Jointly controlled entity</b>							
Dongjiang Veolia	51.00	50.00	Huizhou	Industrial	Li Yong Peng	60,000	774022166
<b>Associate</b>							
Shenzhen Resource	49.00	42.86	Shenzhen	Industrial	Chen Shu Sheng	35,000	723030633
Shenzhen Micronutrients	38.00	40.00	Shenzhen	Trading and services	Frederick A.Steward	2,000	755672745

The jointly controlled entity and associates of the Group are limited company.

1) Dongjiang Veolia

Full name: Huizhou Dongjiang Veolia Environmental services Limited (惠州東江威立雅環境服務有限公司)

Dongjiang Veolia has registered capital of RMB60,000,000. The Company invested RMB30,822,200 and owned 51% equity interests therein. The Board of Directors of Dongjiang Veolia comprise 6 directors, 3 of them were appointed by the Company and the other 3 were appointed by the another shareholders who had one veto power in the matters relating to the design, construction or operating technology, including the allocation of manpower requirement, equipment and material resources. Accordingly, it is classified as a jointly controlled entity and accounted for using equity method of accounting.

2) Shenzhen Resource

Full name: Shenzhen Resource Environmental Technology Company Limited (深圳市萊索思環境技術有限公司)

Shenzhen Resource has registered capital of RMB35,000,000. The Company invested RMB17,500,000. The equity interest in Shenzhen Resource of 50% and 50% were owned by the Company and Shenzhen Hazardous Wastes Treatment Station Company Limited respectively.

Pursuant to the framework agreement of Shenzhen Resources of 19 August 2010, 1% of the 50% equity interests in Shenzhen Resource held by the Company would be transferred to the other shareholder of Shenzhen Resources, Shenzhen Hazardous Wastes Treatment Station Company Limited and the composition of the Board of Directors of Shenzhen Resources would be adjusted whereby the Company has rights to nominate 3 out 7 directors and the other shareholder has rights to nominate 4 out 7 directors. In January 2011, the procedures of share transfer and changes in industrial and commercial registration were completed. As at 31 December 2012, the Company owned 49% equity interests and 42.86% voting rights.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. Long-term equity investments (Continued)

(3) Particulars of the jointly controlled entity and associates at 31 December 2012 (Continued)

3) Shenzhen Micronutrients

Full name: Heritage Dongjiang Micronutrients Additives (Shenzhen) Co., Limited (華瑞東江微營養添加劑(深圳)有限公司)

Shenzhen Micronutrients has registered capital of RMB2,000,000. The Company invested RMB760,000 and owned 38% equity interests therein. Its business scope was research and development of new technologies of feed additive; provision of technical services and consultation concerning feed; importing, exporting and wholesaling of feed additive; technical advice; in feed additives in the wholesale, import and export of feed additives.

(4) The financial information of jointly controlled entity and associates are as follows:

Name	As at 31 December 2013		Total net assets	For the year ended 31 December 2013	
	Total assets	Total liabilities		Total operating revenue	Net profit
<b>Jointly controlled entity</b>					
Dongjiang Veolia	238,128,602.87	103,188,472.20	134,940,130.67	141,815,326.44	40,828,666.91
<b>Associate</b>					
Shenzhen Resource	66,158,812.29	4,395,645.95	61,763,166.34	49,080,270.86	1,006,911.32
Shenzhen Micronutrients	35,469,005.32	27,996,942.44	7,472,062.88	133,080,752.75	2,926,121.54
<b>Total</b>	<b>339,756,420.48</b>	<b>135,581,060.59</b>	<b>204,175,359.89</b>	<b>323,976,350.05</b>	<b>44,761,699.77</b>

The major accounting policies adopted by the jointly controlled entity and associates are consistent with that of the Group.

(5) Provision for impairment loss for investments in jointly controlled entity and associates

Name	As at 1		Decrease	As at 31 December 2013	Reason for provision
	January 2013	Increase			
Shenzhen Micronutrients	529,649.00	-	-	529,649.00	previous year loss

Provision for impairment loss for investments in jointly controlled entities and associates once been recognized would not be reversed in subsequent years.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 11. Long-term equity investments (Continued)

(6) Other long-term equity investments

Name	Proportion of shareholding (%)	Proportion of voting rights (%)	Cost of Investment	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
Wuhan Yunfeng	11.00	11.00	1,800,000.00	1,800,000.00	-	-	1,800,000.00
<b>Total</b>			<b>1,800,000.00</b>	<b>1,800,000.00</b>	<b>-</b>	<b>-</b>	<b>1,800,000.00</b>

No cash dividends were received from the investee companies during the year.

Wuhan Yunfeng is a private entity incorporated in the PRC with limited liabilities. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value is so significant that that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

1) Wuhan Yunfeng

Full name: Wuhan Yunfeng Recycled Resources Co., Limited 武漢雲峰再生資源有限公司

Wuhan Yunfeng was established on 23 November 2005. Its registered capital was RMB8,680,000. The Company invested RMB1,800,000 and owned 11% equity interests therein. The business scope was collection of torn and waste material, process and sales of metals.

(7) The investee companies, which are the long-term equity investments held by the Group as at 31 December 2013, have no restriction on the ability to transfer funds to the Group.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Investment properties

(1) *Investment properties measured by fair value model*

Item	Fair value	Increase			Fair value
	as at 1 January 2013	Additions	Changes in fair value	Decrease	as at 31 December 2013
<b>Cost</b>					
Buildings	48,414,356.82	–	–	–	48,414,356.82
<b>Changes in fair value</b>					
Buildings	5,216,543.18	–	–	–	5,216,543.18
<b>Net carrying value</b>					
Buildings	53,630,900.00	–	–	–	53,630,900.00

Due to the investment properties were revalued by Shenzhen Pengxin Assets Appraisal and Valuation Co., Limited on at an open market basis in 2012, and the value is still within the period of validity, changes of market price in 2013 was little, therefore the Company did not reevaluate the investment properties at an open market basis in 2013.

- (2) As at 31 December 2013, all the investment properties have proper legal property rights certificate.
- (3) The investment properties were located in the PRC and were held under medium-term leases (more than 10 years but less than 50 years).
- (4) Rental income generated from investment properties for the year ended 31 December 2013 was RMB8,668,019.26 (2012:RMB8,669,158.65).
- (5) The detailed information of the investment properties are as follows:

No.	Address	Purpose
1	No.3, Jingtian, Futian District, Shenzhen	Office
2	Southern-side of Langshan Road, Nanshan District, Shenzhen	Office

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For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13. Fixed assets

(1) Breakdown of fixed assets

Item	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
<b>Cost</b>				
Buildings	355,977,417.21	31,844,630.86	499,087.05	387,322,961.02
Plant and Machinery	327,862,091.81	30,914,985.92	6,919,268.77	351,857,808.96
Motor vehicles	94,758,471.09	12,248,836.56	15,002,154.04	92,005,153.61
Office equipment	21,737,524.43	3,784,165.03	4,563,276.96	20,958,412.50
Others	52,507,614.86	25,611,240.29	5,021,190.26	73,097,664.89
<b>Total cost</b>	<b>852,843,119.40</b>	<b>104,403,858.66</b>	<b>32,004,977.08</b>	<b>925,242,000.98</b>
<b>Accumulated depreciation</b>				
Buildings	55,874,812.37	17,835,491.76	76,326.59	73,633,977.54
Plant and Machinery	103,295,722.41	39,543,442.32	5,593,984.76	137,245,179.97
Motor vehicles	47,640,996.22	11,938,859.78	9,737,955.36	49,841,900.64
Office equipment	11,811,634.68	3,997,162.72	2,761,152.25	13,047,645.15
Others	22,004,426.91	7,457,747.74	3,556,905.69	25,905,268.96
<b>Total accumulated depreciation</b>	<b>240,627,592.59</b>	<b>80,772,704.32</b>	<b>21,726,324.65</b>	<b>299,673,972.26</b>
<b>Net carrying amount</b>				
Buildings	300,102,604.84			313,688,983.48
Plant and Machinery	224,566,369.40			214,612,628.99
Motor vehicles	47,117,474.87			42,163,252.97
Office equipment	9,925,889.75			7,910,767.35
Others	30,503,187.95			47,192,395.93
<b>Total net carrying amount</b>	<b>612,215,526.81</b>			<b>625,568,028.72</b>
<b>Provision for impairment losses</b>				
Buildings	16,079,325.86	–	–	16,079,325.86
Plant and Machinery	21,774,072.67	–	2,166,191.54	19,607,881.13
Motor vehicles	1,273,302.18	–	161,124.29	1,112,177.89
Office equipment	8,804.67	–	8,804.67	–
Others	886,416.23	–	–	886,416.23
<b>Total provision for impairment losses</b>	<b>40,021,921.61</b>	<b>–</b>	<b>2,336,120.50</b>	<b>37,685,801.11</b>
<b>Net carrying value</b>				
Buildings	284,023,278.98			297,609,657.62
Plant and Machinery	202,792,296.73			195,004,747.86
Motor vehicles	45,844,172.69			41,051,075.08
Office equipment	9,917,085.08			7,910,767.35
Others	29,616,771.72			46,305,979.70
<b>Total net carrying value</b>	<b>572,193,605.20</b>			<b>587,882,227.61</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Fixed assets (Continued)

- (2) Impairment loss on fixed assets once recognized, it cannot be reversed in subsequent years. Due to the disposal of the fixed assets, the total net carrying value decreased this year.
- (3) The amount of construction in progress transferred to fixed assets during the year ended 31 December 2013 was RMB 39,854,580.39.
- (4) Depreciation of fixed assets recognised in income statement for the year was RMB74,316,347.74 (2012: RMB 63,782,505.49)
- (5) Loss on disposal of fixed assets recognised in income statement for the year was RMB819,701.36 (2012: RMB623,199.29).
- (6) The buildings are situated in the PRC and were held under the following lease terms:

Item	2013	2012
Short-lease (less than 10 years)	<b>1,184,500.32</b>	1,338,944.60
Medium-term lease (more than 10 years but less than 50 years)	<b>296,425,157.30</b>	282,684,334.38
<b>Total</b>	<b>297,609,657.62</b>	284,023,278.98

- (7) Pledge of fixed assets
- (8) As at 31 December 2013, there were no idle fixed assets.
- (9) As at 31 December 2013, assets held under finance leases were as follows:

Item	2013	2012
<b>Cost</b>		
Plant and Machinery	<b>50,619,022.15</b>	50,619,022.15
Motor vehicles	<b>22,189,197.33</b>	24,283,065.84
<b>Total cost</b>	<b>72,808,219.48</b>	74,902,087.99
<b>Accumulated depreciation</b>		
Plant and Machinery	<b>19,075,976.40</b>	12,690,712.08
Motor vehicles	<b>5,965,181.43</b>	8,752,188.96
<b>Total accumulated depreciation</b>	<b>25,041,157.83</b>	21,442,901.04
<b>Net carrying value</b>		
Plant and Machinery	<b>31,543,045.75</b>	37,928,310.07
Motor vehicles	<b>16,224,015.90</b>	15,530,876.88
<b>Total net carrying value</b>	<b>47,767,061.65</b>	53,459,186.95

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Fixed assets (Continued)

(9) As at 31 December 2013, assets held under finance leases were as follows: (Continued)

The plant and machinery held under finance lease was electricity generators of Renewable Energy. On 4 January 2011, Renewable Energy and CMB Financial Leasing Co. Limited entered a "Finance Lease Contract" that Renewable Energy sold 6 methane generator sets and other related equipment to CMB Financial Leasing Co. Limited at a consideration of RMB 49,261,949.30 and that the assets were then leased back from CMB Financial Leasing Co. Limited to Renewable Energy under finance lease arrangement. The terms of the lease were 5 years. The effective interest rate of the lease was 1.3005%.

The original cost of the assets was RMB61,388,779.68 and the net carrying amount at the date of disposal was RMB44,524,858.48. The gain on the disposal of the assets of RMB4,737,090.82 was recorded as deferred income of unrealised gain from sale and lease back transaction under other non-current liabilities. It will be realised to the profit or loss for the period on a straight-line method over the terms of the lease. As at 31 December 2013, the unamortised unrealized gain was RMB2,526,448.47.

The motor vehicles held under finance leases represent the motor vehicles held by Lik Shun Service under finance lease.

No fixed assets leased out under operating leases as at 31 December 2013.

(10) Fixed assets without property rights certificates as at 31 December 2013 were as follows:

- 1) The property rights certificate has not been obtained for the factory building located at Chengdu owned by Chengdu Dangerous Wastes with original cost of RMB12,421,800 and net carrying value as at 31 December 2013 of RMB1,112,800. The application for the related land use rights certificate has not processed because the business operation of Chengdu Dangerous Wastes was being suspended the land use rights may be retrieved by the government.
- 2) The property rights certificates have not been obtained for certain factory building and staff quarter of Shajin Branch of the Company with original cost of RMB29,580,200 and net carrying value as at 31 December 2013 of RMB24,977,500. The relevant procedures are in process. In addition, the property rights certificate has not been obtained for certain yards with original cost of RMB5,191,000 and net carrying value as at 31 December 2013 of RMB2,219,900 because it was built on the land leased by the Company and did not qualify for property rights certificate.
- 3) The property rights certificate has not been obtained for the factory building of Shaoguan Green, with original cost of RMB2,215,800 and net carrying value as at 31 December 2013 of RMB1,972,900. The relevant procedures are in process.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 13. Fixed assets *(Continued)*

(10) Fixed assets without property rights certificates as at 31 December 2013 were as follows: *(Continued)*

- 4) Renewable Energy and Shenzhen Xiaping Solid Waste Landfill entered into agreement of "Shenzhen Xiaping Solid Waste Landfill under the Landfill Gas Power Generation Project Cooperation Agreement" on 30 May 2005. Pursuant to the agreement, Renewable Energy was granted with the land use rights for a piece of land located at the landfill for the project under the agreement. Buildings built on the land by Renewable Energy do not require property rights certificate. The original cost of the building was RMB4,827,000 and net carrying value as at 31 December 2013 was RMB3,279,000.
- 5) Qingdao Dongjiang and Qingdao Solid Waste Treatment Co., Limited entered into agreement of "Qingdao Xiaojianxi Integrated Solid Waste Disposal Landfill Gas Collection and Utilisation of Electricity Generation CDM Project Operating Agreement" on 3 June 2008. Pursuant to the agreement Qingdao Dongjiang was granted with the land use rights for a piece of land for the project under the agreement. Buildings built on the land by Qingdao Dongjiang do not require property rights certificate. The original cost of the building was RMB1,716,800 and net carrying value as at 31 December 2013 was RMB1,432,300.
- 6) Baoan Dongjiang and Shenzhen Bao'an Bureau for Urban Administration entered into an agreement of "Shenzhen Bao'an Laohukeng Integrated Solid Waste Disposal Landfill Gas Collection and Utilisation CDM Project Operating Agreement" on 8 November 2007. Pursuant to the agreement Baoan Dongjiang was granted with the land use rights for a piece of land for the project under the agreement. Buildings built on the land by Baoan Dongjiang do not require property rights certificate. The original cost of the building was RMB11,724,700 and net carrying value as at 31 December 2013 was RMB10,067,100.
- 7) The property rights certificates have not been obtained for certain factory building of DongGuan Hengjian with original cost of RMB5,934,000 and net carrying value as at 31 December 2013 of RMB1,965,500. The relevant procedures are in process.



## NOTES TO FINANCIAL STATEMENTS

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 14. Construction in progress

(1) Breakdown of construction in progress:

Item	2013		2012			
	Carrying amount	Provision for impairment	Carrying value	Carrying amount	Provision for impairment	Carrying value
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Green)	136,806,138.54	-	136,806,138.54	128,501,408.26	-	128,501,408.26
Sludge project (Headquarter)	20,470,782.98	-	20,470,782.98	18,211,057.08	-	18,211,057.08
Wastewater treatment project (Shaoguan Green)	19,605,310.08	-	19,605,310.08	2,117,717.85	-	2,117,717.85
Waste landfill project phase II (Hunan Dongjiang)	18,121,768.89	-	18,121,768.89	5,409,080.00	-	5,409,080.00
Shaoguan Green hazardous waste landfill (Shaoguan Green)	17,402,640.89	-	17,402,640.89	15,619,697.49	-	15,619,697.49
Reconstruction of plant (Huizhou Dongjiang)	13,065,213.86	-	13,065,213.86	1,444,047.58	-	1,444,047.58
Technical renovation project (Shajing Base)	8,855,216.60	-	8,855,216.60	-	-	-
New factory in Dashun (Jiaying Deda)	8,154,882.74	-	8,154,882.74	60,035.40	-	60,035.40
Office building construction (Huizhou Dongjiang)	7,445,242.30	-	7,445,242.30	4,195,056.78	-	4,195,056.78
Xiaping kitchen waste project (Headquarter)	4,842,850.00	-	4,842,850.00	-	-	-
Jiangmen project (Jiangmen Dongjiang)	3,904,749.28	-	3,904,749.28	-	-	-
Triple-effect evaporation system (Qingyuan Xinlv)	3,614,234.76	-	3,614,234.76	3,614,234.76	-	3,614,234.76
Dismantling of waste household appliances project (Hubei Dongjiang)	3,546,980.00	-	3,546,980.00	712,500.00	-	712,500.00
Laboratory project in Shayi (Headquarter)	3,093,843.33	-	3,093,843.33	2,341,220.50	-	2,341,220.50
Kitchen waste project (Renewable Energy)	3,090,041.00	-	3,090,041.00	3,010,041.00	-	3,010,041.00
Kingdee EAS Management softwares (Headquarter)	3,063,580.23	-	3,063,580.23	1,491,199.36	-	1,491,199.36
Kingdee ERP System (Shajing Base)	2,632,051.29	-	2,632,051.29	2,632,051.29	-	2,632,051.29
Slag project (Shaoguan Green)	2,252,984.23	-	2,252,984.23	2,055,984.23	-	2,055,984.23
Jiangxi Jingwang precision circuits Limited resource recycling treatment project (Headquarter)	1,200,000.00	-	1,200,000.00	-	-	-
Factory construction (Qingyuan Dongjiang)	3,400.00	-	3,400.00	14,928,443.91	-	14,928,443.91
Factory plant in Jinwan district (Zhuhai Qingxin)	-	-	-	711,951.40	-	711,951.40
Construction of demonstration centre for waste recycling treatment in Kunming (Yunnan Dongjiang)	-	-	-	1,090,000.00	-	1,090,000.00
Factory in Jiangmen (Jiangmen Dongjiang)	-	-	-	24,897,809.38	-	24,897,809.38
Hazardous wastes transport system(Headquarter)	-	-	-	2,737,680.00	-	2,737,680.00
Other small projects in total	7,173,856.66	-	7,173,856.66	3,364,796.16	-	3,364,796.16
<b>Total</b>	<b>288,345,767.66</b>	<b>-</b>	<b>288,345,767.66</b>	<b>239,146,012.43</b>	<b>-</b>	<b>239,146,012.43</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14. Construction in progress (Continued)

(2) Movements of significant construction in progress projects during the year ended 31 December 2013 (in RMB '000):

Name of project	As at 1		Decrease		As at 31		Proportion of expenditure injected to budget (%)	Progress (%)	Accumulated capitalised interest	Including:	
	January 2013	Increase	Transfer to fixed assets	Other deductions	December 2013	Budget amount				Interest capitalised for the year	Source of funds
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Green)	128,501.41	10,477.52	150.00	2,022.79	136,806.14	145,000.00	97.00	92.00	38,475.80	7,878.70	Borrowing
Factory in Jiangmen (Jiangmeng Dongjiang)	24,897.80	-	-	24,897.80	-	24,897.80	100.00	100.00	-	-	Super raise fund
Sludge Project in Fuyong (Headquarter)	18,211.06	66,833.00	85.00	64,488.27	20,470.78	70,000.00	121.49	99.00	-	-	Raise funds
Shaoguan Green Hazardous waste landfill (Shaoguan Green)	15,619.70	1,782.94	-	-	17,402.64	30,000.00	58.01	58.00	-	-	Own funds
Waste landfill project phase II (Hunan Dongjiang)	5,409.08	12,712.69	-	-	18,121.77	20,955.00	86.48	99.00	-	-	Own funds
Reconstruction of plant (Huizhou Dongjiang)	1,444.05	11,621.17	-	-	13,065.21	20,017.70	65.27	65.00	-	-	Own funds
Technical renovation project (Shajing Base)	-	9,215.54	360.32	-	8,855.21	27,020.00	80.00	80.00	-	-	Own funds
New factory in Dashun (Jiaxing Deda)	60.04	8,094.85	-	-	8,154.88	80,000.00	10.19	15.00	-	-	Own funds
Xiaping kitchen waste project (Headquarter)	-	4,842.85	-	-	4,842.85	91,000.00	5.32	5.00	-	-	Own funds, super raise fund
Factory construction in Qingyuan (Qingyuan Dongjiang)	14,928.44	-	14,925.04	-	3.40	32,610.40	98.00	98.00	-	-	raise funds
Wastewater treatment project (Shaoguan Green)	2,117.71	17,487.60	-	-	19,605.31	20,660.00	94.90	95.00	-	-	Own funds
Office building construction (Huizhou Dongjiang)	4,195.05	3,250.19	-	-	7,445.24	6,000.00	124.09	99.00	-	-	Own funds
<b>Total</b>	<b>215,384.34</b>	<b>146,318.35</b>	<b>15,520.36</b>	<b>91,408.86</b>	<b>254,773.43</b>	<b>568,160.90</b>			<b>38,475.80</b>	<b>7,878.70</b>	

1) The BOT projects transferred from construction in progress to "Operating rights under BOT projects" under intangible assets after the construction work were completed during the year were RMB90,842,819.84.

(3) The disposal losses of construction in progress recognised in profit and loss during the year were RMB1,066,711.60 (2012:NIL).

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 15. Intangible assets

(1) Movement of intangible assets:

Item	As at 1			As at 31
	January 2013	Increase	Decrease	December 2013
<b>Cost</b>				
Land use rights	80,341,222.54	75,340,719.75	6,120,936.24	149,561,006.05
Patents	711,665.10	134,460.00	60,000.00	786,125.10
Software	628,638.20	8,376.00	129,891.00	507,123.20
Operating rights under BOT projects	262,871,599.57	90,842,819.84	28,705,458.26	325,008,961.15
<b>Total cost</b>	<b>344,553,125.41</b>	<b>166,326,375.59</b>	<b>35,016,285.50</b>	<b>475,863,215.50</b>
<b>Accumulated amortisation</b>				
Land use rights	9,224,755.04	2,509,181.60	313,362.72	11,420,573.92
Patents	447,320.54	87,361.94	60,000.00	474,682.48
Software	194,433.26	143,667.09	62,441.72	275,658.63
Operating rights under BOT projects	36,126,141.15	15,623,697.91	27,097,462.69	24,652,376.37
<b>Total accumulated amortisation</b>	<b>45,992,649.99</b>	<b>18,363,908.54</b>	<b>27,533,267.13</b>	<b>36,823,291.40</b>
<b>Carrying value</b>				
Land use rights	71,116,467.50			138,140,432.13
Patents	264,344.56			311,442.62
Software	434,204.94			231,464.57
Operating rights under BOT projects	226,745,458.42			300,356,584.78
<b>Total carrying value</b>	<b>298,560,475.42</b>			<b>439,039,924.10</b>

(2) Amortisation on intangible assets recognised in income statement for the year was RMB17,677,963.10 (2012: RMB 10,578,484.87).

(3) The land use rights related to the land situated in the PRC and held under medium-term lease (more than 10 years but less than 50 years).

(4) As at 31 December 2013, there was no pledge of intangible assets.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Goodwill

(1) The breakdown of goodwill:

Item	As at 1		As at 31	
	January 2013	Increase	Decrease	December 2013
<b>Goodwill</b>				
Shaoguan Green	30,831,658.44	–	–	30,831,658.44
Beijing Novel	4,746,912.09	–	–	4,746,912.09
Chengdu Treatment Centre	2,045,010.07	–	–	2,045,010.07
Lik shun Services	3,052,019.14	–	–	3,052,019.14
Zhuhai Qingxin	13,100,912.02	–	–	13,100,912.02
Qingyuan Xinlv	17,538,809.93	–	–	17,538,809.93
Jiaxing Deda	9,097,974.10	–	–	9,097,974.10
Dongguan Hengjian	–	59,796,611.11	–	59,796,611.11
<b>Total</b>	<b>80,413,295.79</b>	<b>59,796,611.11</b>	<b>–</b>	<b>140,209,906.90</b>
<b>Provision for impairment loss</b>				
Shaoguan Green	30,831,658.44	–	–	30,831,658.44
Beijing Novel	4,746,912.09	–	–	4,746,912.09
Chengdu Treatment Centre	2,045,010.07	–	–	2,045,010.07
Lik shun Services	–	3,052,019.14	–	3,052,019.14
Zhuhai Qingxin	–	–	–	–
Qingyuan Xinlv	–	–	–	–
Jiangxing Deda	–	–	–	–
Dongguan Hengjian	–	–	–	–
<b>Total</b>	<b>37,623,580.60</b>	<b>3,052,019.14</b>	<b>–</b>	<b>40,675,599.74</b>
<b>Net carrying value</b>				
Shaoguan Green	–	–	–	–
Beijing Novel	–	–	–	–
Chengdu Treatment Centre	–	–	–	–
Lik shun Services	3,052,019.14	–	–	–
Zhuhai Qingxin	13,100,912.02	–	–	13,100,912.02
Qinyuan Xinlv	17,538,809.93	–	–	17,538,809.93
Jiangxing Deda	9,097,974.10	–	–	9,097,974.10
Dongguan Hengjian	–	–	–	59,796,611.11
<b>Total</b>	<b>42,789,715.19</b>			<b>99,534,307.16</b>

The goodwill was arising from the business combination not under common control.

Impairment loss on goodwill was provided for as the difference between the estimated recoverable amount of the group of assets to which the goodwill belonged and the carrying amount of that assets group. The provision for impairment loss was RMB3,052,019.14 at 31 December 2013. Impairment loss on goodwill once recognized will not be reversed in subsequent years.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 16. Goodwill (Continued)

##### (2) Impairment loss test

##### Lik Shun Services

For the purposes of impairment testing, goodwill has been allocated to the relevant group of asset – the subsidiary, Lik Shun Services (asset group). The calculation of discounted cash flows of the asset group used the cash flow projection which was based on financial budgets approved by management covering a 10-year period, and discount rate of 12.4%. The cash flows beyond the 2-year period are extrapolated with no growth rate. Other key assumptions for the calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation was based on the past performance and Management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount. In the opinion of Management, the carrying amount of RMB 3,052,019.14 of the provision for impairment loss of goodwill of Lik Shun Services was fully impaired at 31 December 2013.

##### Zhuhai Qingxin, Jiaxing Deda, Qingyuan Xinlv, Dongguan Hengjian

For the purposes of impairment testing, goodwill has been allocated to the relevant group of asset – the respective subsidiary, Zhuhai Qingxin, Jiaxing Deda, Qingyuan Xinlv, Dongguan Hengjian. The calculation of discounted cash flows of each asset group used the cash flow projection which was based on financial budgets approved by management covering a 10-year period, and discount rate of 15.5%. The cash flows beyond the 6-year period are extrapolated with no growth rate. Other key assumptions for the calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation was based on the past performance and Management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount. In the opinion of Management, no provision for impairment loss of goodwill of Zhuhai Qingxin, Jiaxing Deda, Qingyuan Xinlv, Dongguan Hengjian is required as at 31 December 2013.

##### Long-term prepayments

Item	As at 1		As at 31	
	January 2013	Increase	Decrease	December 2013
Beijing Nuohuawei DOE certification fee	412,063.52	–	20,952.36	391,111.16
Production tools	248,640.01	586,407.75	764,528.28	70,519.48
Aidiying PDD editorial fees	214,759.86	–	10,928.52	203,831.34
Membership fee	–	1,040,000.00	78,000.02	961,999.98
Intermediate test for sludge reduction	–	153,616.45	51,205.48	102,410.97
Others	277,270.12	275,424.33	399,899.95	152,794.50
<b>Total</b>	<b>1,152,733.51</b>	<b>2,055,448.53</b>	<b>1,325,514.61</b>	<b>1,882,667.43</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Deferred income tax assets and deferred income tax liabilities

(1) Recognised deferred income tax assets and deferred income tax liabilities

Item	2013	2012
<b>Deferred income tax assets</b>		
Provision for impairment loss of assets	5,085,636.26	3,736,660.79
Difference of fixed assets depreciation	786,244.36	880,972.72
Changes in fair value of financial assets at fair value through profit and loss	838,536.00	640,962.60
Deferred income	3,441,304.84	3,781,937.30
Unrealised gain on intra-group sales	441,813.44	402,910.66
<b>Total</b>	<b>10,593,534.90</b>	<b>9,443,444.07</b>
<b>Deferred income tax liabilities</b>		
Difference of fixed assets depreciation	–	1,088,414.31
Changes in fair value of investment properties	1,721,720.00	782,481.48
<b>Total</b>	<b>1,721,720.00</b>	<b>1,870,895.79</b>

(2) Details of taxable temporary differences and deductible temporary differences as at 31 December 2013 were as follows:

Item	2013	2012
<b>Deferred income tax assets</b>		
Provision for impairment loss of assets	30,669,244.35	25,518,719.42
Difference of fixed assets depreciation	3,144,977.43	3,523,890.89
Changes in fair value of financial assets at fair value through profit and loss	5,590,240.00	4,273,084.00
Deferred income	22,942,032.27	25,212,915.36
Unrealised gain on intra-group sales	2,945,422.95	2,686,071.06
<b>Total</b>	<b>65,291,917.00</b>	<b>61,214,680.73</b>
<b>Deferred income tax liabilities</b>		
Difference of fixed assets depreciation	–	6,596,450.34
Changes in fair value of investment properties	11,478,133.33	5,216,543.18
<b>Total</b>	<b>11,478,133.33</b>	<b>11,812,993.52</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Deferred income tax assets and deferred income tax liabilities (Continued)

(3) Breakdown of deductible temporary differences that are not recognized as deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Details of unrecognized deferred tax assets at the end of the year are as follows:

Item	2013	2012
Deductible temporary differences	<b>29,396,342.72</b>	48,329,304.61
Deductible tax losses	<b>52,931,156.47</b>	89,703,661.33
<b>Total</b>	<b>82,327,499.19</b>	138,032,965.94

These deductible temporary differences and deductible losses are not recognized as deferred income tax assets because it is no longer probable that sufficient taxable profit in the future would be available to allow the benefit of deferred tax asset to be utilized.

(4) Deductible tax losses of unrecognised deferred income tax assets will expire by the following periods:

Item	2013	2012
2013	–	18,405,563.42
2014	<b>6,114,376.16</b>	15,035,312.12
2015	<b>13,749,585.26</b>	25,988,618.89
2016	<b>17,624,808.30</b>	28,224,140.37
2017	<b>10,911,110.20</b>	26,704,118.03
2018	<b>20,521,502.88</b>	–
<b>Total</b>	<b>68,921,382.80</b>	114,357,752.83

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Breakdown of impairment losses of assets

Item	As at 1	Increase	Decrease		As at 31
	January 2013		Reversal	Other transfer	December 2013
Provision for impairment loss of receivables	28,821,025.63	1,222,929.13	-	11,894,435.44	18,149,519.32
Provision for impairment loss of inventories	46,922.67	3,653,694.97	-	-	3,700,617.64
Provision for impairment loss of long-term equity investments	529,649.00	-	-	-	529,649.00
Provision for impairment losses on fixed assets	40,021,921.61	-	-	2,336,120.50	37,685,801.11
Provision for impairment loss on goodwill	37,623,580.60	3,052,019.14	-	-	40,675,599.74
<b>Total</b>	<b>107,043,099.51</b>	<b>7,928,643.24</b>	<b>-</b>	<b>14,230,555.94</b>	<b>100,741,186.81</b>

Note 1: Other transfer of provision for impairment loss of receivables mainly represents the disposal of Beijing Novel, provision for impairment loss of receivables was RMB 10,590,000.00; the rest of other transfer were written-off of provision for impairment loss of account receivables and repayments.

Note 2: Other transfer of provision for impairment losses on fixed assets represents the disposal of fixed assets during the year.

### 20. Short-term borrowings

(1) *Category of short-term borrowings*

Category	2013	2012
Bank loans	<b>265,724,000.00</b>	38,109,000.00

(2) *Category of short-term borrowings*

Category	2013	2012
Guaranteed borrowings	<b>15,724,000.00</b>	30,000,000.00
Credit borrowings	<b>250,000,000.00</b>	8,109,000.00
<b>Total</b>	<b>265,724,000.00</b>	38,109,000.00

The interest rate of the short-term borrowings was 0.62%-6.00%, weighted average interest rate was 4.07%. (2012: interest rate: 1.75%-6.60%, weighted average rate: 5.47%).

The Guarantee was provided by letter of guarantee of the Company; Lik Shun Services obtained the short-term borrowings.

(3) There was no short-term borrowings overdue as at 31 December 2013 (2012: NIL).



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 21. Accounts payable

- (1) The following is an aged analysis of accounts payable presented based on recognition date:

Items	2013	2012
Within 90 days	<b>121,189,350.35</b>	131,809,808.75
91-180 days	<b>13,161,233.71</b>	16,138,764.91
181-365 days	<b>3,437,137.15</b>	45,249,625.15
Over 1 year	<b>20,139,187.34</b>	16,541,897.93
<b>Total</b>	<b>157,926,908.55</b>	209,740,096.74

The balances with aged over 1 year as at 31 December 2013 mainly represent the retention money for construction work or the pledge of equipments. Up to the approval date of these financial statements, no amount was settled.

- (2) There were no accounts payable due to shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.
- (3) As at 31 December 2013, the accounts payable due to related parties were RMB 2,709,568.44, representing 1.72% of total accounts payable (2012: RMB64,616,107.11, 30.81%). The details are set out in note VII.3. (4).
- (4) Accounts payable comprised the following balances in foreign currencies:

Foreign currency	2013			2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
HKD	<b>4,235,033.86</b>	<b>0.7862</b>	<b>3,329,583.62</b>	2,031,786.58	0.8109	1,647,575.74

#### 22. Receipts in advance

Item	2013	2012
Within 1 year	<b>36,746,245.17</b>	53,901,346.81
Over 1 year	<b>1,630,317.73</b>	4,770,444.59
<b>Total</b>	<b>38,376,562.90</b>	58,671,791.40

- (1) The balances with significant amount and aged over 1 year were mainly advance receipts of contracting fee for projects yet to complete. Up to the approval date of these financial statements, no amount was settled.
- (2) There were no receipts in advance due to shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.
- (3) As at 31 December 2013, no receipts in advance due to related parties (2012:NIL).

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 23. Employee emolument payables

Item	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
<b>1. Short-term employee emolument</b>	<b>24,458,107.29</b>	<b>192,219,496.85</b>	<b>183,196,558.31</b>	<b>33,481,045.83</b>
Salaries, bonus, allowance and subsidies	24,315,704.97	167,161,458.59	158,889,877.66	32,587,285.90
Staff welfare	137,688.88	13,382,975.31	13,101,386.52	419,277.67
Medical insurance	(396.46)	3,557,014.62	3,556,784.03	(165.87)
Injury insurance	–	710,199.28	710,210.33	(11.05)
Maternity insurance	–	263,510.80	263,530.15	(19.35)
Housing provident fund	1,399.42	4,083,766.00	4,085,570.42	(405.00)
Union operation cost and staff education cost	3,710.48	2,656,302.43	2,586,771.20	73,241.71
Accumulated paid leave	–	401,841.82	–	401,841.82
Others	–	2,428.00	2,428.00	–
<b>2. Post-employment benefit</b>	<b>(3,317.61)</b>	<b>12,357,690.31</b>	<b>12,356,862.73</b>	<b>(2,490.03)</b>
Basic pension	(3,317.61)	11,016,429.62	11,015,574.39	(2,462.38)
Unemployment insurance	–	745,700.55	745,728.20	(27.65)
Mandatory provident fund (MPF)	–	595,560.14	595,560.14	–
<b>3. Dismiss benefits</b>	<b>–</b>	<b>1,659,448.83</b>	<b>1,659,448.83</b>	<b>–</b>
<b>Total</b>	<b>24,454,789.68</b>	<b>206,236,635.99</b>	<b>197,212,869.87</b>	<b>33,478,555.80</b>

The negative balances represent the prepayment of expenses for the following year.

- (1) The balance of staff emolument payables as at 31 December 2013 included accrued expenditure of salaries, bonus and subsidies of RMB32,590,000.00. There were no unpaid salaries at balance date.
- (2) There were no overdue salaries as at 31 December 2013.
- (3) The post-employment benefit is the defined contribution plans.

According to Chinese social insurance law and other rules and regulations, the Chinese employees have participated in a retirement scheme, including basic pension and unemployment insurance. The employees will contribute several hundred or thousand percent of their salary to Labor and Social Insurance Department; the only responsibility belongs to the Group is to make this specific contribution.

The Hong Kong employees have participated in a retirement plan due to mandatory provident fund regulation; it is a contribution plan at a fixed amount took effect in December 2000. The employees and employers contribute the money in the light of the Mandatory provident fund regulation; after the contribution plan complete, the contributed amount all belongs to the employee. The only responsibility that belongs to the Group is to make this specific contribution.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 24. Tax payable

Item	2013	2012
VAT	<b>(18,445,213.58)</b>	(14,040,306.62)
EIT	<b>11,519,680.72</b>	21,178,990.09
Business tax	<b>3,673,976.25</b>	4,389,933.78
Individual income tax	<b>1,010,229.00</b>	106,908.31
Urban maintenance and construction tax	<b>779,964.79</b>	855,207.23
Education surcharge	<b>897,667.47</b>	680,860.15
Land use tax	<b>118,493.50</b>	15,961.92
Property tax	<b>324,447.60</b>	279,043.58
Stamp duty	<b>115.87</b>	21,329.75
Others	<b>10,737.36</b>	50,865.39
<b>Total</b>	<b>(109,901.02)</b>	13,538,793.58

#### 25. Other payables

Item	2013	2012
Within 1 year	<b>25,084,289.16</b>	92,965,401.13
Over 1 year	<b>21,547,492.98</b>	21,908,049.72
<b>Total</b>	<b>46,631,782.14</b>	114,873,450.85

The balances of other payables with aged over 1 year were mainly the retention money payable for the construction works and outstanding other payable. Up to the approval date of these financial statements, no amount was settled.

(1) As at 31 December 2013, other payables with significant amount were as follows:

Item	Amount	Aged	Nature
No.1	6,000,000.00	2-3 years	Deposit
No.2	4,400,000.00	Over 3 years	Loan
No.3	2,500,000.00	Over 3 years	Technical services fee
No.4	2,150,000.00	0-90 days	Waste treatment fee
No.5	1,600,000.00	Over 3 years	Land fund
<b>Total</b>	<b>16,650,000.00</b>		

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 25. Other payables (Continued)

- (2) The other payables due to shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013:

Item	2013	2012
Mr. Zhang Weiyang	-	1,621,800.00

- (3) As at 31 December 2013, the other payables in advance due to related parties were RMB137,517.31, representing 0.29% of total other payable (2011: RMB1,691,193.77, 1.47%). The details are set out in note VII.3. (5).

- (4) Other payables comprised the following balances in foreign currencies

Foreign currency	2013			2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
HKD	3,083,759.34	0.7862	2,424,451.59	5,942,707.49	0.8109	4,818,941.50

#### 26. Non-current liabilities repayable within one year

Item	2013	2012
Long-term borrowings – repayable within 1 year (Note VI.28)	43,599,340.64	146,400,000.00
Obligations under finance leases – repayable within 1 year (Note VI.29)	14,019,747.97	13,971,838.90
<b>Total</b>	<b>57,619,088.61</b>	<b>160,371,838.90</b>

#### 27. Other current liabilities

Item	2013	2012
Deferred income of government grants pertinent to assets carry over within 1 year (Note VI.30)	5,315,509.67	3,656,883.08
Unrecognised gain on sale and lease-back transaction under finance lease within 1 year (Note VI.30)	757,934.53	-
<b>Total</b>	<b>6,073,444.20</b>	<b>3,656,883.08</b>

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 27. Other current liabilities (Continued)

Deferred income of government grants pertinent to assets carry over within 1 year (Note VI.30):

Item	2013	2012
Environmental special fund	1,056,083.08	2,086,883.08
Subsidies of energy-saving and emission-reduction projects	80,000.00	720,000.00
Funds for resources conservation and environment protection projects	849,999.96	850,000.00
Copper sludge project	400,000.00	–
Wastewater renovation project	1,750,800.00	–
Special construction funds from NDRC	900,000.00	–
Industrial park development subsidy funds	278,626.63	–
<b>Total</b>	<b>5,315,509.67</b>	<b>3,656,883.08</b>

#### 28. Long-term borrowings

Item	2013	2012
Long-term bank loans	168,312,619.07	257,396,248.67
Less: Amount repayable within one year and showed under non-current liabilities due within one year (Note VI.26)	43,599,340.64	146,400,000.00
<b>Long-term borrowings repayable after one year</b>	<b>124,713,278.43</b>	<b>110,996,248.67</b>

(1) The maturities of the long-term borrowings are as follows:

Item	2013	2012
Within 1 year	43,599,340.64	146,400,000.00
In more than 1 year but less than 2 years	37,200,000.00	91,676,248.67
In more than 2 years but less than 5 years	87,513,278.43	19,320,000.00
After 5 years	–	–
<b>Total</b>	<b>168,312,619.07</b>	<b>257,396,248.67</b>

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## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 28. Long-term borrowings (Continued)

(2) Category of long-term bank loans

Category	2013	2012
Secured (note 1)	<b>62,169,762.00</b>	21,000,000.00
Mortgage	–	12,697,674.00
Guaranteed (note 2)	<b>71,142,857.07</b>	199,000,000.00
Credit	<b>35,000,000.00</b>	24,698,574.67
<b>Total</b>	<b>168,312,619.07</b>	257,396,248.67

The interest rate of the long-term borrowings was 5.76%-6.72%, weighted average interest rate was 6.21%. (2012: interest rate: 5.76%-7.21%, weighted average rate: 6.33%).

Note 1: The secured bank loan was secured by the 80% equity interests in Baoan Dongjiang held by the Company and the rights of receiving electricity charge from CDM projects of electricity generation from landfill gas, 40% equity interests in Shaoguan green held by the Company, as well as Renewable Energy's rights of receiving electricity charge from electricity generation from landfill gas.

Note 2: The guarantee was given by the shareholder of the Company, Mr. Zhang Weiyang.

(3) The top five long-term bank loans were as follows:

Lender	Commencement date	Due date	Interest rate (%)	2013	2012
Industrial Bank Shenzhen Gaoxingqu Branch	2013/5/10	2018/5/10	Floating rate	<b>40,500,000.00</b>	–
China Merchants Bank Jingtian Branch	2013/11/29	2015/11/3	Floating rate	<b>35,000,000.00</b>	–
Ping' an Bank, Shenzheng Branch	2013/2/28	2017/6/29	Floating rate	<b>24,857,142.83</b>	30,000,000.00
Ping' an Bank, Shenzheng Branch	2012/12/14	2017/6/29	Floating rate	<b>23,142,857.12</b>	30,000,000.00
Ping'an Bank. Shenzhen Xinwenlu Branch	2010/4/30	2015/4/28	Floating rate	<b>12,600,000.00</b>	21,000,000.00
<b>Total</b>				<b>136,099,999.95</b>	81,000,000.00

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 29. Long-term payables

Item	2013	2012
Obligations under finance leases	<b>32,311,782.68</b>	44,033,082.10
Less: Amount expired within 1 year (note VI.26)	<b>14,019,747.97</b>	13,971,838.90
Less: Amount expired after 1 year	<b>18,292,034.71</b>	30,061,243.20
Others	<b>787,520.00</b>	885,960.00
<b>Total</b>	<b>19,079,554.71</b>	30,947,203.20

Others were the payables of Dongjiang Songzao for the entrust loan that the minority shareholders entrusted China Construction Bank Qijiang Branch to grant a bank loan to Dongjiang Songzao, the total amount was RMB984,400, the duration of the loan started from 31 December 2010 to 31 December 2021. Since 31 December 2012, a annual repayment of RMB98,440 should be paid at the end of each financial year.

(1) *Breakdown of the obligations under finance leases*

The obligations under finance leases represent the amount of minimum lease payments for finance lease less the unrecognized finance lease charge.

Name	2013		2012	
	Foreign currency (HKD)	Amount in RMB	Foreign currency (HKD)	Amount in RMB
China Merchants Bank Financial Leasing Co., Limited	-	<b>19,358,655.43</b>	-	27,157,949.90
China Construction Bank (Asia) Co., Limited	<b>7,706,125.38</b>	<b>6,058,555.77</b>	7,094,292.59	5,752,761.86
Bank of East Asia Limited	<b>4,563,651.77</b>	<b>3,587,943.02</b>	7,436,033.18	6,029,879.31
Wing Hang Finance Company Limited	-	-	948,033.09	768,760.03
Wing Hang Bank Company Limited	<b>3,463,016.58</b>	<b>2,722,623.64</b>	4,364,801.94	3,539,417.89
Wing Lung Bank Co., Limited	<b>742,819.66</b>	<b>584,004.82</b>	967,213.11	784,313.11
<b>Total</b>		<b>32,311,782.68</b>		44,033,082.10

(2) *The long-term payables are measured at amortized cost using effective interest rate.*

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 29. Long-term payables (Continued)

(3) As at 31 December 2013, the minimum lease payments under finance leases were payable as follows:

Items	2013	2012
Within 1 year	<b>14,019,748.78</b>	14,658,271.72
1-2 years	<b>13,831,825.76</b>	13,964,908.43
2-3 years	<b>5,407,920.66</b>	13,735,282.63
After 3 years	<b>1,164,063.56</b>	5,748,275.21
Sub-total	<b>34,423,558.76</b>	48,106,737.99
Less: Unrecognised finance lease charge	<b>2,111,776.08</b>	4,073,655.89
<b>Total</b>	<b>32,311,782.68</b>	44,033,082.10

The unrecognised finance lease charge is amortised using effective interest rate over the period and accounted for according to the principles of borrowing costs.

#### 30. Other non-current liabilities

Item	2013	2012
Deferred income of asset-related government grants	<b>68,924,421.91</b>	69,801,499.96
Less: Amount realisable within 1 year (Note VI.27)	<b>5,315,509.67</b>	3,656,883.08
Amount realisable after one year	<b>63,608,912.24</b>	66,144,616.88
Unrecognised gain on sale and lease-back finance lease	<b>3,408,106.49</b>	3,284,382.99
Less: carry forward and recorded into current liability within 1 year (Note VI.27)	<b>757,934.53</b>	–
Unrecognised gain on sale and lease-back finance lease after 1 year	<b>2,650,171.96</b>	3,284,382.99
<b>Total</b>	<b>66,259,084.20</b>	69,428,999.87



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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 30. Other non-current liabilities (Continued)

(1) Movements of deferred income during the year ended 31 December 2013 were as follows:

Category	As at 1 January 2013	Government grants received during the year (Note VI.48)	Amortisation for the year (Credited to non-operating income)	Other Transfer	As at 31 December 2013
Special construction funds from National Development and Reform Commission	8,475,000.00	–	900,000.00	–	7,575,000.00
Resource-saving and environmental protection project funds for Qingyuan Dongjiang	7,999,999.96	–	2,000,000.04	–	5,999,999.92
Special funds for environmental protection projects for the Company	7,922,848.68	–	356,083.08	–	7,566,765.60
Resources-saving and environmental protection funds for Renewable Resource	6,595,833.42	–	849,999.96	–	5,745,833.46
Wastewater treatment re-construction projects	5,233,400.00	–	1,750,800.01	–	3,482,599.99
Subsidies for industrial zone development	5,053,019.00	13,130,834.00	9,414,303.90	–	8,769,549.10
Special subsidies for Northern Guangdong sewage treatment	5,000,000.00	–	–	–	5,000,000.00
Shenzhen Fuyong river sludge treatment plant (phase2)	5,000,000.00	–	–	–	5,000,000.00
Northern Guangdong project	4,636,000.00	–	–	–	4,636,000.00
Subsidies from Shenzhen CCHS	4,000,000.00	–	400,000.00	–	3,600,000.00
Southern cities Sludge anaerobic digestion and the safe operation of the technology and equipment	3,350,000.00	1,650,000.00	–	2,314,000.00	2,686,000.00
Special fund for national environmental protection for Baoan Dongjiang	2,425,000.00	–	300,000.00	–	2,125,000.00
Subsidies for energy conservation of the Company	1,560,000.01	–	–	–	1,560,000.01
Research of key technology for recycling of waste printed circuit board and integrated demonstration projects	940,000.00	–	–	–	940,000.00
Copper sludge projects of the Company	866,666.67	–	400,000.00	–	466,666.67
Subsidies for purchasing environmental friendly vehicles from Hong Kong government	403,732.22	–	177,685.51	12,864.55	213,182.16
Environmental emergency response equipment and supplies allowances	340,000.00	–	340,000.00	–	–
Industrialization of municipal sludge anaerobic digestion research	–	1,500,000.00	–	750,000.00	750,000.00

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(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 30. Other non-current liabilities (Continued)

(1) Movements of deferred income during the year ended 31 December 2013 were as follows: (Continued)

Category	As at 1 January 2013	Government grants received during the year (Note VI.48)	Amortisation for the year (Credited to non-operating income)	Other Transfer	As at 31 December 2013
Efficient low consumption electronics industry wastewater denitrification and dephosphorization technology development and application	-	490,000.00	-	-	490,000.00
Subsidies for energy conservation	-	800,000.00	80,000.00	-	720,000.00
Copper sludge project	-	1,597,825.00	-	-	1,597,825.00
<b>Total</b>	<b>69,801,499.96</b>	<b>19,168,659.00</b>	<b>16,968,872.50</b>	<b>3,076,864.55</b>	<b>68,924,421.91</b>

There was no return of government grants during the year (2012: NIL).

Pursuant to the contract, other transfer represents the government grants were allocated to project cooperating university. Besides, other transfer of "Subsidies for purchasing environmental friendly vehicles from Hong Kong government" was caused by the changes of exchange rate.

#### 31. Share capital

2013

	1 January 2013		Movement of the year		31 December 2013	
	Amount	Proportion (%)	Capital reserve transfer	Others	Amount	Proportion (%)
<b>I. Selling Restricted Shares</b>						
1. Other domestic shareholding	86,250,075.40	57.32	43,125,037.00	(44,727,368.00)	84,647,744.40	37.50
Including: shares held by legal representative	23,609,976.00	15.69	11,804,988.00	(35,414,964.00)	-	-
shares held by natural person	62,640,099.40	41.63	31,320,049.00	(9,312,404.00)	84,647,744.40	37.50
2. Shares held by senior management	3,646,299.00	2.42	1,823,150.00	(1,367,363.00)	4,102,086.00	1.82
<b>Subtotal</b>	<b>89,896,374.40</b>	<b>59.74</b>	<b>44,948,187.00</b>	<b>(46,094,731.00)</b>	<b>88,749,830.40</b>	<b>39.32</b>
<b>II. Selling Unrestricted Shares</b>						
1. RMB ordinary shares	25,000,000.00	16.61	12,500,000.00	46,094,731.00	83,594,731.00	37.04
2. Overseas listed foreign shares	35,580,000.00	23.64	17,790,000.00	-	53,370,000.00	23.64
<b>Subtotal</b>	<b>60,580,000.00</b>	<b>40.26</b>	<b>30,290,000.00</b>	<b>46,094,731.00</b>	<b>136,964,731.00</b>	<b>60.68</b>
<b>Total</b>	<b>150,476,374.40</b>	<b>100.00</b>	<b>75,238,187.00</b>	<b>-</b>	<b>225,714,561.40</b>	<b>100.00</b>

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## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 31. Share capital (Continued)

Pursuant to the resolution approved in the 2012 general meeting, 2013 the first A share shareholder meeting and 2013 the first H share shareholder meeting held on 14 June 2013, based on the total share capital of 150,476,374 shares at the end of financial year 2012, the Group transferred 5 shares for each existing 10 shares from capital reserve to registered capital, upon which the transferred shares were RMB75,238,187 in total.

The capital increment was verified by ShineWing Certified Public Accountants on 25 August 2013 with the capital verification report numbered XYZH/2013SZA1013 issued.

2012

	1 January 2012		Movement of the year	31 December 2012	
	Amount	Proportion (%)		Amount	Proportion (%)
<b>I. Selling Restricted Shares</b>					
1. Other domestic shareholding	86,250,075.40	68.74	–	86,250,075.40	57.32
Including: shares held by legal representative	23,609,976.00	18.82	–	23,609,976.00	15.69
Shares held by natural person	62,640,099.40	49.92	–	62,640,099.40	41.63
2. Shares held by senior management	3,646,299.00	2.91	–	3,646,299.00	2.42
<b>Subtotal</b>	<b>89,896,374.40</b>	<b>71.64</b>	<b>–</b>	<b>89,896,374.40</b>	<b>59.74</b>
<b>II. Selling Unrestricted Shares</b>					
1. RMB ordinary shares	–	–	25,000,000.00	25,000,000.00	16.61
2. Overseas listed foreign shares	35,580,000.00	28.36	–	35,580,000.00	23.64
<b>Subtotal</b>	<b>35,580,000.00</b>	<b>28.36</b>	<b>25,000,000.00</b>	<b>60,580,000.00</b>	<b>40.26</b>
<b>Total</b>	<b>125,476,374.40</b>	<b>100.00</b>	<b>25,000,000.00</b>	<b>150,476,374.40</b>	<b>100.00</b>

With the approval documents CSRC[2014]413 issued by China Securities Regulatory Commission, the Company issued 25,000,000 RMB shares of RMB1 each to public on 26 March 2012.

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## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Capital reserves

2013

Item	As at	Increase	Decrease	As at 31
	1 January 2013			December 2013
stock premium	930,603,520.07	–	75,238,187.00	855,365,333.07

The decrease of capital reserve was due to the transfer from capital reserve to registered capital.

2012

Item	As at	Increase	Decrease	As at 31
	1 January 2012			December 2012
stock premium	–	987,225,849.86	56,622,329.79	930,603,520.07

The increase in capital reserves was due to the share premium from issue of A shares.

The decrease in capital reserve is due to the deduction of the excess of the investment cost of acquisition of equity interests held by the minority shareholders of subsidiaries over the share of net book value of the subsidiaries being acquired.

### 33. Surplus reserves

2013

Item	As at	Increase	Decrease	As at 31
	1 January 2013			December 2013
Statutory surplus reserves	93,173,237.74	17,562,062.69	–	110,735,300.43

2012

Item	As at	Increase	Decrease	As at 31
	1 January 2012			December 2012
Statutory surplus reserves	70,754,552.84	22,418,684.90	–	93,173,237.74

According to Chinese law and regulation, as well as the articles of the Company, each subsidiary of the Group have to record 10% of after tax income, until balance is 50% of the registered capital. Surplus reserves can be used to offset any future losses as well as increase shares outstanding. Any other uses must not result in surplus reserves lower than 25% of the registered capital.

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Undistributed profits

Item	2013	2012
<b>Amount at 1 January 2013</b>	<b>919,750,287.90</b>	750,701,355.81
add: net profit attributable to the parent company shareholders	<b>208,282,106.18</b>	266,705,803.99
less: Transfer to statutory surplus reserves	<b>17,562,062.69</b>	22,418,684.90
Payment of interim dividend of 2012	<b>60,190,549.60</b>	75,238,187.00
<b>Amount at 31 December 2013</b>	<b>1,050,279,781.79</b>	919,750,287.90

Pursuant to the resolution approved in the 2012 general meeting, 2013 the first A share shareholder meeting and 2013 the first H share shareholder meeting held on 14 June 2013. The Group distributed a cash dividend of RMB4.00 for every 10 shares (including tax), based on the total share capital of 150,476,374 shares at 31 December 2012; totally the cash dividends were RMB60,190,549.60.

#### 35. Minority interests

Minority interests attributable to the shareholders of subsidiaries

Name	2013	2012
Dongjiang Heritage	<b>15,941,268.17</b>	24,504,568.08
Longgang Dongjiang	<b>83,673,326.00</b>	66,196,801.40
Qingdeng Wastes Treatment	<b>31,024,744.03</b>	30,102,361.94
Kunshan Kunpeng	<b>8,460,207.87</b>	8,042,580.93
Hunan Dongjiang	<b>736,715.74</b>	491,886.03
Beijing Novel	–	(7,440,856.77)
Dongjiang Songzao	<b>719,061.71</b>	974,347.38
Zhuhai Qingxin	<b>1,656,810.20</b>	1,974,929.56
Qingyuan Xinlv	<b>38,300,291.03</b>	32,915,449.44
Jiaxin Deda	<b>22,783,448.55</b>	21,160,976.65
Dongjiang Shangtian	<b>4,900,000.00</b>	–
<b>Total</b>	<b>208,195,873.30</b>	178,923,044.64

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 36. Net current assets

	2013	2012
Current assets	<b>1,626,681,933.25</b>	1,766,618,855.66
Less: Current liabilities	<b>605,720,441.18</b>	623,416,644.23
<b>Net current liabilities</b>	<b>1,020,961,492.07</b>	1,143,202,211.43

#### 37. Total assets less current liabilities

	2013	2012
Total assets	<b>3,267,457,572.29</b>	3,109,606,013.30
Less: Current liabilities	<b>605,720,441.18</b>	623,416,644.23
<b>Total assets less current liabilities</b>	<b>2,661,737,131.11</b>	2,486,189,369.07

#### 38. Borrowings

For the purposes of reporting under Hong Kong Companies Ordinance, the borrowings of the Group are summarized as follows:

Item	2012	2012
Short term bank loan	<b>265,724,000.00</b>	38,109,000.00
Long term loan	<b>168,312,619.07</b>	257,396,248.67
Obligations under finance lease	<b>32,311,782.68</b>	44,033,082.10
<b>Total</b>	<b>466,348,401.75</b>	339,538,330.77

Item	2012	2012
Bank Loans		
Wholly repayable within 5 years	<b>434,036,619.07</b>	295,505,248.67
Wholly repayable after 5 years	-	-
Sub-total	<b>434,036,619.07</b>	295,505,248.67
Obligations under finance lease	<b>32,311,782.68</b>	44,033,082.10
<b>Total</b>	<b>466,348,401.75</b>	339,538,330.77

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 39. Operating revenue and operating costs

Item	2013	2012
Operating revenue	<b>1,582,936,364.20</b>	1,521,517,728.17
Other operating revenue	–	–
<b>Total</b>	<b>1,582,936,364.20</b>	1,521,517,728.17
Operating costs	<b>1,100,398,704.00</b>	959,814,473.64
Other operating costs	–	–
<b>Total</b>	<b>1,100,398,704.00</b>	959,814,473.64

Operating revenue, which is also the Group's turnover, represents the net amounts received and receivables for processing and sale of goods and rendering of services by the Group to outside customers, less trade discounts during the year.

(1) *Operating revenue and operating costs – by principal operations*

	2013		2012	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Industrial waste recycling	<b>1,003,746,274.10</b>	<b>739,693,548.25</b>	938,595,848.97	635,468,608.69
Industrial waste treatment and disposal	<b>243,497,232.44</b>	<b>103,675,613.81</b>	200,398,516.89	61,028,796.84
Municipal waste treatment and disposal	<b>135,163,624.22</b>	<b>117,617,521.62</b>	126,413,101.88	95,639,506.68
Renewable energy utilisation	<b>65,476,857.26</b>	<b>44,059,227.09</b>	57,006,523.65	35,119,640.26
Environmental engineering and services	<b>95,850,397.86</b>	<b>73,220,217.40</b>	165,745,981.99	113,875,861.44
Trading and others	<b>39,201,978.32</b>	<b>22,132,575.83</b>	33,357,754.79	18,682,059.73
<b>Total</b>	<b>1,582,936,364.20</b>	<b>1,100,398,704.00</b>	1,521,517,728.17	959,814,473.64

(2) *Operating revenue and operating costs – by geographical locations*

Location	2013		2012	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Shenzhen	<b>412,306,880.24</b>	<b>289,368,089.77</b>	374,669,495.69	252,085,079.21
Other regions of Pearl River Delta	<b>217,500,539.29</b>	<b>127,641,993.65</b>	174,627,638.81	87,583,933.58
Other regions of Guangdong Province	<b>165,132,464.24</b>	<b>117,749,087.21</b>	143,914,286.32	95,461,334.95
Other Provinces	<b>753,039,309.25</b>	<b>533,402,583.77</b>	790,038,927.12	489,509,162.10
Overseas regions	<b>34,957,171.18</b>	<b>32,236,949.60</b>	38,267,380.23	35,174,963.80
<b>Total</b>	<b>1,582,936,364.20</b>	<b>1,100,398,704.00</b>	1,521,517,728.17	959,814,473.64

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For the year ended 31 December 2013  
(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 39. Operating revenue and operating costs (Continued)

(3) The top five customers of revenue for the year ended 31 December 2013

Name of customer	Revenue	Proportion to total revenue (%)
NO.1	110,154,373.70	6.96
NO.2	93,353,184.12	5.90
NO.3	64,985,057.66	4.11
NO.4	45,800,000.00	2.89
NO.5	45,519,023.39	2.88
<b>Total</b>	<b>359,811,638.87</b>	<b>22.74</b>

#### 40. Gross profit

Item	2013	2012
Operating revenue	<b>1,582,936,364.20</b>	1,521,517,728.17
Less: Operation costs	<b>1,100,398,704.00</b>	959,814,473.64
<b>Gross profit</b>	<b>482,537,660.20</b>	561,703,254.53

#### 41. Business taxes and additional taxes

Item	2013	2012
Business tax	<b>1,221,295.61</b>	5,136,558.50
Urban maintenance and construction tax	<b>4,619,046.19</b>	5,510,822.04
Education surcharge	<b>3,568,649.95</b>	4,218,224.42
Others	<b>12,702.65</b>	7,452.17
<b>Total</b>	<b>9,421,694.40</b>	14,873,057.13

#### 42. Selling expenses

Items	2013	2012
<b>Total</b>	<b>38,287,887.95</b>	34,011,655.63
Including:		
Salaries	<b>12,766,255.04</b>	9,479,328.66
Transportation	<b>7,157,760.21</b>	8,221,123.38
Rental	<b>1,520,733.08</b>	1,455,952.87
Labour insurance	<b>1,190,558.06</b>	1,186,745.72



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 43. Administrative expenses

Item	2013	2012
<b>Total</b>	<b>221,405,603.84</b>	207,692,583.06
Including:		
Salaries	<b>71,361,022.06</b>	56,710,162.16
Research and development expenses	<b>30,195,956.50</b>	29,527,209.99
Depreciation	<b>17,704,697.27</b>	19,412,895.94
Entertainment	<b>10,093,495.41</b>	10,159,103.16
Staff welfare	<b>9,485,440.10</b>	10,084,474.35
Office expenses	<b>5,830,963.76</b>	6,771,644.13
Labour insurance	<b>8,219,069.71</b>	6,311,755.91
Rental	<b>4,944,561.58</b>	3,777,953.10
Travelling	<b>3,887,213.23</b>	3,585,310.81
Professional fee	<b>4,776,126.68</b>	1,944,680.20

#### 44. Finance costs

(1) Breakdown of finance costs

Item	2013	2012
Interest expenses	<b>17,934,737.84</b>	20,164,822.45
Less: Interest income	<b>17,564,930.12</b>	17,362,467.16
Add: Exchange difference	<b>(11,970.86)</b>	(192,810.31)
Add: Other expenses	<b>1,111,392.63</b>	582,838.09
<b>Total</b>	<b>1,469,229.49</b>	3,192,383.07

(2) Interest expenses comprising:

Item	2013	2012
Interest on bank loans		
– Wholly repayable within 5 years	<b>23,710,992.73</b>	26,576,665.32
Finance lease charge	<b>2,102,472.93</b>	3,099,244.67
Less: Amount capitalised	<b>7,878,727.82</b>	9,511,087.54
<b>Total</b>	<b>17,934,737.84</b>	20,164,822.45

Borrowing cost capitalised during the year is calculated by applying a capitalisation rate of 6.40% (2012: 6.72%) per annum to expenditure on qualifying assets.

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 45. Impairment losses of assets

Item	2013	2012
Provision (reversal) for bad debts	1,222,929.13	(1,478,379.59)
Impairment loss on inventories	3,653,694.97	(458,564.36)
Impairment loss on goodwill	3,052,019.14	–
<b>Total</b>	<b>7,928,643.24</b>	<b>(1,936,943.95)</b>

#### 46. (Loss) Gain on changes in fair value

Item	2013	2012
Financial assets at fair value through profit and loss	(1,049,660.00)	154,760.00
Investment properties at fair value	–	82,900.00
<b>Total</b>	<b>(1,049,660.00)</b>	<b>237,660.00</b>

#### 47. Investment income (loss)

(1) The investment income(loss) were arising from:

Items	2013	2012
Share of profit of jointly controlled entities and associates	22,427,932.85	11,562,993.33
Gain on disposal of other long-term equity investments	11,944,590.23	–
Income received from financial assets held for trading during the period of ownership	101,380.00	108,545.00
Loss on disposal of financial assets held for trading	60,791.63	–
Investment income from entrusted loan	1,341,234.48	–
<b>Total</b>	<b>35,875,929.19</b>	<b>11,671,538.33</b>

Investment income arising from listed equity investments for the year was RMB162,171.63 (2012: income RMB108,545.00).

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For the year ended 31 December 2013

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 47. Investment income (loss) (Continued)

(2) Details of investment income from jointly controlled entities and associates

Item	2013	2012	Reason for changes
Dongjiang Veolia	<b>20,822,620.12</b>	10,357,933.36	Increase in profitability
Shenzhen Micronutrients	<b>1,111,926.18</b>	831,203.51	Increase in profitability
Shenzhen Resource	<b>493,386.55</b>	1,340,348.34	Decrease in profitability
Zhuhai Qingxin	–	(272,644.89)	Became a subsidiary in July 2012
Dongjiang Songzao	–	(693,846.99)	Became a subsidiary in October 2012
<b>Total</b>	<b>22,427,932.85</b>	11,562,993.33	

(3) There are no significant restrictions on remittance of investment gains back to the Company.

#### 48. Non-operating income

(1) Breakdown of non-operating income

Item	2013	2012	Recorded as non-recurring profit or loss
Gain on disposal of fixed assets	<b>556,188.45</b>	476,571.68	556,188.45
Gain on disposal of intangible assets	–	–	–
Gain on disposal of non-current assets	<b>556,188.45</b>	476,571.68	556,188.45
Government grants	<b>36,714,829.11</b>	14,876,810.33	32,030,573.94
The excess of share of fair value of net identifiable assets of subsidiaries over the cost of investment for acquisition	–	486,508.23	–
Others	<b>837,138.79</b>	3,415,656.64	837,138.79
<b>Total</b>	<b>38,108,156.35</b>	19,255,546.88	33,423,901.18

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 48. Non-operating income (loss) (Continued)

(2) Details of government grants

2013

Item	Amount received	Transfer of deferred income of asset-related government grants (Note VI.30)	Credited to non-operating income	Source and basis
Fiscal subsidy: tax reward	4,684,255.17	–	4,684,255.17	Shenzhen National Tax Bureau (Luohu) Refund Tax [2013] 0021etc.
Subsidies for industrial park development	4,140,000.00	–	4,140,000.00	Wengyuan County Government Industrial park support fund
Interest subsidy for integrated use of natural resources	3,000,000.00	–	3,000,000.00	Shencaiike[2013] No.53
Private and small and medium-sized enterprise development special funds for enterprise restructuring, IPO & project development (completed A share listing in 2012)	2,000,000.00	–	2,000,000.00	Shenzhen Economic & Trade Information for Small & Medium Sized Enterprise [2013] No.85
2009 Shenzhen high& new technology industry special subsidy funds	1,884,635.00	–	1,884,635.00	Shencaiike[2012] No.138
Scientific research subsidy	1,200,000.00	–	1,200,000.00	

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For the year ended 31 December 2013

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 48. Non-operating income (loss) (Continued)

(2) Details of government grants (Continued)

2013 (Continued)

Item	Amount received	Transfer of deferred income of asset-related government grants (Note VI.30)	Credited to non-operating income	Source and basis
Private and small and medium-sized enterprise development special funds for enterprise restructuring, IPO & project development (completed pre-IPO tutorship in 2011)	800,000.00	-	800,000.00	Shenzhen Economic & Trade Information for Small & Medium Sized Enterprise[2013] No.50
Environmental emergency supplies and equipment reserve project	500,000.00	-	500,000.00	Application of Special Fund Contract for Environment Protection
Interest subsidy	380,000.00	-	380,000.00	Wengcaigong[2013] No.35
Special fund for industrialization of scientific and technological achievements	300,000.00	-	300,000.00	Shenzhen Baoan District Bureau of Technological Innovation (Industrialization of Scientific and Technological Achievements Project)
Qiandeng financial subsidy fund for key pollution prevention program	173,000.00	-	173,000.00	Kuncaizi[2012] No.264, Kunhuan[2011] No.134

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 48. Non-operating income (loss) (Continued)

(2) Details of government grants (Continued)

2013 (Continued)

Item	Amount received	Transfer of deferred income of asset-related government grants (Note VI.30)	Credited to non-operating income	Source and basis
Subsidy fund for Kunshan environment prevention program	159,500.00	–	159,500.00	Kuncaizi[2013] No.213, Kunhuan[2013] No.138
Others (under RMB100,000)	524,566.44	–	524,566.44	
Special fund for energy conservation and emission reduction	800,000.00	800,000.00	–	Shenfagai[2013]No.547, Shencaijian[2012]No.220
Transferred from deferred income	13,130,834.00	13,130,834.00	–	Wengyuan Bureau of Finance Land refund
Efficient low consumption electronics industry wastewater denitrification and dephosphorization technology development and application	490,000.00	490,000.00	–	Shenzhen Technology Innovation [2013]No.179
Industrialization of municipal sludge anaerobic digestion research	1,500,000.00	1,500,000.00	–	Shenzhen Technology Innovation [2013]No.77

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 48. Non-operating income (loss) (Continued)

(2) Details of government grants (Continued)

2013 (Continued)

Item	Amount received	Transfer of deferred income of asset-related government grants (Note VI.30)	Credited to non-operating income	Source and basis
Copper sludge project	1,597,825.00	1,597,825.00	–	Waste Electric and Electronic Products Disassembly and Resource Utilization Investment Project Contract
Southern cities sludge anaerobic digestion and the safe operation of the technology and equipment	1,650,000.00	1,650,000.00	–	Mission Statement for Issues of National Hi-Tech Research and Development Plan(plan 863)
<b>Subtotal</b>	<b>38,914,615.61</b>	<b>19,168,659.00</b>	<b>19,745,956.61</b>	
Amortisation of asset-related government grants transfer from other non-current liabilities (Note VI.30)	–	–	16,968,872.50	
<b>Total</b>	<b>38,914,615.61</b>	<b>19,168,659.00</b>	<b>36,714,829.11</b>	

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 48. Non-operating income (loss) (Continued)

(2) Details of government grants (Continued)

2012

Item	Amount received	Transfer of deferred income of asset-related government grants	Credited to non-operating income	Source and basis
Reward for tax declaration	4,098,627.41	–	4,098,627.41	Ministry of Finance, State Tax Administration Bureau (CaiShui [2008] No. 157)
Subsidies for discount interest	1,570,000.00	–	1,570,000.00	Shaoguan Bureau of Finance (ShaoCaiGong [2012] No.80)
Financial subsidies	1,000,000.00	–	1,000,000.00	Shaoguan Bureau of Finance (ShaoCaiGong [2012] No.160)
Special Construction Funds from The National Development and Reform Commission	9,000,000.00	9,000,000.00	–	Responsibility Statement for the Use of Special Funds of Wuhua District 2012022
Reward for top tax payer	200,000.00	–	200,000.00	Kunzhengfa [2012] No.45
Subsidies for High-New Technologies	100,000.00	–	100,000.00	
Others (under RMB100,000)	220,343.45	–	220,343.45	
Subsidies for industrial park development	5,053,019.00	5,053,019.00	–	
Subsidies for construction work of Shenzhen Fuyong river sludge treatment plant (phase2)	5,000,000.00	5,000,000.00	–	Contract for the Use of Special Funds of Shenzhen Environmental Protection Project



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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 48. Non-operating income (loss) (Continued)

(2) Details of government grants (Continued)

2012 (Continued)

Item	Amount received	Transfer of deferred income of asset-related government grants	Credited to non-operating income	Source and basis
Subsidies for construction work of Longguan District Dongjiang industrial wastes treatment base	4,000,000.00	4,000,000.00	–	Contract for the Use of Special Funds of Shenzhen Environmental Protection Project
Southern cities Sludge anaerobic digestion and the safe operation of the technology and equipment	3,350,000.00	3,350,000.00	–	Mission Statements for Issues of National High-Tech Research and Development Plan (Plan 863)
Research of key technology of recycling of waste printed circuit board and integrated demonstration projects	190,000.00	190,000.00	–	Contract for Funds of Shenzhen Science and Technology Research and Development Projects
Subtotal	33,781,989.86	26,593,019.00	7,188,970.86	
Amortisation of asset-related government grants transfer from other non-current liabilities	–	–	7,687,839.47	
Total	33,781,989.86	26,593,019.00	14,876,810.33	

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 49. Non-operating expenses

Item	2013	2012	Recorded as non-recurring profit or loss for 2013
Loss on disposal of fixed assets	2,442,601.41	1,099,770.97	2,442,601.41
Donations	2,264,799.20	846,000.00	2,264,799.20
Others	774,318.87	361,246.59	774,318.87
<b>Total</b>	<b>5,481,719.48</b>	2,307,017.56	5,481,719.48

#### 50. Income tax expenses

(1) *Income tax expenses comprise:*

Item	2013	2012
Current income tax	29,273,137.79	39,726,287.74
Deferred income tax	(1,434,041.84)	(1,015,009.02)
<b>Total</b>	<b>27,839,095.95</b>	38,711,278.72

(2) *Current income tax*

Item	2013	2012
Current income tax		
– PRC	29,150,768.36	42,691,769.39
– Hong Kong	391,359.89	173,476.80
Sub-total	29,542,128.25	42,865,246.19
Over-provision in prior years		
– PRC	(268,990.46)	(3,138,958.45)
<b>Total</b>	<b>29,273,137.79</b>	39,726,287.74

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 50. Income tax expenses (Continued)

(3) Reconciliation of total profit to current income tax for the year:

Item	2013	2012
Total profit	<b>271,477,307.34</b>	332,728,247.24
Income tax calculated at tax rate of 15%	<b>40,721,596.10</b>	49,909,237.09
Effect of non-taxable income	<b>(13,162,864.97)</b>	(9,000,923.91)
Effect of non-deductible expenses	<b>2,743,576.34</b>	1,393,428.55
Effect of additional research and development expenditure deduction	<b>(1,148,362.33)</b>	(1,382,311.14)
Effect special tax exemption	<b>(11,016,931.78)</b>	(2,811,747.69)
Effect of inconsistent tax rate among subsidiaries and branches	<b>7,643,687.02</b>	1,320,563.08
Utilisation of unrecognised deductible temporary differences	<b>(127,796.71)</b>	(2,544,339.09)
Unrecognized deductible losses and deductible temporary differences	<b>3,045,475.86</b>	4,966,330.29
Over-provision for prior years	<b>(268,990.46)</b>	(3,138,958.45)
Changes of balance of deferred income tax asset/liability caused by tax rate changed	<b>(590,293.12)</b>	–
Income tax expenses	<b>27,839,095.95</b>	38,711,278.72

#### 51. Auditors' remuneration

The auditors' remuneration for the year ended 31 December 2013 was RMB 800,000.00 (2012: RMB 800,000.00).

#### 52. Depreciation and Amortisation

The depreciation recognised in profit and loss statement during this year was RMB74,316,347.74 (2012: RMB63,782,505.49), The amortisation recognised in profit and loss statement during this year was RMB19,003,477.71 (2012: RMB11,219,211.06).

#### 53. Operating rental expense

The rental expensed during this year was RMB 9,812,404.93 (2012: RMB 7,938,041.89), of which the rental expense for industrial equipment and machinery was RMB278,300.00 (2012: RMB 999,843.24).

#### 54. Rental income

The rental income of land and building (excluding land rent, land rates and other expense) was RMB8,668,019.26 (2012: RMB8,669,158.26).

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## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 55. Other comprehensive income (losses)

Item	2013	2012
<b>1. Items cannot be classified in the future accounting periods</b>		
<b>2. Items to be reclassified to profit and loss when qualified in future accounting periods</b>		
	<b>(346,913.01)</b>	606,146.94
Translation of financial statements denominated in foreign currency	<b>(346,913.01)</b>	606,146.94
<b>Total</b>	<b>(346,913.01)</b>	606,146.94

### 56. Calculation of basic and diluted earnings per shares

Item	No.	2013	2012
Net profit attributable to shareholders of the Company	1	<b>208,282,106.18</b>	266,705,803.99
Non-recurring profit or loss attributable to the shareholders of the Company	2	<b>31,025,665.90</b>	17,773,187.08
Net profit attributable to shareholders of the Company, excluding non-recurring profit or loss	3=1-2	<b>177,256,440.28</b>	248,932,616.91
Number of shares at beginning of year	4	<b>150,476,374.00</b>	125,476,374.40
Increase in number of shares by capital reserve transfer to shares or dividend distribution (I)	5	<b>75,238,187.00</b>	75,238,187.00
Increase in number of shares by new issue or conversion from debts (II)	6	-	25,000,000.00
No. of months to the balance sheet date after the increase in shares (I)	7	-	8
No. of months in the reporting period	8	<b>12</b>	12
Weighted average number of ordinary shares in issue	9=4+5+6×7÷8	<b>225,714,561.00</b>	217,381,228.00
<b>Basic earnings per share (I)</b>	10=1÷9	<b>0.92</b>	1.23
<b>Basic earnings per share (Excluding non-recurring profit (loss) (II))</b>	11=3÷9	<b>0.79</b>	1.15

The Company transferred shares from capital reserve to shares in June 2013, the number of shares of year 2012 for calculating earnings per share has restated to reflect the share increase.

Diluted earnings per share was same as basic earnings per share for the two years ended 31 December 2013 as there were no diluting events during both years.

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### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 57. Dividends

Dividends attributable to the year:

Item	2013	2012
Interim dividend declared and distributed of RMB0.00 per share (2012: 0.5)	–	75,238,187.00
Final dividend proposed after the balance sheet date of RMB0.3 per share (2012: 0.4)	<b>69,469,368.30</b>	60,190,549.60
<b>Total</b>	<b>69,469,368.30</b>	135,428,736.60

The Board recommends the payment of a final dividend of RMB0.3 per share of the Company (inclusive of tax) to all shareholders of the Company based on the total number of shares of 231,564,561 shares of the Company as at 31 December 2013, with the total amount of dividend to be paid be RMB69,469,368.30, subject to approval by the shareholders of the Company at the year 2013 annual general meeting to be convened and held. In addition, the Board proposes to offer to all shareholders of the Company 5 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 115,782,280 shares (including 26,685,000 H shares and 89,097,280 A shares) based on the total number of 231,564,561 shares of the Company as at 31 December 2013.

Following the aforesaid conversion of capital reserve, the Company shall have a total of 347,346,841 shares (including 80,055,000 H shares and 267,291,841 A shares). The aforesaid conversion of capital reserve is subject to, among other things, having obtained the approval by shareholders of the Company at the annual general meeting, the class meeting for holders of H shares and the class meeting for holders of A shares to be convened and held, and the Stock Exchange granting approval for the listing of the 26,685,000 H shares to be issued on the Main Board of the Stock Exchange.

#### 58. Supplementary information of consolidated cash flow statement

(1) *Other cash receipts relating to operating activities*

Item	2013	2012
Government grants	<b>38,163,820.13</b>	29,683,362.45
Interest income	<b>17,564,930.12</b>	17,362,467.16
Current accounts with other companies and individuals	<b>38,148,808.46</b>	8,865,294.66
<b>Total</b>	<b>93,877,558.71</b>	55,911,124.27

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 58. Supplementary information of consolidated cash flow statement (Continued)

(2) Other cash payments relating to operating activities

Item	2013	2012
Transportation	22,247,481.86	31,593,786.85
Research and development expenses	19,589,706.33	29,527,209.99
Current accounts with other companies and individuals	9,616,601.88	26,681,674.20
Other expenses	12,486,667.73	11,931,437.37
Entertainment	10,757,134.04	10,968,462.36
Office expenses	6,604,678.82	7,292,106.76
Rent	6,465,294.66	5,233,905.97
Travelling	4,049,050.33	3,872,859.19
Listing expenses	623,833.33	3,425,645.96
Water and electricity	3,214,606.87	3,412,171.21
Securities	3,658,192.08	3,395,764.05
Consultation fee	4,046,526.06	3,283,989.34
Advertisement and promotion fees	1,527,844.80	2,613,068.15
Professional fee	4,776,126.68	1,944,680.20
Repairs and maintenance	1,458,377.00	1,512,335.42
Communication	1,293,391.24	1,029,990.56
Technical services fee	–	217,650.00
<b>Total</b>	<b>112,415,513.71</b>	<b>147,936,737.58</b>

(3) Other cash payments relating to investing activities

Item	2013	2012
Negative amount of net cash received by disposing subsidiaries and business entities	21,563,258.78	–

(4) Other cash receipts relating to financing activities

Item	2013	2012
Guarantee deposit for loans	6,593,250.00	824,340.00

(5) Other cash payments relating financing activities

Item	2012	2012
Professional fee for issue of shares	–	9,053,900.00
Payments of guarantee deposit for loans	11,640,000.00	8,560,000.00
Finance lease related payments	15,092,249.48	15,483,107.86
<b>Total</b>	<b>26,732,249.48</b>	<b>33,097,007.86</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 58. Supplementary information of consolidated cash flow statement (Continued)

(6) Reconciliation of net profits to cash flows from operating activities

Item	2013	2012
Net profits	<b>243,638,211.39</b>	294,016,968.52
Add: Provision for assets impairment	<b>7,928,643.24</b>	(1,936,943.95)
Depreciation of fixed assets	<b>74,316,347.74</b>	63,782,505.49
Amortisation of intangible assets	<b>17,677,963.10</b>	10,578,484.87
Amortisation of long-term prepayments	<b>1,325,514.61</b>	640,726.19
(Gain) loss on disposal of fixed assets, intangible assets and other long-term assets	<b>1,886,412.96</b>	623,199.29
Loss on written off of disposal fixed assets	-	-
(Gain) loss on changes in fair value on	<b>1,049,660.00</b>	(237,660.00)
Finance costs	<b>17,934,737.84</b>	2,802,355.29
(Gain) loss on investment	<b>(35,875,929.19)</b>	(11,671,538.33)
(Increase) decrease in deferred income tax assets	<b>(1,150,090.83)</b>	(295,533.64)
Increase in deferred income tax liabilities	<b>(149,175.79)</b>	(719,475.38)
(Increase) decrease in inventories	<b>(34,877,370.31)</b>	(15,439,110.68)
Decrease (increase) in operating receivables	<b>11,848,027.12</b>	(97,346,987.56)
Increase in operating payables	<b>38,433,106.15</b>	66,988,860.10
<b>Net cash flow from operating activities</b>	<b>343,986,058.03</b>	311,785,850.21

(7) Significant non-cash investing and financing transactions

Item	2013	2012
Acquisition of fixed assets under finance leases	<b>1,871,156.00</b>	5,909,958.81

(8) Changes in cash and cash equivalents

Item	2013	2012
Cash and cash equivalents at end of year	<b>934,877,455.89</b>	1,016,889,376.48
Add: Cash and cash equivalent at beginning of year	<b>1,016,889,376.48</b>	247,813,761.76
<b>Changes in cash and cash equivalents</b>	<b>(82,011,920.59)</b>	769,075,614.72

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 58. Supplementary information of consolidated cash flow statement (Continued)

(9) Information of acquisition of or disposal of subsidiary or other operating units

Item	2013
Information on acquisition of subsidiaries	
1. Consideration of acquisition of subsidiaries or other operating undertakings	<b>81,183,404.82</b>
2. Cash and cash equivalents received from acquisition of subsidiaries or other operating units	<b>70,403,404.82</b>
Less: Cash and cash equivalent balance of the acquiring subsidiaries or other operating units	<b>10,166,751.19</b>
3. Net cash received from acquisition of subsidiaries or other operating units	<b>60,236,653.63</b>
4. Net assets of the acquiring subsidiaries	<b>26,286,793.71</b>
Current asset	<b>11,075,141.89</b>
Non-current asset	<b>16,580,495.13</b>
Current liability	<b>1,368,843.31</b>
Non-current liability	-
Information on disposal of subsidiaries	
1. Consideration of disposal of subsidiaries or other operating undertakings	<b>3,300,000.00</b>
2. Cash and cash equivalents received from disposal of subsidiaries or other operating units	<b>3,300,000.00</b>
Less: Cash and cash equivalent balance of the disposing subsidiaries or other operating units	<b>24,863,258.78</b>
3. Net cash received from disposal of subsidiaries or other operating units	<b>(21,563,258.78)</b>
4. Net assets of the disposing subsidiaries	<b>(15,717,436.81)</b>
Current asset	<b>134,690,700.53</b>
Non-current asset	<b>1,621,821.43</b>
Current liability	<b>152,029,958.77</b>
Non-current liability	-

(10) Cash and cash equivalents

Item	2013	2012
Cash on hand	<b>241,276.35</b>	350,885.83
Bank deposits readily available for payments	<b>934,534,531.69</b>	1,016,335,154.61
Other bank deposit and cash readily available for payment	<b>101,647.85</b>	203,336.04
<b>Cash and cash equivalents at end of reporting period</b>	<b>934,877,455.89</b>	1,016,889,376.48



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

### 1. Relationships of related parties

(1) *Controlling shareholder and ultimate controlling shareholder*

The controlling shareholder and ultimate controlling shareholder of the Company was Mr. Zhang Wei Yang.

The shareholdings of controlling shareholder and the movement during the year are as follows:

Name of controlling shareholder	Shareholdings		Proportion (%)	
	2013	2012	2013	2012
Mr Zhang Wei Yang	<b>64,738,446.00</b>	43,158,964.00	<b>28.68</b>	28.68

(2) *Subsidiaries*

Details of subsidiaries of the Group are set out in Note V.

(3) *Jointly controlled entities and associates*

Details of the Group's jointly controlled entities and associates are set out in Note VI.11.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

### 2. Related party transactions

(1) Purchasing goods or receiving services

#### The Group

Related party	Nature of transactions	Pricing policy and procedures for decision-making	2013		2012	
			Amount	Proportion to total transactions of same nature (%)	Amount	Proportion to total transactions of same nature (%)
<b>Jointly controlled entities and associates</b>						
Dongjiang Veolia	Receiving services	Contracted price and approved by board of directors	14,323,877.10	13.82	8,829,110.53	14.47
Shenzhen Resources	Purchase of goods	Contracted Price and approved by board of directors	14,856,929.75	2.01	3,920,178.52	0.62
<b>Total</b>			<b>29,180,806.85</b>		<b>12,749,289.05</b>	

#### The Company

Related party	Nature of transactions	Pricing policy and procedures for decision-making	2013		2012	
			Amount	Proportion to total transactions of same nature (%)	Amount	Proportion to total transactions of same nature (%)
<b>Jointly controlled entities and associates</b>						
Dongjiang Veolia	Receiving services	Contracted price and approved by board of directors	6,996,806.75	9.55	2,773,912.31	6.57
<b>合計</b>			<b>6,996,806.75</b>		<b>2,773,912.31</b>	

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

#### 2. Related party transactions (Continued)

(2) Sales of goods/rendering of services

##### The Group

Related party	Nature of transactions	Pricing policy and procedures for decision-making	2013		2012	
			Amount	Proportion to total transactions of same nature (%)	Amount	Proportion to total transactions of same nature (%)
<b>Jointly controlled entities and associates</b>						
Dongjiang Veolia	Sales of goods	Contracted price and approved by board of directors	5,988,990.64	2.46	1,545,798.00	0.17
Dongjiang Veolia	Rendering services	Contracted price and approved by board of directors	139,432.32	0.06	5,816,378.07	2.90
Shenzhen Micronutrients	Sales of goods	Contracted price and approved by board of directors	110,154,373.70	10.97	127,586,497.32	13.59
Shenzhen Resources	Sales of goods	Contracted price and approved by board of directors	63,675.22	0.01	586,950.09	1.76
<b>Total</b>			<b>116,346,471.88</b>		<b>135,535,623.48</b>	

##### The Company

Related party	Nature of transactions	Pricing policy and procedures for decision-making	2013		2012	
			Amount	Proportion to total transactions of same nature (%)	Amount	Proportion to total transactions of same nature (%)
<b>Jointly controlled entities and associates</b>						
Shenzhen Micronutrients	Sales of goods	Contracted price and approved by board of directors	12,817,748.66	2.37	18,414,307.70	3.77
Dongjiang Veolia	Sales of goods	Contracted price and approved by board of directors	3,528,978.41	2.24	4,437,025.17	0.91
<b>Total</b>			<b>16,346,727.07</b>		<b>22,851,332.87</b>	

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

#### 2. Related party transactions (Continued)

(3) Leasing-The Group and the Company as lessor

##### The Group and the Company

Lessee	Nature of assets leased	Date of commencement	Date of termination	Basis for rental income	Recognised rental income for the year
Shenzhen Micronutrients	Properties	2012-10-14	2016-10-13	Contracted price	112,107.64

(4) Guarantee with related parties

1) Financial guarantee provided for jointly controlled entities

##### The Group and the Company

The Group and the Company provided financial guarantee to bank for securing banking facilities granted to a jointly controlled entity, Dongjiang Veolia. The balances of these financial guarantees yet to expire as at 31 December 2013 were RMB0.00 (2012: RMB40,000,000.00). The maximum balance of these financial guarantee was RMB40,000,000.00 (2012: RMB40,000,000.00). The breakdown of the financial guarantee is as follows:

Guarantor	Secured party	Amount of guarantee	Date of commencement	Date of termination	Completed
The Company	Dongjiang Veolia	21,600,000.00	2011-12-30	2013-12-30	Yes
The Company	Dongjiang Veolia	18,400,000.00	2011-11-30	2013-11-23	Yes

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

#### (4) Guarantee with related parties (Continued)

- 2) Financial guarantee given by controlling shareholder

#### The Group and the Company

The controlling shareholder, Mr. Zhang Wei Yang provided financial guarantee to bank for securing banking facilities granted to the Group. The balances of these financial guarantee yet to expire as at 31 December 2013 was RMB95,982,982.00 (2012: RMB304,468,059.00). The maximum balance of these financial guarantee was RMB215,982,982.00 (2012: RMB429,468,059.00). The breakdown of the financial guarantee is as follows:

Guarantor	Secured party	Amount of guarantee	Date of commencement	Date of termination	Completed
The Company, Zhang Wei Yang	Shaoguan Green	90,000,000.00	2012-06-27	2017-06-27	No
The Company, Zhang Wei Yang	Shaoguan Green	30,000,000.00	2012-03-30	2013-11-23	Yes
The Company, Zhang Wei Yang	Shaoguan Green	20,000,000.00	2012-06-29	2013-11-23	Yes
The Company, Zhang Wei Yang	Shaoguan Green	30,000,000.00	2012-05-31	2013-05-31	Yes
Zhang Wei Yang	Lik shun Hong Kong	5,982,982.00	2011-06-20	2017-05-16	No
Zhang Wei Yang	The Company	40,000,000.00	2009-11-11	2013-11-11	Yes
Zhang Wei Yang	The Company	30,000,000.00	2011-02-28	2014-02-28	Yes

- 3) Financial guarantee provided for subsidiaries

#### The Group

Subsidiary Hong Kong Dongjiang provided financial guarantee to bank for securing banking facilities granted to Lik shun Hong Kong. The balances of these financial guarantee yet to expire as at 31 December 2013 was RMB14,072,980.00 (2012: RMB13,274,433.00). The maximum balance of these financial guarantee was RMB14,072,980.00(2012: RMB13,274,433.00). The breakdown of these financial guarantees is as follows:

Guarantor	Guarantee	Amount of guarantee	Date of commencement	Date of termination	Completed
Hong Kong Dongjiang	Lik shun Hong Kong	14,072,980.00	2010/4/30	2018/12/23	No

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

#### (4) Guarantee with related parties (Continued)

#### 3) Financial guarantee provided for subsidiaries (Continued)

#### The Company

The Company provided financial guarantee to bank for securing banking facilities granted to subsidiaries. The balances of these financial guarantee yet to expire as at 31 December 2013 was RMB241,588,820.00, of which RMB 90,000,000.00 were jointly provided by Mr. Zhang Weiyang (2012: RMB275,000,000.00). The maximum balance of these financial guarantee was RMB342,153,265.00 (2012: RMB613,917,166.00). The breakdown of the financial guarantees is as follows:

Guarantor	Guarantee	Amount of guarantee	Date of commencement	Date of termination	Completed
The Company	Longguang Dongjiang	50,564,445.00	2011-12-12	2019-12-12	Yes
The Company, Zhang Weiyang	Shaoguan Green	90,000,000.00	2012-06-27	2017-06-27	No
The Company, Zhang Weiyang	Shaoguan Green	30,000,000.00	2012-03-30	2013-11-23	Yes
The Company, Zhang Weiyang	Shaoguan Green	20,000,000.00	2012-06-29	2013-11-23	Yes
The Company, Zhang Wei Yang	Shaoguan Green	30,000,000.00	2012-05-31	2013-05-31	Yes
The Company	Baoan Dongjiang	35,000,000.00	2010-04-30	2015-04-30	No
The Company	Renewable Energy	60,000,000.00	2011-06-02	2016-06-02	No
The Company	Renewable Energy	40,000,000.00	2011-01-04	2016-01-04	No
The Company	Lik shun Services	7,862,000.00	2011-06-14	2014-06-29	No
The Company	Lik shun Services	7,862,000.00	2012-02-04	2014-11-23	No
The Company	Lik shun Services	864,820.00	2012-03-26	2016-03-26	No

#### (5) Loans with related parties

#### The Company

Item	Amount	Date of commencement	Date of termination	Balance at 31.12.2013
Dongjiang Songzao	10,040,880.00	2011-01-31	2023-01-30	9,036,792.00
<b>Total</b>	<b>10,040,880.00</b>			<b>9,036,792.00</b>

Note: The loan with Dongjiang Songzao was the entrust loan issued by Ping'an Bank Shenzhen branch on behalf of the Company. (Note XV.17)

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

#### 2. Related party transactions (Continued)

##### (6) Emoluments of Directors, Supervisors and Employees

##### 1) Emoluments of Directors and Supervisors

	2013	2012
Fee of directors and supervisors		
Executive directors	-	-
Non-executive directors and Independent non-executive directors	<b>385,000.00</b>	396,000.00
Supervisors	-	-
Sub-total	<b>385,000.00</b>	396,000.00
Other emoluments of executive directors		
Basic salaries and allowances	<b>2,446,933.80</b>	2,895,122.96
Retirement benefits scheme contributions	<b>111,072.48</b>	84,621.96
Sub-total	<b>2,558,006.28</b>	2,979,744.92
Other emoluments of supervisors		
Basic salaries and allowances	<b>219,669.20</b>	241,322.00
Retirement benefits scheme contributions	<b>30,618.96</b>	24,000.00
Sub-total	<b>250,288.16</b>	265,322.00
<b>Total</b>	<b>3,193,294.44</b>	3,641,066.92

No directors or supervisors waived any emoluments in the year.

No emoluments were paid to directors or supervisors as an inducement to join or upon joining the Company or as compensation for loss of office during the year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

#### (6) Emoluments of Directors, Supervisors and Employees (Continued)

##### 1) Emoluments of Directors and Supervisors (Continued)

The details of emoluments of directors and supervisors were as follows:

#### 2013

Name	Other emoluments			Total
	Fee of directors and supervisors	Basic salaries and allowances	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Zhang Wei Yang	-	1,354,184.60	37,024.16	1,391,208.76
Chen Shu Sheng	-	663,979.60	37,024.16	701,003.76
Li Yong Peng	-	428,769.60	37,024.16	465,793.76
Subtotal	-	2,446,933.80	111,072.48	2,558,006.28
<b>Non-executive directors</b>				
Feng Tao	-	-	-	-
Wu Shui Qing	-	-	-	-
Sun Ji Ping	-	-	-	-
Subtotal	-	-	-	-
<b>Independent non-executive directors</b>				
Ye Ru Tang	121,000.00	-	-	121,000.00
Hao Ji Ming	132,000.00	-	-	132,000.00
Wang Ji De	132,000.00	-	-	132,000.00
Subtotal	385,000.00	-	-	385,000.00
<b>Supervisors</b>				
Yuan Wei	-	-	-	-
Luo Xiao Hong	-	-	-	-
Liu An	-	219,669.20	30,618.96	250,288.16
Subtotal	-	219,669.20	30,618.96	250,288.16
<b>Total</b>	<b>385,000.00</b>	<b>2,666,603.00</b>	<b>141,691.44</b>	<b>3,193,294.44</b>



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

#### (6) Emoluments of Directors, Supervisors and Employees (Continued)

##### 1) Emoluments of Directors and Supervisors (Continued)

2012

Name	Fee of directors and supervisors	Other emoluments		Total
		Basic salaries and allowances	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Zhang Wei Yang	–	1,408,374.32	28,207.32	1,436,581.64
Chen Shu Sheng	–	918,374.32	28,207.32	946,581.64
Li Yong Peng	–	568,374.32	28,207.32	596,581.64
Subtotal	–	2,895,122.96	84,621.96	2,979,744.92
<b>Non-executive directors</b>				
Feng Tao	–	–	–	–
Wu Shui Qing	–	–	–	–
Sun Ji Ping	–	–	–	–
Subtotal	–	–	–	–
<b>Independent non-executive directors</b>				
Ye Ru Tang	132,000.00	–	–	132,000.00
Hao Ji Ming	132,000.00	–	–	132,000.00
Wang Ji De	132,000.00	–	–	132,000.00
Subtotal	396,000.00	–	–	396,000.00
<b>Supervisors</b>				
Yuan Wei	–	–	–	–
Luo Xiao Hong	–	–	–	–
Liu An	–	241,322.00	24,000.00	265,322.00
Subtotal	–	241,322.00	24,000.00	265,322.00
<b>Total</b>	<b>396,000.00</b>	<b>3,136,444.96</b>	<b>108,621.96</b>	<b>3,641,066.92</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

#### 2. Related party transactions (Continued)

##### (6) Emoluments of Directors, Supervisors and Employees (Continued)

##### 2) Five individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2012: three) were directors of the Company. The emoluments of the remaining two (2012: two) individuals were as follows:

Item	2013	2012
Basic salaries and allowances	<b>1,086,616.55</b>	1,376,748.64
Retirement benefits scheme contributions	<b>74,048.32</b>	56,414.64
<b>Total</b>	<b>1,160,664.87</b>	1,433,163.28

##### i) Their emoluments were within the following bands:

Item	2013 (Number)	2012 (Number)
0 – RMB405,450 (HKD500,000)	–	–
RMB405,451 – RMB810,900 (HKD500,001-1,000,000)	<b>2</b>	2
<b>Total</b>	<b>2</b>	2

No emoluments were paid to directors or supervisors or the five individuals with highest emoluments as an inducement to join or upon joining the Company or as compensation for loss of office.

##### 3) The category of senior management emolument:

Item	2013 (Number)	2012 (Number)
0 – RMB405,450 (HKD500,000)	<b>1</b>	–
RMB405,451 – RMB810,900 (HKD500,001-1,000,000)	<b>3</b>	3
<b>Total</b>	<b>4</b>	3

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

#### 3. Current account balances with related parties

##### The Group

(1) *Accounts receivable due from related parties*

Related party	2013			2012		
	Carrying amount	Proportion to total accounts receivables (%)	Provision for bad debts	Carrying amount	Proportion to total accounts receivables (%)	Provision for bad debts
<b>Jointly controlled entities and associates</b>						
Dongjiang Veolia Shenzhen Resources	327,770.00	0.17	-	5,356,238.45	2.38	-
Shenzhen Micronutrients	600.00	0.00	-	21,456.63	0.01	-
Beijing Shuangyi	27,104,025.78	14.24	-	60,403,505.66	26.82	-
	-	-	-	1,140,000.00	0.51	1,140,000.00
<b>Total</b>	<b>27,432,395.78</b>	<b>14.41</b>	<b>-</b>	<b>66,921,200.74</b>	<b>29.72</b>	<b>1,140,000.00</b>

(2) *notes receivable due from related parties*

Related party	2013			2012		
	Carrying amount	Proportion to total other receivables (%)	Provision for bad debts	Carrying amount	Proportion to total other receivables (%)	Provision for bad debts
<b>Jointly controlled entities and associates</b>						
Shenzhen Micronutrients	5,778,580.00	10.69	-	7,111,520.00	22.38	-
合計	5,778,580.00	10.69	-	7,111,520.00	22.38	-

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013  
(Unless otherwise stated, the financial statements are expressed in RMB)

### VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

#### 3. Current account balances with related parties (Continued)

##### The Group (Continued)

##### (3) Other receivables due from related parties

Related party	2013			2012		
	Carrying amount	Proportion to total other receivables (%)	Provision for bad debts	Carrying amount	Proportion to total other receivables (%)	Provision for bad debts
<b>Jointly controlled entities and associates</b>						
Dongjiang Veolia	96,382.17	0.16	-	69,393.77	0.13	-
Beijing Shuangyi	-	-	-	361,117.32	0.65	361,117.32
Beijing Lisheng Membrane	-	-	-	120,000.00	0.22	120,000.00
Zhejiang Shuangyi	-	-	-	90,000.00	0.17	90,000.00
Zhuhai Qingxin	-	-	-	-	-	-
<b>Total</b>	<b>96,382.17</b>	<b>0.16</b>	<b>-</b>	<b>640,511.09</b>	<b>1.17</b>	<b>571,117.32</b>

##### (4) Accounts payable due to related parties

Related party	2013	2012
<b>Jointly controlled entities and associates</b>		
Dongjiang Veolia	1,409,102.54	4,174,235.45
Shenzhen Micronutrients	-	60,403,505.66
Shenzhen Resources	1,300,465.90	38,366.00
<b>Total</b>	<b>2,709,568.44</b>	<b>64,616,107.11</b>

##### (5) Other payables due to related parties

Related party	2013	2012
<b>Controlling shareholder and ultimate controlling shareholder</b>		
Zhang Wei yang	-	1,621,800.00
<b>Jointly controlled entities and associates</b>		
Shenzhen Micronutrients	14,675.30	-
Shenzhen Resources	122,842.01	-
Dongjiang Veolia	-	69,393.77
<b>Total</b>	<b>137,517.31</b>	<b>1,691,193.77</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

#### 3. Current account balances with related parties (Continued)

##### The Company

(1) Accounts receivable due from related parties

Related party	2013			2012		
	Carrying amount	Proportion to total accounts receivables (%)	Provision for bad debts	Carrying amount	Proportion to total accounts receivables (%)	Provision for bad debts
<b>Subsidiary</b>						
Dongjiang Heritage	23,665,940.43	24.07	-	-	-	-
Dongguan Hengjian	2,719,547.61	2.77	-	-	-	-
Qingyuan Xinlv	2,077,420.95	2.11	-	506,180.03	0.45	-
Jiaxing Deda	956,000.00	0.97	-	-	-	-
Shaoguan Green	819,422.50	0.83	-	50,923.19	0.05	-
Qingyuan Dongjiang	277,163.96	0.28	-	8,352,804.50	7.47	-
Products Trading	25,236.80	0.03	-	-	-	-
Huizhou Dongjiang	-	-	-	17,759,881.08	15.86	-
Longgang Dongjiang	-	-	-	4,772,558.45	4.27	-
Shaoguan Dongjiang	-	-	-	1,282,291.96	1.15	-
Subtotal	30,540,732.25	31.06	-	32,724,639.22	29.25	-
<b>Associate</b>						
Shenzhen Micronutrients	1,618,310.00	1.65	-	5,770,080.00	5.16	-
Dongjiang Veolia	-	-	-	3,752,667.75	3.35	-
Shenzhen Resources	-	-	-	21,456.63	0.02	-
Subtotal	1,618,310.00	1.65	-	9,544,204.38	8.53	-
<b>Total</b>	<b>32,159,042.25</b>	<b>32.71</b>	<b>-</b>	<b>42,268,843.59</b>	<b>37.78</b>	<b>-</b>

(2) Notes receivable due from related parties

Related party	2013			2012		
	Carrying amount	Proportion to total other receivables (%)	Provision for bad debts	Carrying amount	Proportion to total other receivables (%)	Provision for bad debts
<b>Jointly controlled entities and associates</b>						
Shenzhen Micronutrients	5,778,580.00	12.53	-	7,111,520.00	38.77	-
合計	5,778,580.00	12.53	-	7,111,520.00	38.77	-

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

### 3. Current account balances with related parties (Continued)

#### The Company (Continued)

(3) Other receivables due from related parties

Related party	2013			2012		
	Carrying amount	Proportion to total accounts receivables (%)	Provision for bad debts	Carrying amount	Proportion to total accounts receivables (%)	Provision for bad debts
<b>Subsidiary</b>						
Shaoguan Green	256,400,000.00	41.95	-	54,889,061.13	16.36	-
Hunan Dongjiang	78,640,738.04	12.86	-	101,350,479.00	30.20	-
Huizhou Dongjiang	50,936,930.07	8.33	-	27,222,514.45	8.11	-
Dongjiang Heritage	50,488,235.58	8.26	-	124,138.34	0.04	-
Resource Recycling	37,051,473.90	6.06	-	1,128,464.00	0.34	-
Yunnan Dongjiang	21,786,509.50	3.56	-	14,685,059.50	4.38	-
Qingdao Dongjiang	20,000,000.00	3.27	-	30,061,750.00	8.96	-
Dongjiang HK	15,094,922.34	2.47	-	15,109,659.60	4.50	-
Shaoguan Dongjiang	14,579,600.86	2.38	-	16,179,600.86	4.82	-
Baoan Dongjiaing	13,714,370.10	2.24	-	12,566,730.00	3.74	-
Chengdu Treatment Centre	8,973,300.00	1.47	-	8,803,300.00	2.62	-
Hubei Dongjiang	6,918,087.33	1.13	-	-	-	-
Jiangmen Dongjiang	6,113,450.87	1.00	-	6,113,450.87	1.82	-
Dongguan Hengjian	5,141,653.50	0.84	-	-	-	-
Products Trading	4,235,034.64	0.69	-	5,005,689.98	1.49	-
Qingyuan Xinlv	408,787.93	0.07	-	-	-	-
Dongjiang Transport	234,383.24	0.04	-	2,348,426.83	0.70	-
Longgang Dongjiang	160,725.11	0.03	-	-	-	-
Qingyuan Dongjiang	70,000.00	0.01	-	-	-	-
Beijing Novel	-	-	-	23,487,322.85	7.00	-
Dongjiang Property Service	-	-	-	804,783.72	0.24	-
Sub-total	590,948,203.01	96.66	-	319,880,431.13	95.31	-
<b>Associate</b>						
Dongjiang Veolia	96,382.17	0.02	-	69,393.77	0.02	-
Subtotal	96,382.17	0.02	-	69,393.77	0.02	-
<b>Total</b>	<b>591,044,585.18</b>	<b>96.68</b>	<b>-</b>	<b>319,949,824.90</b>	<b>95.33</b>	<b>-</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

#### 3. Current account balances with related parties (Continued)

##### The Company (Continued)

##### (4) Prepayment due from related parties

Related party	2013			2012		
	Carrying amount	Proportion to total accounts receivables (%)	Provision for bad debts	Carrying amount	Proportion to total accounts receivables (%)	Provision for bad debts
<b>Subsidiary</b>						
Qingyuan Dongjiang	12,000.00	0.05	-	-	-	-
Products Trading	295,009.51	1.21	-	-	-	-
Resource Recycling	1,214,303.36	4.97	-	-	-	-
Huizhou Dongjiang	-	-	-	3,000,000.00	9.94	-
<b>Total</b>	<b>1,521,312.87</b>	<b>6.23</b>	<b>-</b>	<b>3,000,000.00</b>	<b>9.94</b>	<b>-</b>

##### (5) Accounts payable due to related parties

Related party	2013	2012
<b>Subsidiary</b>		
Dongjiang Transport	5,892,553.65	5,052,059.82
Longgang Dongjiang	3,534,294.93	622,389.35
Dongguan Hengjian	2,658,501.82	-
Products Trading	1,388,699.72	2,721,779.29
Huizhou Dongjiang	515,706.55	555,213.76
Zhuhai Qinxin	508,800.00	1,110,000.00
Resource Recycling	-	36,180,049.99
Huabao Technology	-	(2,500.00)
Qingyuan Dongjiang	-	35,150.00
Shaoguan Dongjiang	-	(279,127.78)
Subtotal	<b>14,498,556.67</b>	45,995,014.43
<b>Jointly controlled entity</b>		
Dongjiang Veolia	699,035.84	1,194,014.45
Subtotal	<b>699,035.84</b>	1,194,014.45
<b>Total</b>	<b>15,197,592.51</b>	47,189,028.88

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## VII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (Continued)

### 3. Current account balances with related parties (Continued)

#### The Company (Continued)

(6) Other payables due to related parties

Related party	2013	2012
<b>Subsidiary</b>		
Resource Recycling	99,998,200.22	22,265,557.11
Renewable Energy	38,923,846.49	31,246,319.52
Qingyuan Xinv	14,440,000.00	14,440,000.00
Huabao Technology	4,289,071.65	5,976,236.72
Qiandeng Waste Treatment	303,627.63	–
Dongjiang Property Service	38,522.52	–
Zhuhai Qinxin	5,865.00	–
Longgang Dongjiang	1,775.00	19,806.87
Huizhou Dongjiang	–	58,550.00
Qingyuan Dongjiang	–	6,285,312.26
Hubei Dongjiang	–	4,950,000.00
Jiaxing Deda	–	10,180,000.00
Subtotal	158,000,908.51	95,421,782.48
<b>Associates</b>		
Shenzhen Micronutrients	14,675.30	14,835.30
Subtotal	14,675.30	14,835.30
<b>Total</b>	<b>158,015,583.81</b>	<b>95,436,617.78</b>

(7) Receipts in advance due to related parties

Related party	2013	2012
<b>Subsidiary</b>		
Huizhou Dongjiang	1,815,972.35	–
Dongjiang Heritage	–	1,047,138.48
<b>Total</b>	<b>1,815,972.35</b>	<b>1,047,138.48</b>



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### VIII. SHARE-BASED PAYMENT

On November 26, 2013, <Dongjiang Environmental Company Limited 2013 Restricted A share incentive scheme (Revised Draft) and Abstract> (《東江環保股份有限公司2013年限制性股票激勵計劃(草案修訂稿)及其摘要》) was considered and approved in the 55th meeting of the fourth session of the board of directors of the company. The number of shares granted is not to exceed 6.71 million, among which 6.11 million shares to be granted first and 600,000 shares as reserve. Shares issued and granted at the price of RMB19.37 per Share pursuant in the Restricted A Share Incentive Scheme, determined through multiplying 50% by the average of 20 trading days before the announcement of board of directors meeting discussing the draft. Participants qualify for the Restricted A Share Incentive Scheme may receive restricted A shares. Grant date is to be determined by the board of directors after the general meeting of shareholders approve of the Restricted A Share Incentive Scheme. The Scheme is valid for the period of 48 months after the date of first grant, of which the first 12 months is the lockup period and next 36 months is the unlocking period. During the unlocking period, once certain conditions are met, scheme subjects can apply for to unlocking three times, unlocking ratio in order is set at 20%, 40%, 40% of the total restricted stock. On November 8, 2013, the company had received no objection confirmation from China Securities Regulatory Commission regarding the Restricted A Share Incentive Scheme.

On 13 January 2014, in the company's first extraordinary shareholders' general meeting in 2014, first A shares shareholders and 2014 H shares shareholder meeting resolution, reviewed and passed the <Dongjiang Environmental Company Limited 2013 Restricted A Share Incentive Scheme (Revised draft) and Abstract> (《東江環保股份有限公司2013年限制性股票激勵計劃(草案修訂稿)及其摘要》) and authorize the board of directors or the board of directors authorized person to handle the Restricted A Share Incentive Scheme.

On 13 January 2014, the Restricted A Share Incentive Scheme and the Proposed Grant have been approved at the EGM, the A Shares Class Meeting and the H Shares Class Meeting, respectively, by way of special resolutions. As a number of the participants' qualifications under the scheme have changed, and a number of the participants abandoned the opportunity to subscribe or only partially subscribe the scheme, In light of the aforesaid, the number of Share Incentive Participants under the First Grant has been adjusted from 111 to 104, and the A Shares granted under the First Grant have been adjusted from 6,110,000 A Shares to 5,850,000 A Shares. The Meeting approved the proposal of <First Grant under the 2013 Restricted A Share Incentive Scheme>(《關於向公司2013年限制性股票激勵計劃首次授予的激勵對象授予限制性股票的議案》). Board of directors approved the company and participants to be awarded restricted stock ownership incentive qualify for the terms and conditions under <Dongjiang Environmental Company Limited 2013 Restricted A share Incentive Scheme (Revised draft)>(《東江環保股份有限公司2013年限制性股票激勵計劃(草案修訂稿)》), meeting determined January 23, 2014 as the first grant date of the Restricted A Share Incentive Scheme and awarded 104 subjects RMB5.85 million stocks restrictive stocks 600,000 shares reserved and grant date shall be separately determined by the board of directors.

On 13 February 2014, the company issued announcement regarding completion of the first grants under the restricted A share incentive scheme. On 23 January 2014, an aggregate of 5,850,000 A Shares have been issued and granted to 104 Share Incentive Participants at the price of RMB19.37 per Share pursuant to the Restricted A Share Incentive Scheme. Company received total of RMB113,314,500.00 investment capital contributed by the 104 participant, among which were recorded as RMB5,850,000.00, newly registered capital RMB107,464,500 in excess were recorded as capital reserve. Investment capital collected under the restricted A share incentive scheme was audited by Shinewing Certified Public Accountants and issued capital verification report numbered XYZH/2013SZA1052.

As at the date of the financial report issuance, new shares issued as a result of the restricted stock incentive plan have completed related industrial and commercial registration.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## IX. CONTINGENCIES

### 1. Contingent liabilities relating to provision of financial guarantees

As at 31 December 2013, the Group and the Company has contingent liabilities relating to financial guarantees. The financial guarantees were given to the related parties, the details of which are set out in VII. 2(4).

- Due to the existing method of collection and processing of industrial waste adopted by the Group, the Group has not incurred any significant expenditure on environmental rehabilitation since their establishment. There is, however, no assurance that stringent environmental policies and/or standards on environmental rehabilitation will not be implemented by the relevant authorities in the PRC in the future which require the Group to undertake the environmental measures. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental policies and/or standards.
- Other than as disclosed above, the Group and the Company had no significant contingent liabilities at 31 December 2013.

## X. COMMITMENTS

### The Group

#### 1. Significant commitments of capital expenditures

Item	2013	2012
<b>Capital expenditures contracted for but not provided for in the financial statements</b>		
– Construction in progress	<b>100,715,550.52</b>	21,408,671.43
– Acquisition of land use rights	–	–
– Acquisition of equipment	<b>8,382,100.00</b>	14,879,563.00
<b>Total</b>	<b>109,097,650.52</b>	36,288,234.43

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### X. COMMITMENTS (Continued)

#### The Group (Continued)

##### 1. Significant commitments of capital expenditures (Continued)

- (1) As at 31 December 2013, the Group has sub-contracting contracts in respect of construction in progress, which were contracted for but not provided for in the financial statements totaling RMB100,715,550.52. The details of which are as follows:

Project	Contract amount	Accumulated amount paid	Amount recognised as liabilities	Unrecognised amount as at 31st December 2013	Estimated investment period
Jiangmen project	52,051,346.33	15,933,000.00		36,118,346.33	2014
Shaoguan Green incineration project	32,150,000.00	9,645,000.00		22,505,000.00	2014
Jiaying Deda new factory construction	28,518,458.00	4,150,000.00		24,368,458.00	2014
Dongjiang research and development building	11,313,409.00	10,803,565.35		509,843.65	2014
Desalination project	9,100,000.00	4,095,000.00		5,005,000.00	2014
Construction work of Shenzhen Fuyong river sludge treatment plant phase II (supplementary equipment)	7,580,000.00	5,606,000.00		1,974,000.00	2014
ERP project	5,262,950.00	4,482,650.00		780,300.00	2014
The rectification of groundwater and the bottom of waste sanitary landfill site regulating reservoir in Shaoyang city	4,700,000.00	3,760,000.00		940,000.00	2014
Decoration of 12th-13th floor in Dongjiang building	4,295,653.84	3,643,959.84	-	651,694.00	2014
The slope supporting anchor engineering of waste sanitary landfill site (phase II) in Shaoyang city	4,100,278.47	3,280,222.78	-	820,055.69	2014
Decoration & construction of office building, contract of installation	2,889,500.00	2,600,550.00	-	288,950.00	2014
pilot plant construction contract	2,800,000.00	1,680,000.00	-	1,120,000.00	2014
Landfill site geological exploration	2,800,000.00	1,400,000.00	-	1,400,000.00	2014
Main contract of Huizhou Dongjiang project	2,490,000.00	-	-	2,490,000.00	2014
Construction work of Shenzhen Fuyong river sludge treatment plant phase II (Electric transformer and distribution project)	2,400,000.00	2,385,000.00	-	15,000.00	2014
Regulating reservoir & Deep pool corrective seepage control engineering contract of waste sanitary landfill site in Shaoyang city	1,970,000.00	1,182,000.00	139,597.15	648,402.85	2014
Mobile equipment group of Macau project	890,000.00	845,500.00	-	44,500.00	2014
Environmental impact assessment of landfill site	880,000.00	264,000.00	-	616,000.00	2014
Equipment installation in Cu-Ni-Cr plant	700,000.00	280,000.00	-	420,000.00	2014
<b>Total</b>	<b>176,891,595.64</b>	<b>76,036,447.97</b>	<b>139,597.15</b>	<b>100,715,550.52</b>	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## X. COMMITMENTS (Continued)

### The Group (Continued)

#### 1. Significant commitments of capital expenditures (Continued)

- (2) As at 31 December 2013, the Group has expenditures in respect of acquisition of equipment, which were contracted for or readily for execution but not provided for in the financial statements totaling RMB8,382,100.00. The details of which are as follows:

Project	Contract amount	Accumulated amount paid	Amount recognised as liabilities	Unrecognised amount as at 31st December 2013	Estimated investment period
Evaporation and concentration equipment	6,980,000.00	1,745,000.00	-	5,235,000.00	2014
Triple effect of evaporation and concentration	3,650,000.00	2,920,000.00	-	730,000.00	2014
Large power punch	1,835,000.00	550,500.00	-	1,284,500.00	2014
Flip oscillation device	1,618,000.00	485,400.00	-	1,132,600.00	2014
<b>Total</b>	<b>14,083,000.00</b>	<b>5,700,900.00</b>	<b>-</b>	<b>8,382,100.00</b>	

#### 2. Lease agreement contracted for or readily for execution and their financial effect

- (1) As at 31 December 2013, the Group, as a lessee, had contracted with landlord for the minimum lease payment under non-cancellable operating leases in respect of office building and motor vehicles:

Period	2013	2012
Within 1 year	<b>6,264,462.24</b>	4,061,900.00
In 1-2 years	<b>5,293,854.24</b>	1,983,390.00
In 2-3 years	<b>2,322,524.24</b>	1,983,390.00
After 3 years	<b>7,781,678.58</b>	3,904,000.00
<b>Total</b>	<b>21,662,519.30</b>	11,932,680.00

- (2) As at 31 December 2013, the Group, as a lessor, had contracted with tenant for the minimum lease receivable under non-cancellable operating leases in respect of office building:

Period	2013	2012
Within 1 year	<b>9,037,902.29</b>	8,663,566.42
In 1-2 years	<b>3,181,121.88</b>	8,054,613.65
In 2-3 years	<b>2,609,588.65</b>	2,527,301.88
After 3 years	<b>14,476,962.39</b>	14,485,109.68
<b>Total</b>	<b>29,305,575.21</b>	33,730,591.63

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### X. COMMITMENTS (Continued)

#### The Group (Continued)

#### 2. Lease agreement contracted for or readily for execution and their financial effect (Continued)

- (3) As at 31 December 2013, the Group, as a lessee, had contracted with landlord for the minimum lease payment under non-cancellable operating leases in respect of motor vehicles:

Period	2013	2012
Within 1 year	<b>14,019,748.78</b>	14,658,271.72
In 1-2 years	<b>13,831,825.76</b>	13,964,908.43
In 2-3 years	<b>5,407,920.66</b>	13,735,282.63
After 3 years	<b>1,164,063.56</b>	5,748,275.21
<b>Total</b>	<b>34,423,558.76</b>	48,106,737.99

3. Other than the details as disclosed above, the Group had no significant commitments at 31 December 2013.

#### The Company

#### 1. Significant commitments of capital expenditures

Project	2013	2012
<b>Capital expenditures contracted for but not provided for in the financial statements</b>		
– Construction in progress	<b>8,980,337.65</b>	798,300.00
– Acquisition of equipment	<b>2,417,100.00</b>	898,375.00
<b>Total</b>	<b>11,397,437.65</b>	1,696,675.00

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### X. COMMITMENTS (Continued)

#### The Company (Continued)

##### 1. Significant commitments of capital expenditures (Continued)

- (1) As at 31 December 2013, the Group has expenditures in respect of acquisition of equipment, which were contracted for or readily for execution but not provided for in the financial statements totaling RMB8,980,337.65. The details of which are as follows:

Project	Contract amount	Accumulated amount paid	Amount recognised as liabilities	Unrecognised amount as at 31st December 2013	Estimated investment period
Dongjiang research and development building	11,313,409.00	10,803,565.35	-	509,843.65	2014
Desalination project	9,100,000.00	4,095,000.00	-	5,005,000.00	2014
Construction work of Shenzhen Fuyong river sludge treatment plant phase II (supplementary equipment)	7,580,000.00	5,606,000.00	-	1,974,000.00	2014
ERP project	5,262,950.00	4,482,650.00	-	780,300.00	2014
Equipment for the head office	4,295,653.84	3,643,959.84	-	651,694.00	2014
Construction work of Shenzhen Fuyong river sludge treatment plant phase II (Electric transformer and distribution project)	2,400,000.00	2,385,000.00	-	15,000.00	2014
Mobile equipment group of Macau project	890,000.00	845,500.00	-	44,500.00	2014
<b>Total</b>	<b>40,842,012.84</b>	<b>31,861,675.19</b>	<b>-</b>	<b>8,980,337.65</b>	

- (2) As at 31 December 2013, the Group has expenditures in respect of acquisition of equipment, which were contracted for or readily for execution but not provided for in the financial statements totaling RMB2,417,100.00. The details of which are as follows:

Project	Contract amount	Accumulated amount paid	Amount recognised as liabilities	Unrecognised amount as at 31st December 2013	Estimated investment period
Large power punch	1,835,000.00	550,500.00	-	1,284,500.00	2014
Flip oscillation device	1,618,000.00	485,400.00	-	1,132,600.00	2014
<b>Total</b>	<b>3,453,000.00</b>	<b>1,035,900.00</b>	<b>-</b>	<b>2,417,100.00</b>	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## X. COMMITMENTS (Continued)

### The Company (Continued)

#### 2. Lease agreement contracted for or readily for execution and their financial effect

- (1) As at 31 December 2013, the Group, as a lessee, had contracted with landlord for the minimum lease payment under non-cancellable operating leases in respect of office building and motor vehicles:

Period	2013	2012
Within 1 year	<b>3,785,826.00</b>	1,707,390.00
In 1-2 years	<b>3,834,930.00</b>	1,707,390.00
In 2-3 years	<b>1,368,000.00</b>	1,707,390.00
After 3 years	–	2,736,000.00
<b>Total</b>	<b>8,988,756.00</b>	7,858,170.00

- (2) As at 31 December 2013, the Group, as a lessor, had contracted with tenant for the minimum lease receivable under non-cancellable operating leases in respect of office building:

Period	2013	2012
Within 1 year	<b>9,037,902.29</b>	8,663,566.42
In 1-2 years	<b>3,181,121.88</b>	8,054,613.65
In 2-3 years	<b>2,609,588.65</b>	2,527,301.88
After 3 years	<b>14,476,962.39</b>	14,485,109.68
<b>Total</b>	<b>29,305,575.21</b>	33,730,591.63

3. Other than the details as disclosed above, the Company had no significant commitments at 31 December 2013.

## XI. POST-BALANCE SHEET EVENTS

### 1. Dividends

The realised net profit of the Group was RMB243,638,211.39 for the year ended 31 December 2013, including RMB208,282,1067.18 net profit attributable to shareholders of the Company. After setting aside 10% statutory surplus reserves of RMB 17,562,062.69; adding the balance of undistributed profits from previous year of RMB890,204,491.13; deducting the cash dividends distributed during the year of RMB60,190,549.60, the balance of undistributed profits as at 31 December 2013 was RMB988,072,505.75. The Board proposes the payment of a final dividend of RMB0.3 per share of the Company (inclusive of tax) to all shareholders of the Company based on the total number of shares of 231,564,561 shares of the Company as at 31 December 2013, with the total amount of dividend to be paid be RMB69,469,368.30. In addition, the Board proposes to offer to all shareholders of the Company 5 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 115,782,280 shares based on the total number of 231,564,561 shares of the Company as at 31 December 2013. Following the aforesaid conversion of capital reserve, the Company shall have a total of 347,346,841 shares.

## XI. POST-BALANCE SHEET EVENTS (Continued)

### 2. Establishment of subsidiaries

(1) *Proposed to establish Shenzhen Dongjiang Transportation Co. Limited*

On 22 February 2014, the proposal of 《關於設立深圳市東江運輸有限公司的議案》was considered and approved in the 57th meeting of the fourth session of the board of directors, the company proposed to set up wholly-owned subsidiary Shenzhen Dongjiang Transportation Co. Limited (name to be confirmed after industrial and commercial registration) with company own fund, registered capital was RMB1,000,000.00, business scope comprises normal goods transportation, dangerous goods transportation (to be confirmed after authorities confirmed the business scope). Issues regards the establishment of subsidiary has yet to be commenced as of the issuance date of this financial report.

(3) *Proposed to establish Dongjiang Lvlvda Environment Co. Limited*

On 20 March 2014, the proposal of 《關於合資設立子公司開展有機溶劑深加工業務的議案》was considered and approved in the 59th meeting of the fourth session of the board of directors, the wholly-owned subsidiary Jiangmen Dongjiang of the Company planned to set up a joint venture Dongjiang Lvlvda Environment Co. Limited (name to be confirmed after industrial and commercial registration) with Shenzhen Lvlvda environment Co. Limited (hereinafter referred to as Lvlvda Company). Registered capital was RMB10,000,000.00, of which Jiangmen Dongjiang contributed RMB6,000,000.00, Lvlvda Company contributed RMB4,000,000.00, and owned 60% and 40% interests equity respectively. The registration place is Guangdong Heshan, business scopes were deep processing of organic solvent, chemical solvent production (to be confirmed after authorities confirmed the business scope). Issues regards the establishment of subsidiary has yet to be commenced as of the issuance date of this financial report.

(3) *Proposed to establish Qingyuan Dongjiang Taolv Environment Co. Limited*

On 20 March 2014, the proposal of 《關於合資設立子公司開展廢舊手機拆解及資源化綜合利用的議案》was considered and approved in the 59th meeting of the fourth session of the board of directors, the wholly-owned subsidiary Qingyuan Dongjiang of the Company planned to set up a joint venture Qingyuan Dongjiang Taolv Environment Co. Limited (name to be confirmed after industrial and commercial registration) with Shenzhen Taolv Information Technology Co. Limited (hereinafter referred to as Taolv Company). Registered capital was RMB10,000,000.00, of which Qingyuan Dongjiang contributed RMB6,000,000.00, Taolv Company contributed RMB4,000,000.00, and owned 60% and 40% interests equity respectively. The registration place is Guangdong Qingyuan, business scopes was comprehensive utilization of waste mobile disassembly and recycling (to be confirmed after authorities confirmed the business scope). Issues regards the establishment of subsidiary has yet to be commenced as of the issuance date of this financial report.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XI. POST-BALANCE SHEET EVENTS (Continued)

### 2. Establishment of subsidiaries (Continued)

(4) *Proposed to establish Yancheng Coastal Solid Waste Disposal Co. Limited and contribute further capital*

On 25 March 2014, the proposal of 《關於收購並增資鹽城市沿海固體廢料處置有限公司的議案》was considered and approved in the 60th meeting of the fourth session of the board of directors, the Company planned to acquire 40% interests equity in Yancheng Coastal Solid Waste Disposal Co. Limited (hereinafter referred to as Coastal Solid Waste) from Zhejiang Xindonghai pharmaceutical Co. at a consideration of RMB 23,200,000.00; after the equity transfer, the Company will further contribute RMB28,000,000.00, of which RMB2,900,000.00 will be registered capital, the remaining RMB 25,100,000.00 will be recorded into capital reserve. After the above equity transfer and further capital contribution completed, the Company will own 60% interest equity in Coastal Solid Waste, and Coastal Solid Waste will become a subsidiary of the Company. Issues regards the acquisition has yet to be commenced as of the issuance date of this financial report.

### 3. Issue of shares and bonds

(1) *Issue of shares*

The company has completed the restricted A share incentive scheme and the first grant on January 2014, and issued shares, descriptions see note. VIII (Share-based payment).

(2) *Issue of bonds*

On 5 March 2014, the Company received the Approval of Public Issue of Corporate Bonds by Dongjiang Environmental Company Limited (ZJXK [2014] No.190) from the China Securities Regulatory Commission, and the contents of the approval are as follows: 1. The issuance of corporate bonds with a par value not exceeding RMB700 million by the Company to the public has been approved. 2. The corporate bonds shall be issued by instalments, and the par value of the first phase of issue of the corporate bond shall not be less than 50% of total par value of the corporate bonds, and the first phase of the issue shall be completed within 6 months from the date of approval; The issuance of the remaining instalments shall be completed within 24 months respectively from the date of approval. 3. The corporate bonds shall be issued by instalments, and the par value of the first phase of issue of the corporate bond shall not be less than 50% of total par value of the corporate bonds, and the first phase of the issue shall be completed within 6 months from the date of approval; The issuance of the remaining instalments shall be completed within 24 months respectively from the date of approval. 4. The approval shall be valid within 24 months from the date of approval.

According to the requirements of the above approval and authorisation of the general meeting, the Board will conduct the bond issuance related issues at an appropriate time

### 4. Repayment after balance date

Item	Amount
Significant amount of accounts payable due over 1 year	—

### 5. Other than as disclosed above, the Group and the Company had no significant post balance sheet events.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XII. SEGMENT INFORMATION

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

<b>Reportable segment</b>	<b>Major activities</b>
Industrial waste recycling	Processing and sale of recycled products
Industrial waste treatment and disposal	Collection, treatment and disposal of industrial services waste
Municipal waste treatment and disposal	Collection, treatment and disposal of municipal waste
Renewable energy utilization	Operation of methane-to-energy power plants
Environmental engineering and services	Construction contract work as a main contractor or subcontractor system and services in respect of environmental services, such as design and construction of environmental projects; operation of environment protection facilities, assessment of environmental impact, environment monitoring and consulting
Trading and others	Sales of chemical products and leasing activities

The financial information of the different segments is regularly reviewed by the Group's management to make decisions about resources to be allocated to each segment and assess its performance.

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

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

### **Segment results, assets and liabilities**

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

Results of operations is revenue after deducting expenses, depreciation, amortization and impairment losses attributable to the individual segments, and interest income and expense from cash balances and borrowings managed directly by the segments. Inter-segment sales are determined with reference to prices charged to external parties for similar orders. Non-operating income and expenses and tax expenses are not allocated to individual segments.

Information regarding the Group's reportable segments set out below is those regularly provided to the Group's management and part of them are used in measuring segment profit or loss and segment assets and liabilities.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XII. SEGMENT INFORMATION (Continued)

#### Segment results, assets and liabilities (Continued)

##### The segment information for 2013

Item	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Unallocated amounts	Elimination	Total
Revenue from external transactions	1,003,746,274.10	243,497,232.44	135,163,624.22	65,476,857.26	95,850,397.86	39,201,978.32	-	-	1,582,936,364.20
Revenue from intra-segment transactions	93,827,855.60	-	1,325,095.96	-	3,317,372.50	17,759,927.42	-	(116,230,251.48)	-
Segment revenue	1,097,574,129.70	243,497,232.44	136,488,720.18	65,476,857.26	99,167,770.36	56,961,905.74	-	(116,230,251.48)	1,582,936,364.20
Total operating costs	(913,313,328.86)	(209,613,943.41)	(165,244,975.38)	(55,733,425.30)	(80,739,302.01)	(49,445,532.31)	3,286,182.79	91,892,561.56	(1,378,911,762.92)
Loss on changes in fair value	-	-	-	-	-	-	(1,049,660.00)	-	(1,049,660.00)
Investment income	1,341,234.48	-	-	-	77,448.17	-	52,682,604.48	(18,225,357.94)	35,875,929.19
Segment operating profit	185,602,035.32	33,883,289.03	(28,756,255.20)	9,743,431.96	18,505,916.52	7,516,373.43	54,919,127.27	(42,563,047.86)	238,850,870.47
Non-operating income	18,830,405.44	980,000.00	1,714,392.34	8,908,634.39	13,079.92	7,661,644.26	-	-	38,108,156.35
Non-operating expenses	2,583,057.77	120,759.80	592,011.46	100,950.00	27.72	2,084,912.73	-	-	5,481,719.48
Total profit	201,849,382.99	34,742,529.23	(27,633,874.32)	18,551,116.35	18,518,968.72	13,093,104.96	54,919,127.27	(42,563,047.86)	271,477,307.34
Total assets	2,829,657,946.02	534,019,287.60	745,102,214.07	235,812,177.23	105,078,376.42	85,396,147.60	620,281,805.18	(1,887,890,381.83)	3,267,457,572.29
Total liabilities	358,476,376.34	38,967,138.09	86,097,390.77	67,071,010.43	21,039,327.92	18,990,621.52	1,169,454,624.91	(942,602,411.46)	817,494,078.52
Supplementary information									
Depreciation and amortization	40,524,180.68	20,760,289.20	11,796,640.80	18,553,357.59	542,013.26	1,143,343.92	-	-	93,319,825.45
Capital expenditure	214,679,924.89	52,810,830.84	51,276,755.29	5,736,679.67	455,283.00	961,175.83	-	-	325,920,649.52
Assets impairment losses	632,187.77	4,264,500.37	921,859.49	18,661.35	(1,096,125.37)	135,540.49	-	3,052,019.14	7,928,643.24

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XII. SEGMENT INFORMATION (Continued)

### Segment results, assets and liabilities (Continued)

#### The segment information for 2012:

Item	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Unallocated amounts	Elimination	Total
Revenue from external transactions	938,595,848.97	200,398,516.89	126,413,101.88	57,006,523.65	165,745,981.99	33,357,754.79	-	-	1,521,517,728.17
Revenue from intra-segment transactions	34,857,467.05	4,913,259.92	-	-	5,981,371.45	40,147,169.48	-	(85,899,267.90)	-
Segment revenue	973,453,316.02	205,311,776.81	126,413,101.88	57,006,523.65	171,727,353.44	73,504,924.27	-	(85,899,267.90)	1,521,517,728.17
Total operating costs	(816,120,891.74)	(80,715,690.14)	(107,599,829.03)	(48,390,823.52)	(146,215,415.70)	(56,388,108.28)	(45,801,620.50)	83,585,170.33	(1,217,647,208.58)
Gain on changes in fair value	-	-	-	-	-	-	237,660.00	-	237,660.00
Investment income	-	-	(3,336.39)	(690,510.60)	-	-	21,545,385.32	(9,180,000.00)	11,671,538.33
Segment operating profit	157,332,424.28	124,596,086.67	18,809,936.46	7,925,189.53	25,511,937.74	17,116,815.99	(24,018,575.18)	(11,494,097.57)	315,779,717.92
Non-operating income	-	-	-	-	-	-	19,255,546.88	-	19,255,546.88
Non-operating expenses	-	-	-	-	-	-	(2,307,017.56)	-	(2,307,017.56)
Total profit	157,332,424.28	124,596,086.67	18,809,936.46	7,925,189.53	25,511,937.74	17,116,815.99	(7,070,045.86)	(11,494,097.57)	332,728,247.24
Total assets	2,159,920,281.94	246,821,137.83	226,083,704.46	253,033,421.88	227,063,662.35	33,912,963.62	2,095,243,449.72	(2,132,472,608.50)	3,109,606,013.30
Total liabilities	479,358,830.20	73,187,766.34	194,486,494.50	117,801,597.52	187,932,263.60	8,629,030.90	1,060,063,252.46	(1,284,799,243.76)	836,659,991.76
Supplementary information	-	-	-	-	-	-	-	-	-
Depreciation and amortization	49,901,371.17	9,066,565.52	10,252,380.61	15,503,392.20	1,036,017.47	259,415.41	5,473,062.72	-	91,492,205.10
Capital expenditure	175,884,205.24	48,614,892.81	26,562,656.25	3,629,733.73	768,973.00	722,084.24	29,905,460.81	-	286,088,006.08
Assets impairment losses	(2,287,764.54)	(368,455.62)	324,011.15	(11,808.19)	4,949,009.72	(4,541,936.47)	-	-	(1,936,943.95)

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XII. SEGMENT INFORMATION (Continued)

#### Segment results, assets and liabilities (Continued)

The total amount of sales income and non-current asset other than financial asset and deferred income tax of the Group in domestic and other countries were as follows:

Sales income	2013	2012
Domestic(excluding Hong Kong)	<b>1,547,979,193.02</b>	1,483,250,347.94
Hong Kong	<b>34,957,171.18</b>	38,267,380.23
Overseas	–	–
<b>Total</b>	<b>1,582,936,364.20</b>	1,521,517,728.17

Non-current assets	2013	2012
Domestic(excluding Hong Kong)	<b>1,450,097,830.27</b>	1,180,152,902.83
Hong Kong	<b>20,217,963.69</b>	27,320,538.92
Overseas	–	–
<b>Total</b>	<b>1,470,315,793.96</b>	1,207,473,441.75

The Group had no significant dependence on the major clients in 2013.

### XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, financial assets held-for-trading, notes receivables, accounts receivable, other receivables, borrowings, financial liabilities held-for-trading, accounts payable, accrued staff emoluments, other payables, etc. Detailed descriptions of these financial instruments are set out in Note VI. Below are the risks associated with such financial instruments and the risk management policies adopted by the Group to mitigate such risks. The management of the Group manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.

#### 1. Objective and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Group's operating results are minimised, in order to maximise the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of the Group's risk management is to ascertain and analyse all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

### 1. Objective and policies of risk management *(Continued)*

#### *(1) Market risks*

##### 1) Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rate. The Group is mainly exposed to foreign exchange risks in connection with HKD and USD; except for certain subsidiaries of the Company which effect purchases and sales in HKD and USD, all the business activities of the remaining principal operations of the Group are settled with RMB. On 31 December 2013, except for the HKD and USD balances in assets and liabilities, odd monies in EUR, all the balances of assets and liabilities of the Group were denominated in RMB. The foreign exchange risk arising from assets and liabilities in such HKD and USD balances may affect the operating results of the Group. As at 31 December 2013, the details of financial assets and financial liabilities denominated in foreign currency are set out in XIV.5.

The Group closely monitors changes in foreign exchange rates as to their effects to the Group's exposure in foreign exchange risk. Currently, the Group has not adopted other policies to circumvent foreign exchange risks.

##### 2) Interest rate risk

The risk that changes in interest rate lead to changes in cash flow of the financial instruments of the Group is mainly associated with floating-rate bank borrowings (details set out in Note VI.28&29). The Group's policy is to maintain these borrowings in floating rates, so as to eliminate fair value risks arising from changes in interest rate.

##### 3) Other price risk

The Group's other price risk is mainly concentrated on investments held for trading quoted in the stock exchange of the PRC. The management monitors the price risk exposure and will take appropriate measures should the need arise.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

### 1. Objective and policies of risk management *(Continued)*

#### *(2) Credit risk*

On 31 December 2013, the most significant credit risk exposure that might incur financial losses on the Group was mainly attributable to a contractual counterparty's failure to perform its obligations, the effects of which could lead to losses in financial assets of the Group and financial guarantee undertaken by the Group, specific details are set out as follows:

The carrying amount of financial assets recognised in the consolidated balance sheet: in respect of financial instruments carried at fair value, the carrying amount reflects the risk exposure; however, such amount does not represent the maximum credit exposure which changes in line with future changes in fair value.

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 provision is allocated for amounts that are not recoverable. As such, the management of the Group believes the credit risk assumed by the Group has been significantly reduced.

The Group places its bank balances and cash in banks with relatively higher credit ratings; therefore, the credit risk with respect to liquid funds is low.

Since the Group's risk exposures are distributed among various contractual parties and various customers, the Group has no significant concentration risk.

#### *(3) Liquidity risk*

In managing liquidity risk, the Group maintains cash and cash equivalent at a level deemed sufficient by the management and carry out monitoring, in order to satisfy the operating needs of the Group and lower the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and makes sure the related borrowing agreements are complied with. The primary source of funding for the Group is bank borrowings.

At 31 December 2013, the Group had unutilised bank facilities of RMB385,000,000. (2012: RMB 356,000,000)

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Objective and policies of risk management (Continued)

#### (3) Liquidity risk (Continued)

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted remaining contractual obligations:

Item	Undiscounted amount				Total	Carrying value
	Within 1 month	1-3 months	3-12 months	1-5 years		
<b>Financial assets</b>						
Bank balances and cash	946,887,455.89	-	-	-	946,887,455.89	946,887,455.89
Financial assets at fair value through profit and loss	2,007,400.00	-	-	-	2,007,400.00	2,007,400.00
Notes receivables	16,820,142.24	27,105,568.05	10,125,620.00	-	54,051,330.29	54,051,330.29
Accounts receivable	-	179,584,250.23	-	-	179,584,250.23	179,584,250.23
Other receivables	1,000,000.00	31,996,482.37	10,244,000.00	10,118,980.70	53,359,463.07	53,359,463.07
Long-term accounts receivable	2,390,000.00	4,780,000.00	21,510,000.00	56,310,000.00	84,990,000.00	84,990,000.00
<b>Total financial assets</b>	<b>969,104,998.13</b>	<b>243,466,300.65</b>	<b>41,879,620.00</b>	<b>66,428,980.70</b>	<b>1,320,879,899.48</b>	<b>1,320,879,899.48</b>
<b>Financial liabilities</b>						
Accounts payable	-	157,926,908.55	-	-	157,926,908.55	157,926,908.55
Other payables	2,500,000.00	44,131,782.14	-	-	46,631,782.14	46,631,782.14
Employee benefit payables	-	33,478,555.80	-	-	33,478,555.80	33,061,003.98
Borrowings	1,002,326.00	2,004,652.00	306,316,362.64	124,713,278.43	434,036,619.07	434,036,619.07
Finance lease payable	422,948.15	3,139,133.40	10,457,666.42	18,292,034.71	32,311,782.68	32,311,782.68
<b>Total financial liabilities</b>	<b>3,925,274.15</b>	<b>240,681,031.89</b>	<b>316,774,029.06</b>	<b>143,005,313.14</b>	<b>704,385,648.24</b>	<b>703,968,096.42</b>

### 2. Fair value

(1) The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of derivatives instruments is calculated using quoted prices.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 2. Fair value (Continued)

(2) Fair value measurement recognised in the financial statements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Item	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2013</b>				
<b>Financial assets:</b>				
Financial assets at fair value through profit and loss	2,007,400.00	-	-	2,007,400.00
<b>As at 31 December 2012</b>				
<b>Financial assets:</b>				
Financial assets at fair value through profit and loss	3,748,980.00			3,748,980.00

(3) The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements not materially different from their fair values.

### 3. Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyse the possible effects of rational and probable changes in risk variables to profit and loss for the current period or to the beneficial interests. Since risk variables seldom change on a stand-alone basis, while the correlation between variables has significant influence to the ultimate amount of change effected by the change in a single risk variable; therefore, the below analysis is based on the assumption that the changes in each variable occurred separately.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 3. Sensitivity analysis (Continued)

##### (1) Sensitivity analysis of foreign exchange risk

The effect of a 5% change in exchange rate to the profit and loss for the current period and after-tax consequences of interests are set out below:

Foreign currency	Changes in exchange rate	2013		2012	
		Increase (decrease) in net profit	Increase (decrease) in shareholders' equity	Increase (decrease) in net profit	Increase (decrease) in shareholders' equity
USD	Increase 5%	9.81	9.81	2,730.12	2,730.12
USD	Decrease 5%	(9.81)	(9.81)	(2,730.12)	(2,730.12)
HKD	Increase 5%	361,902.47	361,902.47	(388,704.14)	(388,704.14)
HKD	Decrease 5%	(361,902.47)	(361,902.47)	388,704.14	388,704.14

##### (2) Sensitivity analysis of interest rate risk

The effect of a 5% change in interest rate to the profit and loss for the current period and after-tax consequences of interests are set out below:

Item	Changes in interest rate	2013		2012	
		Increase (decrease) in net profit	Increase (decrease) in shareholders' equity	Increase (decrease) in net profit	Increase (decrease) in shareholders' equity
Floating rates borrowings	Increase 1%	(1,591,193.17)	(1,591,193.17)	(2,113,558.34)	(2,113,558.34)
Floating rates borrowings	Decrease 1%	1,591,193.17	1,591,193.17	2,113,558.34	2,113,558.34

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 3. Sensitivity analysis (Continued)

(3) Sensitivity analysis of other price risk

The effect of a rational change in interest rate to the profit and loss for the current period and after-tax consequences of interests are set out below:

Item	Changes in price	2013		2012	
		Increase (decrease) in net profit	Increase (decrease) in shareholders' equity	Increase (decrease) in net profit	Increase (decrease) in shareholders' equity
Quoted shares	Increase 5%	100,370.00	100,370.00	187,449.00	187,449.00
Quoted shares	Decrease 5%	(100,370.00)	(100,370.00)	(187,449.00)	(187,449.00)

### XIV. OTHER SIGNIFICANT EVENTS

1. There were no non-monetary exchange transactions during the year (2012: NIL).

2. There were no debts restructuring during the year (2012: NIL).

#### 3. Leasing

(1) The details of assets held under finance leases are set out in VI.13 (9).

(2) As at 31 December 2013, the minimum lease payments made under finance leases are set out in VI.29 (3).

(3) As at 31 December 2013, assets leased out under operating leases:

Category	2013	2012
Investment properties	53,630,900.00	53,630,900.00

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 4. Assets and liabilities measured at fair value

Item	As at 1 January 2013	Increase/ (decrease)	Changes in fair value	As at 31 December 2013
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	3,748,980.00	(691,920.00)	(1,049,660.00)	<b>2,007,400.00</b>
<b>Other assets</b>				
Investment properties	53,630,900.00	–	–	<b>53,630,900.00</b>
<b>Total</b>	<b>57,379,880.00</b>	<b>(691,920.00)</b>	<b>(1,049,660.00)</b>	<b>55,638,300.00</b>

#### 5. Financial assets and financial liabilities denominated in foreign currency

Item	At 31 December 2012	Balance of 2013 attributable to Accumulated fair value			At 31 December 2013
		Gain on fair value changes for the year	changes included in equity	Provision for impairment losses	
<b>Financial assets</b>					
Bank deposit and cash	5,696,765.18	–	–	–	<b>3,689,377.06</b>
Accounts receivable	6,969,140.58	–	–	–	<b>5,747,352.28</b>
Other receivables	8,503,465.73	–	–	–	<b>6,293,210.65</b>
<b>Subtotal of financial assets</b>	<b>21,169,371.49</b>				<b>15,729,939.99</b>
<b>Financial liabilities</b>					
Accounts payable	1,647,575.74	–	–	–	<b>3,329,583.62</b>
Other payables	4,818,941.50	–	–	–	<b>2,424,451.59</b>
Obligations under finance leases	16,875,132.20	–	–	–	<b>12,953,127.25</b>
<b>Subtotal of financial liabilities</b>	<b>23,341,649.44</b>	–	–	–	<b>18,707,162.46</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. Bank balances and cash

Item	Original currency	2013		Original currency	2012	
		Exchange rate	Amount in RMB		Exchange rate	Amount in RMB
Cash						
RMB	20,083.00	1.0000	20,083.00	922.26	1.0000	922.26
Bank deposits						
RMB	539,118,395.59	1.0000	539,118,395.59	667,533,246.41	1.0000	667,533,246.41
HKD	556.82	0.7862	437.77	570.32	0.8109	462.47
USD	37.87	6.0969	230.87	36.73	6.2856	230.87
Subtotal			539,119,064.23			667,533,939.75
Other bank balances and cash						
RMB	9,161,647.85	1.0000	9,161,647.85	8,978,515.94	1.0000	8,978,515.94
<b>Total</b>			<b>548,300,795.08</b>			<b>676,513,377.95</b>

As at 31 December 2013, the restricted bank deposits of the Group were RMB 9,060,000.00 (2012: 8,775,179.90) which were the guarantee deposits for borrowing and were included in "Other bank balances and cash".

### 2. Financial assets at fair value through profit and loss

Item	2013	2012
Equity investments held for trading, at fair value	2,007,400.00	3,748,980.00

The equity investments are shares listed on the Shanghai Stock Exchange in the PRC.

At 31 December 2013, the fair value of the listed shares was RMB2,007,400.00 (2012: RMB3,748,980.00).

There were no material restrictions in the realisation of the above financial assets at fair value through profit and loss.

### 3. Notes receivable

(1) Categories of notes receivable

Category	2013	2012
Bank acceptance notes	46,118,446.38	18,342,900.60
Commercial acceptance notes	—	—
<b>Total</b>	<b>46,118,446.38</b>	<b>18,342,900.60</b>

All notes receivable held by the Group are aged within one year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 3. Notes receivable (Continued)

- (2) As at 31 December 2013, the top five notes receivable that were endorsed to other parties for payments and yet to mature were as follows:

Type of bills	Drawer	Date of draft	Due date	Amount
Bank acceptance notes	No.1	2013-7-12	2014-1-11	500,000.00
Bank acceptance notes	No.2	2013-10-24	2014-4-24	500,000.00
Bank acceptance notes	No.3	2013-10-22	2014-1-21	223,019.25
Bank acceptance notes	No.4	2013-9-5	2014-3-5	222,104.00
Bank acceptance notes	No.5	2013-7-9	2014-1-9	200,000.00
<b>Total</b>				<b>1,645,123.25</b>

In the opinion of Directors, the risks of being recourse by the parties accepting such notes were extremely remote, accordingly such notes receivable and corresponding liabilities had been derecognised.

- (3) There was no notes receivable from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.
- (4) As at 31 December 2013, the accounts receivable from related parties were RMB 5,778,580.00, representing 12.53% of total accounts receivables (2012: RMB 7,111,520.00, 38.77%). The details are set out in note VII.3 (2).

### 4. Accounts receivable

	2013	2012
Accounts receivable	<b>98,322,904.41</b>	111,870,351.91
Less: Provision for bad debts	<b>8,108,432.71</b>	6,687,163.84
<b>Total</b>	<b>90,214,471.70</b>	105,183,188.07

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 4. Accounts receivable (Continued)

(1) Disclosure of accounts receivable by categories is as follows:

Category	2013		Bad debt provision	
	Book balance Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and are provided for bad debts on individual basis				
Accounts receivable that are provided for bad debts on portfolio basis				
Aged group	64,835,071.84	65.94	6,779,642.39	10.46
Related party group	32,159,042.25	32.71	–	–
<b>Subtotal</b>	<b>96,994,114.09</b>	<b>98.65</b>	<b>6,779,642.39</b>	<b>6.99</b>
Accounts receivable that are individually insignificant but are individually provided for bad debts	1,328,790.32	1.35	1,328,790.32	100.00
<b>Total</b>	<b>98,322,904.41</b>		<b>8,108,432.71</b>	

Category	2012		Bad debt provision	
	Book balance Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and are provided for bad debts on individual basis				
Accounts receivable that are provided for bad debts on portfolio basis				
Aged group	68,665,180.52	61.38	5,750,836.04	8.38
Related party group	42,268,843.59	37.78	–	–
Subtotal	110,934,024.11	99.16	5,750,836.04	5.18
Accounts receivable that are individually insignificant but are individually provided for bad debts	936,327.80	0.84	936,327.80	100.00
<b>Total</b>	<b>111,870,351.91</b>		<b>6,687,163.84</b>	

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 4. Accounts receivable (Continued)

(1) Disclosure of accounts receivable by categories is as follows: (Continued)

1) Details of accounts receivable that are provided for provision for bad debts based on ageing analysis are as follows:

Item	Amount	2013		Amount	2012	
		Proportion (%)	Provision for bad debts		Proportion (%)	Provision for bad debts
0-90 days	43,119,561.90	1.50	646,793.44	45,884,062.87	1.50	688,260.94
91-180 days	8,634,052.49	3.00	259,021.58	7,507,997.58	3.00	225,239.93
181-365 days	2,701,798.43	5.00	135,089.93	3,293,840.81	5.00	164,692.04
1-2 years	5,051,905.85	20.00	1,010,381.18	5,107,970.51	20.00	1,021,594.10
2-3 years	1,198,793.82	50.00	599,396.91	6,440,519.45	50.00	3,220,259.73
Over 3 years	4,128,959.35	100.00	4,128,959.35	430,789.30	100.00	430,789.30
<b>Total</b>	<b>64,835,071.84</b>		<b>6,779,642.39</b>	68,665,180.52		5,750,836.04

2) As at 31 December 2013, accounts receivable that are individually insignificant but are individually provided for bad debts.

Name	Book value	Bad debts provision	Proportion (%)	Reason for provision
Bao'an District Shajing Shataobao Electronics Factory	735,708.53	735,708.53	100.00	Irrecoverable
Lianneng Technology (Shenzhen) Limited	487,508.00	487,508.00	100.00	Irrecoverable
Yangxin Yinyuan Environment Technology Limited	100,000.00	100,000.00	100.00	Irrecoverable
Others items under RMB100,000	5,573.79	5,573.79	100.00	Irrecoverable
<b>Total</b>	<b>1,328,790.32</b>	<b>1,328,790.32</b>		

(2) Details of bad debts provision reversed (or recovered) during the year ended 31 December 2013

There was no previous year bad debts provision fully or partially reversed or recovered during the year.



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For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 4. Accounts receivable (Continued)

(3) Accounts receivables written off during the year ended 31 December 2013

Name	Nature	Amount	Reason
Kunming Ruitongda Trade Limited	purchase of goods	29,770.00	Irrecoverable
Kunming Yuehe Trade Limited	purchase of goods	6,950.00	Irrecoverable
Jiangmen Fangyuan Environment Technology Development Limited	purchase of goods	967.87	Irrecoverable
Dongguan Wandai Chemical Materials Limited	purchase of goods	145.18	Irrecoverable
<b>Total :</b>		<b>37,833.05</b>	

(4) Aging analysis of overdue but without impairment accounts receivable at balance date:

Items	2013	2012
0-90 days	<b>9,342,970.32</b>	35,061,150.69
91-180 days	<b>11,094,673.36</b>	4,142,643.90
181-365 days	<b>11,721,398.57</b>	3,065,049.00
<b>Total</b>	<b>32,159,042.25</b>	42,268,843.59

Overdue but without impairment accounts receivables are related to related parties, those accounts have good credit. According to the past experiences, the management believes that impairment is unnecessary, because the credit quality remains unchanged, and the balances will be recovered in the future.

(5) There were no accounts receivable from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.

(6) The top five accounts receivable outstanding as at 31 December 2013 are as follows:

Name	Relationships with the Company	Amount	Aged	Proportion to total account receivables (%)
Dongjiang Heritage No.2	Subsidiary corporation	23,665,940.43	Within 1 year	24.07
No.3	Independent third party	20,441,617.53	1-2 years	20.79
No.4	Independent third party	5,319,308.80	Within 1 year	5.41
No.5	Independent third party	5,284,763.50	Within 1 year	5.37
No.5	Independent third party	3,536,488.72	over 3 years	3.60
<b>Total</b>		<b>58,248,118.98</b>		<b>59.24</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 4. Accounts receivable (Continued)

(7) As at 31 December 2013, the accounts receivable from related parties were RMB32,159,042.25, representing 32.71 % of total accounts receivables (2012: RMB 42,268,843.59, 37.78%). The details are set out in note VII.3 (1).

(8) As at 31 December 2013, there were accounts receivable in foreign currencies.

#### 5. Prepayments

(1) The aged analysis of prepayments is as follows:

Item	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	24,247,779.44	99.28	27,995,584.38	92.72
1-2 years	124,213.07	0.51	2,016,672.35	6.68
2-3 years	–	–	59,933.24	0.20
Over 3 years	50,558.76	0.21	121,982.00	0.40
<b>Total</b>	<b>24,422,551.27</b>	<b>100.00</b>	30,194,171.97	100.00

(2) Details of the top five prepayments at 31 December 2013

Name	Relationship with the Company	Amount	Aged	Reason of outstanding
No.1	Independent third party	6,889,674.42	0-90 days	Progress payments as contracted
No.2	Independent third party	6,263,408.54	0-90 days	Progress payments as contracted
No.3	Independent third party	1,728,932.94	0-90 days	Progress payments as contracted
Resource Recycling	subsidiary corporation	1,214,303.36	0-90 days	Progress payments as contracted
No.5	Independent third party	729,652.00	0-90 days	Progress payments as contracted
<b>Total</b>		<b>16,825,971.26</b>		

(3) There were no prepayments from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31st December 2013.

(4) As at 31 December 2013, prepayments from related parties were RMB 1,521,312.87, representing 6.23% of total prepayments (2012: RMB 3,000,000.00, 9.94%). The details are set out in note VII.3 (4).

(5) As at 31 December 2013, there were no prepayments in foreign currencies.

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For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 6. Other receivables

	2013	2012
Other receivables	<b>611,365,265.33</b>	335,608,153.36
Less: Provision for bad debts	<b>3,088,028.31</b>	2,081,750.41
<b>Total</b>	<b>608,277,237.02</b>	333,526,402.95

(1) Disclosure of other receivables by categories is as follows:

Category	2013		Bad debt provision	
	Book balance Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and are provided for bad debts on individual basis				
Other receivables that are provided for bad debts on portfolio basis				
Aged group	<b>2,114,918.30</b>	<b>0.35</b>	<b>488,028.31</b>	<b>23.08</b>
Related party group	<b>591,044,585.18</b>	<b>96.68</b>	-	-
Collateral group	<b>15,605,761.85</b>	<b>2.55</b>	-	-
Subtotal	<b>609,765,265.33</b>	<b>99.57</b>	<b>1,488,028.31</b>	<b>0.08</b>
Other receivables that are individually insignificant but are individually provided for bad debts	<b>2,600,000.00</b>	<b>0.43</b>	<b>2,600,000.00</b>	<b>100.00</b>
<b>Total</b>	<b>611,365,265.33</b>		<b>3,088,028.31</b>	

## NOTES TO FINANCIAL STATEMENTS

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(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 6. Other receivables (Continued)

(1) Disclosure of other receivables by categories is as follows: (Continued)

Category	2012		Bad debt provision	
	Book balance Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and are provided for bad debts on individual basis				
Other receivables that are provided for bad debts on portfolio basis				
Aged group	6,215,748.42	1.85	933,520.41	15.02
Related party group	319,949,824.90	95.33		
Collateral group	8,242,580.04	2.46		
Sub-total	334,408,153.36	99.64	933,520.41	0.28
Other receivables that are individually insignificant but are individually provided for bad debts	1,200,000.00	0.36	1,148,230.00	95.69
Total	335,608,153.36		2,081,750.41	

1) As at 31 December 2013, there were no other receivables that are individually significant or provided for bad debts on individual basis.

2) Details of other receivables that are provided for bad debts based on ageing analysis are as follows:

Item	2013			2012		
	Amount	Proportion (%)	Provision for bad debts	Amount	Proportion (%)	Provision for bad debts
0-90 days	1,486,802.87	1.50	22,302.04	4,236,812.31	1.50	63,552.18
91-180 days	4,484.72	3.00	134.54	71,029.64	3.00	2,130.89
181-365 days	26,297.34	5.00	1,314.87	-	-	-
1-2 years	125,300.18	20.00	25,060.04	1,264,218.91	20.00	252,843.78
2-3 years	65,632.74	50.00	32,816.37	57,388.00	50.00	28,694.00
Over 3 years	406,400.45	100.00	406,400.45	586,299.56	100.00	586,299.56
Total	2,114,918.30		488,028.31	6,215,748.42		933,520.41

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 6. Other receivables (Continued)

(1) Disclosure of other receivables by categories is as follows: (Continued)

3) As at 31 December 2013, other receivables that are individually insignificant but are individually provided for bad debts.

Name	Book value	Bad debts provision	Proportion (%)	Reason for provision
Wuhan Qiangsheng Environment Product Limited	1,000,000.00	1,000,000.00	100.00	Irrecoverable
Huizhou Shengtianhan Industrial Co., Limited	500,000.00	500,000.00	100.00	Irrecoverable
Nao Zhijun	500,000.00	500,000.00	100.00	Irrecoverable
Xue Yaochun	300,000.00	300,000.00	100.00	Irrecoverable
Shenzhen Kaixiang Industrial Development Co., Limited	300,000.00	300,000.00	100.00	Irrecoverable
<b>Total</b>	<b>2,600,000.00</b>	<b>2,600,000.00</b>	<b>100.00</b>	

(2) Details of bad debts provision reversed (or recovered) during the year ended 31 December 2013

There was no previous year bad debts provision fully or partially reversed or recovered during the year.

(3) Details of other receivables written off during the year ended 31 December 2013

Name	Nature of accounts receivables	Amounts written-off	Reason for written-off	Whether arisen from related party transaction
Others (Items under RMB50,000)	transactions	10,323.00	Irrecoverable	No

(4) There were no other receivables from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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## XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 6. Other receivables (Continued)

(5) The top five of other receivables outstanding as at 31 December 2013 are as follows:

Name	Relationships with the Company	Amount	Aged	Proportion to total other receivable (%)	Nature
Shaoguan Green	subsidiary	256,400,000.00	1-2 years	41.94	Loans and current accounts
Hunan Dongjiang	subsidiary	78,640,738.04	2-3 years	12.86	Loans and current accounts
Huizhou Dongjiang	subsidiary	50,936,930.07	1-2 years	8.33	Loans and current accounts
Dongjiang Heritage	subsidiary	50,488,235.58	Within 1 year	8.26	Loans and current accounts
Resource Recycling	subsidiary	37,051,473.90	Within 1 year	6.06	Loans and current accounts
<b>Total</b>		<b>473,517,377.59</b>		<b>77.45</b>	

(6) As at 31 December 2013, other receivables from related parties were RMB 591,044,585.18, representing 96.68% of total accounts receivables (2012: RMB 319,949,824.90, 95.33%). The details are set out in note VII.3 (3).

(7) As at 31 December 2013, there were no other receivables in foreign currencies.

### 7. Inventories

(1) Categories of inventories are as follows:

Item	Carrying amount	2013	
		Provision for inventories	Carrying Book value
Goods shipped in transit	256,827.18	–	256,827.18
Raw material	16,533,598.18	3,653,694.97	12,879,903.21
Work-in-progress	494,375.50	–	494,375.50
Finished goods	6,657,571.91	–	6,657,571.91
Consumables	282,770.85	–	282,770.85
<b>Total</b>	<b>24,225,143.62</b>	<b>3,653,694.97</b>	<b>20,571,448.65</b>

	Cost	2012	
		Provision for inventories	Carrying Book value
Raw materials	11,968,237.89	–	11,968,237.89
Work-in-progress	25,349.00	–	25,349.00
Finished goods	9,498,005.81	–	9,498,005.81
Consumables	36,630.11	–	36,630.11
<b>Total</b>	<b>21,528,222.81</b>	<b>–</b>	<b>21,528,222.81</b>

## NOTES TO FINANCIAL STATEMENTS

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(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 7. Inventories (Continued)

(2) Movements of provision for inventories during the year ended 31 December 2013 are as follows:

Item	As at 1 January 2013	Provision for the year	Reversal		As at 31 December 2013
			Decrease	Other transfer	
Raw materials	–	3,653,694.97	–	–	<b>3,653,694.97</b>
<b>Total</b>	–	3,653,694.97	–	–	<b>3,653,694.97</b>

Cost of inventories recognized as expenses for the year was RMB 612,041,782.85 (2012:RMB512,122,127.19).

#### 8. Non-current assets due within one year

Item	2013	2012
Long-term accounts receivable due within 1 year (XV.9)	<b>28,680,000.00</b>	28,680,000.00

#### 9. Long-term accounts receivable

Item	2013	2012
Receivables for rendering of services to be recovered by installments	<b>84,990,000.00</b>	73,495,000.00
Less: Amount due within 1 year and showed as non-current assets due within one year (Note XV.8)	<b>28,680,000.00</b>	28,680,000.00
<b>Amount to be recovered after one year</b>	<b>56,310,000.00</b>	44,815,000.00

(1) The aged analysis of the long-term accounts receivable is as follows:

Items	2013	2012
0-90 days	<b>22,900,000.00</b>	73,495,000.00
180-360 days	<b>13,495,000.00</b>	–
1-2years	<b>48,595,000.00</b>	–
<b>Total</b>	<b>84,990,000.00</b>	73,495,000.00

(2) Name of the receivables: Jiangmen Sungde Circuits Technology Limited (2013: RMB 62,090,000.00, 2012: RMB73,495,000.00)and Heyuan new High-technology development zone Limited (2013: RMB 22,900,000.00, 2012: RMB0.00)

(3) There was no long-term accounts receivable from shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 10. Long-term equity investments

(1) The category of long-term equity investments assets is as follows:

Item	2013	2012
Accounted for using cost methods		
Investments in subsidiaries	<b>1,007,665,025.53</b>	852,701,620.71
Other long-term equity investments	<b>1,800,000.00</b>	1,800,000.00
Subtotal	<b>1,009,465,025.53</b>	854,501,620.71
Accounted for using equity method of accounting		
Investments in jointly controlled entities and associates	<b>102,285,959.18</b>	79,858,026.33
Less: Impairment losses	<b>(529,649.00)</b>	(529,649.00)
Carrying value of investments in jointly controlled entities and associates	<b>101,756,310.18</b>	79,328,377.33
<b>Total carrying value of long-term equity investments</b>	<b>1,111,221,335.71</b>	933,829,998.04
<b>Category</b>	<b>2013</b>	<b>2012</b>
Unlisted long-term equity investments	<b>1,111,221,335.71</b>	933,829,998.04

(2) For the purpose of reporting under Hong Kong Companies Ordinance, the details of investments in subsidiaries are as follows:

Item	2013	2012
Investment cost	<b>1,007,665,025.53</b>	852,701,620.71
Amount due from subsidiaries	<b>631,091,040.13</b>	361,641,861.84
Amount due to subsidiaries	<b>(172,855,118.02)</b>	(139,463,935.39)
<b>Total</b>	<b>1,465,900,947.64</b>	1,074,879,547.16



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 10. Long-term equity investments (Continued)

(3) Movements of investments in subsidiaries during the year ended 31 December 2013

Name	Proportion of shareholding (%)	Proportion of voting rights (%)	Investment cost	As at 1			As at 31 December 2013	Cash dividends received during the year
				January 2013	Increase	Decrease		
<b>Accounted for using cost method</b>								
Huizhou Dongjiang	100.00	100.00	6,458,352.90	6,458,352.90	-	-	6,458,352.90	-
Chengdu Treatment Centre	100.00	100.00	6,400,000.00	6,105,461.13	-	-	6,105,461.13	-
Longgang Dongjiang	54.00	54.00	46,350,000.00	46,350,000.00	-	-	46,350,000.00	-
Resource Recycling	100.00	100.00	2,093,966.50	2,093,966.50	-	-	2,093,966.50	-
Kunshan Kumpeng	51.00	51.00	3,438,970.01	3,438,970.01	-	-	3,438,970.01	510,000.00
Dongjiang Heritage	62.00	60.00	15,500,000.00	15,500,000.00	-	-	15,500,000.00	19,840,000.00
Qiandeng Wastes Treatment	51.00	56.00	3,916,800.00	3,916,800.00	-	-	3,916,800.00	5,100,000.00
Shaoguan Dongjiang	100.00	100.00	5,000,000.00	5,000,000.00	-	-	5,000,000.00	-
Dongjiang HK	100.00	100.00	22,755,770.00	22,755,770.00	-	-	22,755,770.00	-
Renewable Energy	100.00	100.00	90,324,500.00	90,324,500.00	-	-	90,324,500.00	-
Qingyuan Dongjiang	100.00	100.00	172,469,500.00	172,469,500.00	-	-	172,469,500.00	-
Beijing Novel	55.00	55.00	220,000.00	220,000.00	-	220,000.00	-	-
Hunan Dongjiang	95.00	95.00	9,500,000.00	9,500,000.00	-	-	9,500,000.00	-
Shaoguan Green	100.00	100.00	280,800,000.00	230,800,000.00	50,000,000.00	-	280,800,000.00	-
Baoan Dongjiang	100.00	100.00	17,230,102.04	17,230,102.04	-	-	17,230,102.04	-
Huabao Technology	100.00	100.00	5,500,000.00	5,500,000.00	-	-	5,500,000.00	-
Qingdao Dongjiang	100.00	100.00	15,000,000.00	15,000,000.00	-	-	15,000,000.00	-
Yunnan Dongjiang	100.00	100.00	10,000,000.00	10,000,000.00	-	-	10,000,000.00	-
Dongjiang Property Service	100.00	100.00	1,000,000.00	1,000,000.00	-	-	1,000,000.00	-
Products Trading	100.00	100.00	2,000,000.00	2,000,000.00	-	-	2,000,000.00	-
Dongjiang Transport	100.00	100.00	34,000,000.00	10,000,000.00	24,000,000.00	-	34,000,000.00	-
Hubei Dongjiang	100.00	100.00	10,000,000.00	10,000,000.00	-	-	10,000,000.00	-
Qingyuan Xinv	62.50	62.50	68,750,000.00	68,750,000.00	-	-	68,750,000.00	1,562,500.00
Zhuhai Qingxin	75.00	75.00	18,104,598.13	18,104,598.13	-	-	18,104,598.13	-
Jiaxing Deda	51.00	51.00	30,183,600.00	30,183,600.00	-	-	30,183,600.00	-
Jiangmen Dongjiang	100.00	100.00	50,000,000.00	50,000,000.00	-	-	50,000,000.00	-
Dongguan Hengjian	100.00	100.00	76,083,404.82	-	76,083,404.82	-	76,083,404.82	-
Dongjiang Shangtian	51.00	51.00	5,100,000.00	-	5,100,000.00	-	5,100,000.00	-
<b>Total</b>			<b>1,008,179,564.40</b>	<b>852,701,620.71</b>	<b>155,183,404.82</b>	<b>220,000.00</b>	<b>1,007,665,025.53</b>	<b>27,012,500.00</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 10. Long-term equity investments (Continued)

(4) Movements of other long-term equity investments during the year ended 31 December 2013

Name	Proportion of shareholding (%)	Proportion of voting rights (%)	Investment cost	As at 1 January 2013	Increase	Decrease	As at 31 December 2013	Cash dividends received during the year
<b>Other long-term equity investments</b>								
Wuhan Yunfeng	11.00	11.00	1,800,000.00	1,800,000.00	-	-	1,800,000.00	-
<b>Total</b>			<b>1,800,000.00</b>	<b>1,800,000.00</b>	<b>-</b>	<b>-</b>	<b>1,800,000.00</b>	<b>-</b>

(5) Movements of investments in jointly controlled entities and associates during the year ended 31 December 2013

Name	Proportion of shareholding (%)	Proportion of voting rights (%)	Investment cost	As at 1 January 2013	Increase	Decrease	As at 31 December 2013	Cash dividends received during the year
<b>Jointly controlled entity</b>								
Dongjiang Veolia	51.00	50.00	22,440,000.00	47,784,234.93	20,822,620.12	-	68,606,855.05	-
<b>Associate</b>								
Shenzhen Micronutrients	38.00	40.00	760,000.00	2,135,152.50	1,111,926.18	-	3,247,078.68	-
Shenzhen Resource	49.00	42.86	20,894,176.47	29,938,638.90	493,386.55	-	30,432,025.45	-
<b>Total</b>			<b>44,094,176.47</b>	<b>79,858,026.33</b>	<b>22,427,932.85</b>	<b>-</b>	<b>102,285,959.18</b>	<b>-</b>

(6) Provision for impairment for long-term equity investments

Name	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
Shenzhen Micronutrients	529,649.00	-	-	<b>529,649.00</b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 11. Investment properties

(1) *Investment properties measured by fair value model*

Item	Fair value as at 1 January 2012	Increase Changes in Additions fair value	Decrease	Fair value as at 31 December 2012
<b>Cost</b>				
Buildings	48,414,356.82	–	–	48,414,356.82
<b>Changes in fair value</b>				
Buildings	5,216,543.18	–	–	5,216,543.18
<b>Net carrying value</b>				
Buildings	53,630,900.00	–	–	53,630,900.00

Due to the investment properties were revalued by Shenzhen Pengxin Assets Appraisal and Valuation Co., Limited on at an open market basis in 2012, the value is still within the period of validity, and the changes of market price in 2013 was little, therefore the Company did not revalue the investment properties at an open market basis in 2013.

(2) *As at 31 December 2013, all the investment properties have proper legal property rights certificate.*

(3) *The investment properties were located in the PRC and were held under medium-term leases (more than 10 years but less than 50 years).*

(4) *Rental income generated from investment properties for the year was RMB8,668,019.26 (2012:RMB8,669,158.65).*

(5) *Breakdown of investment properties is as follows:*

NO.	Address	Purpose
1	No.3,Jingtian, Futian District, Shenzhen	office
2	South side of Langshan Road, Nanshan District, Shenzhen	office

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For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 12. Fixed assets

(1) Breakdown of fixed assets

Items	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
<b>Cost</b>				
Buildings	147,610,140.72	7,286,637.92	499,087.05	154,397,691.59
Plant and Machinery	41,003,088.28	4,629,788.45	3,504,308.50	42,128,568.23
Motor vehicles	25,942,914.24	5,153,939.00	1,107,487.00	29,989,366.24
Office equipment	9,353,205.78	1,820,268.30	2,037,429.13	9,136,044.95
Others	32,923,661.50	6,320,687.51	3,152,584.41	36,091,764.60
<b>Total cost</b>	<b>256,833,010.52</b>	<b>25,211,321.18</b>	<b>10,300,896.09</b>	<b>271,743,435.61</b>
<b>Accumulated depreciation</b>				
Buildings	22,887,669.11	6,609,792.65	76,326.59	29,421,135.17
Plant and Machinery	22,059,733.48	5,958,310.99	3,390,945.86	24,627,098.61
Motor vehicles	16,688,405.18	2,946,160.00	912,340.76	18,722,224.42
Office equipment	4,207,692.33	2,401,649.27	1,230,718.24	5,378,623.36
Others	15,514,788.48	3,173,659.15	2,468,350.44	16,220,097.19
<b>Total accumulated depreciation</b>	<b>81,358,288.58</b>	<b>21,089,572.06</b>	<b>8,078,681.89</b>	<b>94,369,178.75</b>
<b>Net carrying amount</b>				
Buildings	124,722,471.61			124,976,556.42
Plant and Machinery	18,943,354.80			17,501,469.62
Motor vehicles	9,254,509.06			11,267,141.82
Office equipment	5,145,513.45			3,757,421.59
Others	17,408,873.02			19,871,667.41
<b>Total net carrying amount</b>	<b>175,474,721.94</b>			<b>177,374,256.86</b>
<b>Provision for impairment losses</b>				
Buildings	3,312,605.26	–	–	3,312,605.26
Plant and Machinery	3,201,355.62	–	1,358,387.21	1,842,968.41
Motor vehicles	1,000,000.00	–	161,124.29	838,875.71
Office equipment	8,804.67	–	8,804.67	–
Others	804,147.31	–	–	804,147.31
<b>Total provision for impairment losses</b>	<b>8,326,912.86</b>		<b>1,528,316.17</b>	<b>6,798,596.69</b>
<b>Net carrying value</b>				
Buildings	121,409,866.35			121,663,951.16
Plant and Machinery	15,741,999.18			15,658,501.21
Motor vehicles	8,254,509.06			10,428,266.11
Office equipment	5,136,708.78			3,757,421.59
Others	16,604,725.71			19,067,520.10
<b>Total net carrying value</b>	<b>167,147,809.08</b>			<b>170,575,660.17</b>

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For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

*(Continued)*

#### 12. Fixed assets *(Continued)*

- (2) Impairment loss on fixed assets once recognized will not be reversed in subsequent years.*
- (3) The amount of construction in progress transferred to fixed assets during the year ended 31 December 2013 was RMB 10,247,396.59.*
- (4) Depreciation on fixed assets recognised in income statement for the year was RMB 21,089,572.06 (2012: RMB 19,745,892.47).*
- (5) Loss on disposal of fixed assets recognised in income statement for the year was RMB 668,790.96 (2012: RMB 203,245.72).*
- (6) The buildings are situated in the PRC and were held under medium-term leases (more than 10 years but less than 50 years).*
- (7) As at 31 December 2013, there were no pledge of fixed assets.*
- (8) As at 31 December 2013, there were no idle fixed assets.*
- (9) As at 31 December 2013, there were no assets held under financial leases.*
- (10) As at 31 December 2013, there were no assets held under operating lease.*
- (11) Fixed assets without property rights certificates as at 31 December 2013:*

The property rights certificates have not been obtained for certain factory building and staff quarter of Shaji Branch of the Company with original cost of RMB29,580,200 and net carrying value as at 31 December 2013 of RMB24,977,500. The relevant procedures are in process. In addition, the property rights certificate has not been obtained for certain yards with original cost of RMB5,191,000 and net carrying value as at 31 December 2013 of RMB2,219,900 because it was built on the land leased by the Company and did not qualify for property rights certificate.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

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## XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 13. Construction in progress

(1) Breakdown of construction in progress

Item	2013			2012		
	Carrying amount	Provision for impairment	Carrying value	Carrying amount	Provision for impairment	Carrying value
Sludge project (Headquarter)	20,470,782.98	-	20,470,782.98	18,211,057.08	-	18,211,057.08
Technical renovation project (Shajing Base)	8,855,216.60	-	8,855,216.60	-	-	-
Xiaping kitchen waste project (Headquarter)	4,842,850.00	-	4,842,850.00	-	-	-
Laboratory project in Shayi (Headquarter)	3,093,843.33	-	3,093,843.33	2,341,220.50	-	2,341,220.50
Kingdee EAS Management softwares (Headquarter)	3,063,580.23	-	3,063,580.23	1,491,199.36	-	1,491,199.36
Kingdee ERP System (Shajing Base)	2,632,051.29	-	2,632,051.29	2,632,051.29	-	2,632,051.29
Jiangxi Jingwang precision circuits Limited resource recycling treatment project (Headquarter)	1,200,000.00	-	1,200,000.00	-	-	-
Others	1,764,056.05	-	1,764,056.05	1,773,776.48	-	1,773,776.48
Hazardous wastes transport system(Headquarter)	-	-	-	2,737,680.00	-	2,737,680.00
<b>Total</b>	<b>45,922,380.48</b>	<b>-</b>	<b>45,922,380.48</b>	<b>29,186,984.71</b>	<b>-</b>	<b>29,186,984.71</b>

(2) Movements of significant construction in progress projects during the year ended 31 December 2013 (in RMB'000):

Name of project	As at 1 January 2013		Decrease		As at 31 December 2013		Proportion of expenditure injected to budget (%)	Progress (%)	Accumulated capitalised interest	Including: Interest capitalised for the year	Source of funds
	As at 1 January 2013	Increase	Transfer to fixed assets	Other deductions	As at 31 December 2013	Budget amount					
Sludge Project in Fuyong (Headquarter)	18,211.06	66,833.00	85.00	64,488.27	20,470.78	70,000.00	121.49	99.00	-	-	Raise funds
Technical renovation project (Shajing Base)	-	9,215.54	360.32	-	8,855.21	27,020.00	80.00	80.00	-	-	Own funds
Xiaping kitchen waste project (Headquarter)	-	4,842.85	-	-	4,842.85	91,000.00	5.32	5.00	-	-	Own funds, super raise fund
<b>Total</b>	<b>18,211.06</b>	<b>80,891.39</b>	<b>445.32</b>	<b>64,488.27</b>	<b>34,168.84</b>	<b>188,020.00</b>	<b>-</b>	<b>-</b>			

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 14. Intangible assets

(1) Breakdown for intangible assets:

Item	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
<b>Cost</b>				
Land use rights	14,985,483.39	–	–	14,985,483.39
Patents	105,400.00	–	–	105,400.00
Software	411,965.81	–	–	411,965.81
Operating rights under BOT projects		64,488,274.03	–	64,488,274.03
<b>Total cost</b>	<b>15,502,849.20</b>	<b>64,488,274.03</b>	<b>–</b>	<b>79,991,123.23</b>
<b>Accumulated amortisation</b>				
Land use rights	2,815,108.54	255,121.48	–	3,070,230.02
Patents	75,536.38	21,079.92	–	96,616.30
Software	100,113.11	118,175.96	–	218,289.07
Operating rights under BOT projects	–	4,299,218.28	–	4,299,218.28
<b>Total accumulated Amortisation</b>	<b>2,990,758.03</b>	<b>4,693,595.64</b>	<b>–</b>	<b>7,684,353.67</b>
<b>Carrying value</b>				
Land use rights	12,170,374.85			11,915,253.37
Patents	29,863.62			8,783.70
Software	311,852.70			193,676.74
Operating rights under BOT projects	–			60,189,055.75
<b>Total carrying value</b>	<b>12,512,091.17</b>			<b>72,306,769.56</b>

(2) Amortisation of intangible assets recognised in income statement for the year was RMB4,693,595.64 (2011:RMB394,377.36).

(3) The land use rights related to the land situated in the PRC and held under medium-term lease (more than 10 years but less than 50 years).

(4) As at 31 December 2013, there was no pledge of intangible assets.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 15. Long-term prepayments

Item	As at 1		As at 31	
	January 2013	Increase	Decrease	December 2013
Membership fee	–	1,040,000.00	78,000.02	961,999.98
<b>Total</b>	<b>–</b>	<b>1,040,000.00</b>	<b>78,000.02</b>	<b>961,999.98</b>

#### 16. Deferred income tax assets and deferred income tax liabilities

(1) *Recognised deferred income tax assets and deferred income tax liabilities*

Item	2013	2012
<b>Deferred income tax assets</b>		
Provision for impairment loss of assets	<b>3,326,760.25</b>	2,643,821.42
Changes in fair value of financial assets held for trading	<b>838,536.00</b>	640,962.60
Deferred income	<b>3,441,304.84</b>	3,781,937.30
<b>Total</b>	<b>7,606,601.09</b>	7,066,721.32
<b>Deferred income tax liabilities</b>		
Changes in fair value of investment properties	<b>1,721,720.00</b>	782,481.48
<b>Total</b>	<b>1,721,720.00</b>	782,481.48

(2) *Details of deductible temporary differences and taxable temporary differences as at 31 December 2013 were as follows:*

Item	2013	2012
<b>Deductible temporary difference</b>		
Provision for impairment loss of assets	<b>22,178,401.68</b>	17,625,476.11
Changes in fair value of held for trading financial assets	<b>5,590,240.00</b>	4,273,084.00
Deferred income	<b>22,942,032.27</b>	25,212,915.36
<b>Total</b>	<b>50,710,673.95</b>	47,111,475.47
<b>Taxable temporary difference</b>		
Changes in fair value of investment properties	<b>11,478,133.33</b>	5,216,543.18
<b>Total</b>	<b>11,478,133.33</b>	5,216,543.18



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(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 17. Other non-current assets

Item	2013	2012
Trust Loan	9,036,792.00	9,036,792.00

The entrust loan is the amount that the Company placed at Ping'an Bank Co. Limited Shenzhen Branch and entrust the bank to grant a bank loan to its associate Chongqing Songzao. The loan was commenced on 30 January 2011 for the terms of 132 months. The loan was charged at interest rate of 5.26% per annum.

#### 18. Short-term borrowings

(1) Category of short-term borrowings

Category	2013	2012
Bank loans	250,000,000.00	–

(2) Category of short-term bank loans

Category	2013	2012
Secured	–	–
Guaranteed	250,000,000.00	–
<b>Total</b>	<b>250,000,000.00</b>	<b>–</b>

The interest rate of the short-term borrowings was 6.00%, weighted average interest rate was 6.00%. (2012: interest rate: 6.47%-6.94%; weighted average rate: 6.71%).

(3) There was no loan overdue as at 31 December 2013 (2012: NIL)

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 19. Accounts payable

(1) The following is an aged analysis of accounts payable presented based on recognition date:

	2013	2012
Within 90 days	<b>77,027,041.25</b>	101,685,283.28
91-180 days	<b>9,607,704.35</b>	660,358.09
181-365 days	<b>2,320,433.27</b>	18,310,065.65
Over 1 year	<b>9,951,012.47</b>	496,547.20
<b>Total</b>	<b>98,906,191.34</b>	121,152,254.22

(2) There were no accounts payable due to shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.

(3) As at 31 December 2013, the accounts payable due to related parties were RMB 15,197,592.51, representing 15.37% of total accounts payable (2012: RMB47,189,028.88, 38.95%). The details are set out in note VII.3 (5).

(4) As at 31 December 2013, there was no accounts payable in foreign currencies.

#### 20. Receipts in advance

Item	2013	2012
Within 1 year	<b>11,164,335.76</b>	9,108,105.58
Over 1 year	<b>1,294,756.12</b>	2,250,800.23
<b>Total</b>	<b>12,459,091.88</b>	11,358,905.81

(1) The balances with significant amount and aged over 1 year were mainly receipts of contracting fee for projects yet to complete. Up to the approval date of these financial statements, no amount was settled.

(2) There were no receipts in advance due to shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.

(3) As at 31 December 2013, the receipts in advance due to related parties were RMB 1,815,972.35, representing 14.58% of total accounts payable (2012: 1,047,138.48, 9.22%). The details are set out in note VII.3(7).

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For the year ended 31 December 2013

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 21. Employee emolument payables

Item	As at 1		As at 31	
	January 2013	Increase	Decrease	December 2013
<b>1. Short-term employee emolument</b>	<b>16,181,026.05</b>	<b>87,847,275.18</b>	<b>82,950,792.90</b>	<b>21,077,508.33</b>
Salaries, bonus, allowance and subsidies	16,050,537.17	76,743,331.58	71,995,378.75	20,798,490.00
Staff welfare	130,488.88	5,625,414.97	5,551,166.97	204,736.88
Medical insurance	–	1,034,494.21	1,034,494.21	–
Injury insurance	–	164,150.83	164,150.83	–
Maternity insurance	–	98,261.87	98,261.87	–
Housing provident fund	–	1,866,890.93	1,866,890.93	–
Union operation cost and staff education cost	–	2,303,673.16	2,240,449.34	63,223.82
Accumulated paid leave	–	11,057.63	–	11,057.63
<b>2. Post-employment benefit</b>	<b>–</b>	<b>5,468,061.32</b>	<b>5,466,929.64</b>	<b>1,131.68</b>
Basic pension	–	5,149,276.69	5,148,145.01	1,131.68
Unemployment insurance	–	318,784.63	318,784.63	–
<b>3. Dismiss benefits</b>	<b>–</b>	<b>447,784.22</b>	<b>447,784.22</b>	<b>–</b>
<b>Total</b>	<b>16,181,026.05</b>	<b>93,763,120.72</b>	<b>88,865,506.76</b>	<b>21,078,640.01</b>

(1) The balance of staff emolument payables as at 31 December 2013 included accrued expenditure of salaries, bonus and subsidies of RMB 20,798,490.00. There were no unpaid salaries.

(2) There were no overdue salaries as at 31 December 2013.

(3) The post-employment benefit is the defined contribution plans.

According to China's social insurance law and other rules and regulations, the Chinese employees have participated in a retirement plan, including basic pension and unemployment insurance. The employees will contribute several hundred or thousand percent of their salary to the labor and social insurance department; the only responsibility that belongs to the Group is to make the specific contribution.

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For the year ended 31 December 2013

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## XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 22. Tax payables

Item	2013	2012
VAT	615,015.92	2,798,392.09
EIT	4,323,259.36	17,087,098.45
Business tax	3,369,935.42	3,496,873.66
Individual income tax	313,876.11	180,988.41
Urban maintenance and construction tax	474,353.57	484,076.28
Education surcharge	373,571.80	380,030.89
Land use tax	–	12,961.95
Property tax	249,566.18	249,566.18
Others	–	672.10
<b>Total</b>	<b>9,719,578.36</b>	<b>24,690,660.01</b>

### 23. Other payables

Item	2013	2012
Within 1 year	159,393,884.79	147,766,454.15
Over 1 year	17,871,908.18	2,657,178.65
<b>Total</b>	<b>177,265,792.97</b>	<b>150,423,632.80</b>

The balances of other payables with aged over 1 year were mainly the retention money payable for the construction works and outstanding other account payable. After the balance sheet date, no amounts were settled.

- (1) As at 31 December 2013, other payables with significant amount were mainly due to related parties.
- (2) There was no other payables due to shareholders holding over 5% (or 5%) of the Company's shares entitling voting rights as at 31 December 2013.
- (3) As at 31 December 2013, the other payables due to related parties were RMB 158,015,583.81, representing 89.14% of total accounts payable (2012: RMB95,436,617.78, 63.45%). The details are set out in note VII.3.(6).
- (4) As at 31 December 2013, there were no other payables in foreign currencies.

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For the year ended 31 December 2013

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 24. Non-current liabilities repayable within one year

Item	2013	2012
Long-term borrowings – repayable within 1 year (Note XV.26)	11,000,000.00	14,000,000.00

#### 25. Other current liabilities

The deferred income represents asset-related government grants. The details are set out in Note XV.27.

Item	2013	2012
Environmental special fund	2,086,883.09	2,086,883.08
Subsidies of energy-saving and emission-reduction projects	420,000.00	420,000.00
<b>Total</b>	<b>2,506,883.09</b>	<b>2,506,883.08</b>

#### 26. Long-term borrowings

Item	2013	2012
Long-term bank loans	75,500,000.00	14,000,000.00
Less: Amount repayable within one year and showed under non-current liabilities due within one year (Note XV.24)	11,000,000.00	14,000,000.00
<b>Long-term borrowings repayable after 1 year</b>	<b>64,500,000.00</b>	<b>–</b>

(1) The maturities of the bank loans are as follows:

Item	2013	2012
Within 1 year	11,000,000.00	14,000,000.00
In more than 1 year but less than 2 years	11,000,000.00	–
In more than 2 years but less than 5 years	53,500,000.00	–
<b>Total</b>	<b>75,500,000.00</b>	<b>14,000,000.00</b>

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 26. Long-term borrowings (Continued)

(2) Category of long-term bank loans

Category	2013	2012
Unsecured, not mortgage or guaranteed	35,000,000.00	14,000,000.00
Secured	40,500,000.00	
<b>Total</b>	<b>75,500,000.00</b>	14,000,000.00

The interest rate of the long-term borrowings was 5.76%-6.46%, weighted average interest rate was 6.21%. (2012: interest rate: 5.76%-6.10%, weighted average rate: 5.87%).

(3) The top five long-term bank loans were as follows:

Lender	Commencement date	Due date	Interest rate (%)	2013	2012
China Merchants Bank Jingtian Branch	2013-11-29	2015-11-3	Floating rate	35,000,000.00	-
Industrial Bank Shenzhen Gaoxingqu Branch	2013-5-10	2018-5-10	Floating rate	40,500,000.00	-
Industrial Bank Shenzhen Gaoxingqu Branch	2009-11-11	2013-11-11	Floating rate	-	14,000,000.00
<b>Total</b>				<b>75,500,000.00</b>	14,000,000.00

#### 27. Other non-current liabilities

Item	2013	2012
Deferred income of asset-related government grants	22,942,032.28	25,212,915.36
Less: Amount realisable within 1 year (Note XV.25)	2,506,883.09	2,506,883.08
<b>Amount realisable after one year</b>	<b>20,435,149.19</b>	22,706,032.28

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 27. Other non-current liabilities (Continued)

(1) Movements of deferred income during the year ended 31 December 2013 were as follows:

Category	As at 1 January 2013	Government grants received during the year (NoteXV.44)	Amortisation for the year (Credited to non-operating income)	Exchange difference	As at 31 December 2013
Copper sludge projects of the Company	866,666.67	-	400,000.00	-	466,666.67
Special funds for environmental protection projects for the Company	7,922,848.68	-	356,083.08	-	7,566,765.60
Subsidies for energy conservation of the Company	1,560,000.01	-	-	-	1,560,000.01
Wastewater treatment re-construction projects	5,233,400.00	-	1,750,800.00	-	3,482,600.00
Environmental emergency response equipment and supplies allowances	340,000.00	-	340,000.00	-	-
Research of key technology of recycling of waste printed circuit board and integrated demonstration projects	940,000.00	-	-	-	940,000.00
South cities Sludge anaerobic digestion and the safe operation of the technology and equipment	3,350,000.00	1,650,000.00	-	2,314,000.00	2,686,000.00
Shenzhen fuyong river sludge treatment plant(phase2)	5,000,000.00	-	-	-	5,000,000.00
Industrialization of municipal sludge anaerobic digestion research	-	1,500,000.00	-	750,000.00	750,000.00
Efficient low consumption electronics industry wastewater denitrification and dephosphorization technology development and application	-	490,000.00	-	-	490,000.00
<b>Total</b>	<b>25,212,915.36</b>	<b>3,640,000.00</b>	<b>2,846,883.08</b>	<b>3,064,000.00</b>	<b>22,942,032.28</b>

There was no return of government grants during the year (2012: NIL).

Pursuant to the contract, other transfer represents the government grants were allocated to project cooperating university.

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 28. Share capital

The balance of share capital and its movement during the year were the same as the Group's. See Note VI.31.

#### 29. Capital reserves

2013

Item	As at 1	Increase	Decrease	As at 31
	January 2013			December 2013
stock premium	991,333,316.79	-	75,238,187.00	916,095,129.79

The decrease of capital reserve was due to the transfer from capital reserve to registered capital.

2012

Item	As at 1	Increase	Decrease	As at 31
	January 2012			December 2012
stock premium	4,107,466.93	987,225,849.86	-	991,333,316.79

The increase in capital reserves was due to the share premium from issue of A shares.

#### 30. Surplus reserves

2013

Item	As at 1	Increase	Decrease	As at 31
	January 2013			December 2013
Statutory surplus reserves	79,127,482.62	17,562,062.69	-	96,689,545.31

2012

Item	As at 1	Increase	Decrease	As at 31
	January 2012			December 2012
Statutory surplus reserves	56,708,797.72	22,418,684.90	-	79,127,482.62

According to Chinese law and regulation, as well as the articles of the Company, each subsidiary of the Group have to record 10% of after tax income, until balance is 50% of the registered capital. Surplus reserves can be used to offset any future losses as well as increase shares outstanding. Any other uses must not result in surplus reserves lower than 25% of the registered capital.



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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 31. Undistributed profits

Item	2013	2012
<b>Amount at 1 January 2013</b>	<b>890,204,491.13</b>	763,674,514.06
add: net profit attributable to the parent company shareholders	<b>175,620,626.91</b>	224,186,848.97
less: Transfer to statutory surplus reserves	<b>17,562,062.69</b>	22,418,684.90
Payment of interim dividend of 2013	<b>60,190,549.60</b>	75,238,187.00
<b>Amount at 31 December 2013</b>	<b>988,072,505.75</b>	890,204,491.13

Pursuant to the resolution approved in the 2013 general meeting, 2013 the first A share shareholder meeting and 2013 the first H share shareholder meeting held on 14 June 2013. The Group distributed a cash dividend of RMB4.00 for every 10 shares (including tax), based on the total share capital of 150,476,374 shares at 31 December 2012; totally the cash dividends were RMB 60,190,549.60.

#### 32. Net current assets

Item	2013	2012
Current assets	<b>1,368,592,350.10</b>	1,217,717,244.35
Less: Current liabilities	<b>582,936,177.65</b>	340,313,361.97
<b>Net current assets</b>	<b>785,656,172.45</b>	877,403,882.38

#### 33. Total assets less current liabilities

Item	2013	2012
Total assets	<b>2,896,164,789.09</b>	2,474,943,540.67
Less: Current liabilities	<b>582,936,177.65</b>	340,313,361.97
<b>Total assets less current liabilities</b>	<b>2,313,228,611.44</b>	2,134,630,178.70

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 34. Borrowings

For the purposes of reporting under Hong Kong Companies Ordinance, the borrowings of the Company are summarized as follows

Items	2013	2012
Short term bank loan	250,000,000.00	–
Long term loan	75,500,000.00	14,000,000.00
<b>Total</b>	<b>325,500,000.00</b>	<b>14,000,000.00</b>

Items	2013	2012
<b>Bank Loan</b>		
– Wholly repayable within 5 years	325,500,000.00	14,000,000.00

#### 35. Operating revenue and operating costs

Item	2013	2012
Operating revenue	875,831,635.75	842,244,292.45
Other operating revenue	–	–
<b>Total</b>	<b>875,831,635.75</b>	<b>842,244,292.45</b>
Operating costs	612,041,782.85	512,122,127.19
Other operating costs	–	–
<b>Total</b>	<b>612,041,782.85</b>	<b>512,122,127.19</b>

(1) Operating revenue and operating costs – by principal operations

	2013		2012	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Industrial waste recycling	540,636,268.27	402,286,320.79	488,950,255.41	331,460,633.71
Industrial waste treatment and disposal	157,464,699.44	73,258,113.82	153,668,829.91	42,245,731.86
Municipal waste treatment and disposal	74,708,786.45	66,247,225.69	63,587,968.75	43,171,585.27
Environment engineering and services	92,709,163.51	69,726,052.85	125,079,315.79	93,784,612.57
Trading and others	10,312,718.08	524,069.70	10,957,922.59	1,459,563.78
<b>Total</b>	<b>875,831,635.75</b>	<b>612,041,782.85</b>	<b>842,244,292.45</b>	<b>512,122,127.19</b>

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 35. Operating revenue and operating costs (Continued)

(2) Operating revenue and operating costs – by geographical locations

Locations	2013		2012	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Shenzhen	436,761,509.22	291,969,147.73	382,088,532.71	214,605,788.31
Other regions of Pearl River Delta	140,910,228.42	90,157,613.31	196,704,095.66	106,931,410.06
Other regions of Guangdong Province	134,482,199.95	108,965,640.06	112,223,111.61	88,939,633.45
Other Provinces	163,677,698.16	120,949,381.75	151,228,552.47	101,645,295.37
<b>Total</b>	<b>875,831,635.75</b>	<b>612,041,782.85</b>	842,244,292.45	512,122,127.19

(3) The top five customers of revenue from principal operations for the year ended 31 December 2013

Name	Operating revenue	Proportion to total operating revenue (%)
No.1	56,351,936.22	6.43
No.2	45,800,000.00	5.23
No.3	29,623,933.33	3.38
No.4	21,964,248.72	2.51
No.5	15,248,312.60	1.74
<b>Total</b>	<b>168,988,430.87</b>	<b>19.29</b>

#### 36. Gross profit

Item	2013	2012
Operating revenue	875,831,635.75	842,244,292.45
Less: Operating costs	612,041,782.85	512,122,127.19
<b>Gross profit</b>	<b>263,789,852.90</b>	330,122,165.26

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 37. Sales tax and levies

Items	2013	2012
Business tax	771,968.54	3,259,994.75
Urban maintenance and construction tax	1,818,036.92	2,525,411.11
Education surcharge	1,298,604.22	1,804,241.79
Others	-	
<b>Total</b>	<b>3,888,609.68</b>	<b>7,589,647.65</b>

#### 38. Selling expenses

Items	2013	2012
<b>Total</b>	<b>12,011,502.66</b>	<b>3,957,424.27</b>
Including:		
Advertisement	1,519,039.80	2,589,174.26
Salaries	5,099,539.90	744,144.21
Transportation	323,306.10	246,266.34

#### 39. Administrative expenses

Item	2013	2012
<b>Total</b>	<b>107,562,546.80</b>	<b>106,117,043.57</b>
Including:		
Salaries	37,369,367.12	28,654,018.45
Research and development expenses	15,311,497.71	15,276,819.95
Depreciation	9,077,107.76	8,961,205.59
Entertainment	4,395,839.60	4,792,247.10
Office expenses	3,417,558.20	4,170,073.91
Rental	3,627,512.44	2,971,174.53
Travelling	2,761,163.54	2,364,262.94
Labour insurance	3,334,360.59	2,438,185.18
Staff welfare	2,886,681.72	2,537,184.16
Professional fee	3,713,829.31	1,599,936.80

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 40. Finance costs

(1) Breakdown of finance costs

Item	2013	2012
Interest expenses	9,459,847.46	4,927,420.33
Less: Interest income	13,344,397.03	17,845,197.69
Add: Exchange difference	(14,358.11)	(193,824.31)
Add: Other expenses	474,431.39	353,907.78
<b>Total</b>	<b>(3,424,476.29)</b>	<b>(12,757,693.89)</b>

(2) Interest expenses comprising:

Item	2013	2012
Interest on bank loans		
– Wholly repayable within 5 years	9,459,847.46	4,927,420.33

#### 41. Impairment loss of assets

Item	2013	2012
Provision (reversal) for bad debts	2,550,322.66	(3,798,497.14)
Impairment loss on inventories	3,653,694.97	(458,564.36)
<b>Total</b>	<b>6,204,017.63</b>	<b>(4,257,061.50)</b>

#### 42. Gain (Loss) on fair value changes

Item	2013	2012
Financial assets at fair value through profit and loss	(1,049,660.00)	154,760.00
Investment properties on fair value	–	82,900.00
<b>Total</b>	<b>(1,049,660.00)</b>	<b>237,660.00</b>

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 43. Investment income

(1) The investment income was arising from:

Item	2013	2012
Share of profit of jointly controlled entities and associates	<b>22,427,932.85</b>	12,256,840.32
Dividends from subsidiaries	<b>27,012,500.00</b>	9,180,000.00
Gain on disposal of long-term equity investments	<b>3,080,000.00</b>	–
Income received from financial assets held-for-trading during the period of ownership	<b>101,380.00</b>	108,545.00
Loss on disposal of financial assets held-for-trading	<b>60,791.63</b>	–
<b>Total</b>	<b>52,682,604.48</b>	21,545,385.32

Investment loss arising from listed equity investments for the year was RMB162,171.63 (2012: RMB108,545.00).

There are no significant restrictions on remittance of investment gains back to the Company.

(2) Details of share of profit (loss) of jointly controlled entities and associates

Item	2013	2012	Reason for changes
Shenzhen Micronutrients	<b>1,111,926.18</b>	831,203.51	Increase in profitability
Dongjiang Veolia	<b>20,822,620.12</b>	10,357,933.36	Increase in profitability
Shenzhen Resource	<b>493,386.55</b>	1,340,348.34	Decrease in profitability
Zhuhai Qingxin	–	(272,644.89)	Became a subsidiary in July 2012
<b>Total</b>	<b>22,427,932.85</b>	12,256,840.32	

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### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 43. Investment income (Continued)

(3) Dividends received from subsidiaries

Item	2013	2012	Reason for changes
Dongjiang Heritage	19,840,000.00	–	Dividend distribution declared this year
Qiandeng Wastes Treatment	5,100,000.00	8,925,000.00	Increase in profitability
Kunshan Kunpeng	510,000.00	255,000.00	Increase in profitability
Qingyuan Xinlv	1,562,500.00	–	Dividend distribution declared this year
<b>Total</b>	<b>27,012,500.00</b>	9,180,000.00	

#### 44. Non-operating income

(1) Breakdown of non-operating income

Item	2013	2012	Recorded as non-recurring profit or loss
Gain on disposal of fixed assets	11,016.21	371,895.32	11,016.21
Gain on disposal of intangible assets	–	–	–
Gain on disposal of non-current assets	11,016.21	371,895.32	11,016.21
Government grants (note 2)	7,582,118.08	3,325,083.08	7,582,118.08
Others	256,213.38	771,229.37	256,213.38
<b>Total</b>	<b>7,849,347.67</b>	4,468,207.77	7,849,347.67

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 44. Non-operating income (Continued)

(2) Details of government grants

2013

Item	Amount received	Transfer of deferred income of asset-related government grants (Note XV.27)	Credited to non-operating income	Source and basis
Private and small and medium-sized enterprise development special funds for enterprise restructuring, IPO & project development (completed A share listing in 2012)	2,000,000.00	-	2,000,000.00	Shenzhen Economic & Trade Information for Small & Medium Sized Enterprise [2013] No.85
2009 Shenzhen high& new technology industry special subsidy funds	1,884,635.00	-	1,884,635.00	Shencaiike [2012] No.138
Private and small and medium-sized enterprise development special funds for enterprise restructuring, IPO & project development (completed pre-IPO tutorship in 2011)	800,000.00	-	800,000.00	Shenzhen Economic & Trade Information for Small & Medium Sized Enterprise [2013] No.50
Patent subsidy from Industry and Commerce Bureau of Shenzhen	30,600.00	-	30,600.00	Shencaihangui [2011] No.9
Pengcheng reward for advanced waste reduction	20,000.00	-	20,000.00	Shenrenhuan [2013] No.190
Efficient low consumption electronics industry wastewater de-nitrification and de-phosphorization technology development and application	490,000.00	490,000.00	-	Shenzhen Technology Innovation [2013] No.179
Industrialization of municipal sludge anaerobic digestion research	1,500,000.00	1,500,000.00	-	Shenzhen Technology Innovation [2013]No.77
Southern cities sludge anaerobic digestion and the safe operation of the technology and equipment	1,650,000.00	1,650,000.00	-	Mission Statement for Issues of National Hi-Tech Research and Development Plan(plan 863)
Subtotal	8,375,235.00	3,640,000.00	4,735,235.00	
Amortisation of asset-related government grants transfer from other non-current liabilities (Note XV.27)	-	-	2,846,883.08	
<b>Total</b>	<b>8,375,235.00</b>	<b>3,640,000.00</b>	<b>7,582,118.08</b>	



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 44. Non-operating income (Continued)

(2) Details of government grants (Continued)

2012

Item	Amount received	Transfer of asset-related government grants to deferred income	Credited to non-operating income	Source and basis
Subsidies for patents from Shenzhen Market Supervision Bureau	15,800.00	-	15,800.00	Shenzhen Administrative Method of Application for subsidies for patents
Subsidies for Nanshan District High-level Innovative Manpower Training	2,400.00	-	2,400.00	Nanshan District High-level Innovative Manpower Training Base Management Method
Research of key technology of recycling of waste printed circuit board and integrated demonstration projects	190,000.00	190,000.00	-	Contract for Funds of Shenzhen Science and Technology Research and Development Projects
Southern cities Sludge anaerobic digestion and the safe operation of the technology and equipment	3,350,000.00	3,350,000.00	-	Mission Statements for Issues of National Hig-Tech Research and Development Plan (Plan 863)
Subsidies for construction work of Shenzhen Fuyong river sludge treatment plant (phase2)	5,000,000.00	5,000,000.00	-	Contract for the Use of Special Funds of Shenzhen Environmental Protection Project
Subtotal	8,558,200.00	8,540,000.00	18,200.00	
Amortisation of asset-related government grants transfer from other non-current liabilities (Note XV.25)			3,306,883.08	
<b>Total</b>	<b>8,558,200.00</b>	<b>8,540,000.00</b>	<b>3,325,083.08</b>	

#### 45. Non-operating expenses

Item	2013	2012	Recorded as non-recurring profit or loss for 2013
Loss on disposal of fixed assets	<b>679,807.17</b>	575,141.04	679,807.17
Donations	<b>1,819,999.20</b>	800,000.00	1,819,999.20
Others	<b>201,053.15</b>	223,557.76	201,053.15
<b>Total</b>	<b>2,700,859.52</b>	1,598,698.80	2,700,859.52

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 46. Income tax expenses

(1) *Income tax expenses comprise:*

Item	2013	2012
Current income tax	18,309,099.39	30,106,584.17
Deferred income tax	399,358.75	(168,073.69)
<b>Total</b>	<b>18,708,458.14</b>	<b>29,938,510.48</b>

(2) *Current income tax*

Item	2013	2012
Current income tax	15,033,835.64	29,188,628.89
Under-provision in prior years	3,275,263.75	917,955.28
<b>Total</b>	<b>18,309,099.39</b>	<b>30,106,584.17</b>

(3) *Reconciliation of total profit to current income tax for the year*

Item	2013	2012
Total profit	198,293,837.65	254,125,359.45
Income tax calculated at tax rate of 15%	29,744,075.65	38,118,803.92
Effect of non-taxable income	(14,233,591.13)	(7,570,050.47)
Effect of non-deductible expenses	1,071,072.20	(382,436.75)
Effect of additional research and development expenditure deduction	(1,148,362.33)	(1,145,761.50)
Under-provision in prior years	3,275,263.75	917,955.28
Income tax expenses	18,708,458.14	29,938,510.48

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 47. Supplementary information of cash flow statement of the Company

(1) Other cash receipts relating to operating activities

Item	2013	2012
Government grants	5,077,448.38	511,231.32
Interest income	12,703,132.38	17,845,197.69
Current accounts with other companies and individuals	120,758,688.55	130,509,391.19
<b>Total</b>	<b>138,539,269.31</b>	148,865,820.20

(2) Other cash payments relating to operating activities

Item	2013	2012
Current accounts with other companies and individuals	53,555,256.82	54,662,514.13
Other expenses	9,307,938.52	11,894,650.47
Research and development expenses	5,385,775.63	6,097,581.75
Entertainment	4,633,489.86	4,831,466.10
Rent	4,156,290.70	2,971,174.53
Office expenses	3,822,293.09	4,189,003.91
Professional fee	3,713,829.31	1,599,936.80
Transportation	3,160,807.32	3,172,842.49
Travelling	2,838,721.94	2,383,366.92
Consultation fee	2,182,318.68	1,065,000.00
Advertisement and promotion fees	1,519,039.80	2,589,174.26
Water and electricity	1,460,378.39	1,062,853.90
Securities	1,075,900.00	1,276,700.00
Listing expenses	623,833.33	3,425,645.96
<b>Total</b>	<b>97,435,873.39</b>	101,221,911.22

(3) Other cash payments relating to investing activities

Item	2013	2012
Investment in subsidiaries	269,172,021.77	–

(4) Other cash receipts relating to financing activities

Item	2013	2012
Guarantee deposit	6,560,000.00	824,340.00

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

### XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

#### 47. Supplementary information of cash flow statement of the Company (Continued)

(5) Other cash payments relating financing activities

Item	2013	2012
Professional fee for issue of shares	–	9,053,900.00
Guarantee deposit	11,640,000.00	8,560,000.00
<b>Total</b>	<b>11,640,000.00</b>	<b>17,613,900.00</b>

(6) Reconciliation of net profits as cash flows from operating activities

Items	2013	2012
<b>Net profits</b>	<b>175,620,626.91</b>	224,186,848.97
Add: Provision for assets impairment	<b>6,204,017.63</b>	(4,257,061.50)
Depreciation of fixed assets	<b>21,089,572.06</b>	19,745,892.47
Amortisation of intangible assets	<b>4,693,595.64</b>	394,377.36
	<b>78,000.02</b>	
(Gain) loss on disposal of fixed assets, intangible assets and other long-term assets	<b>668,790.96</b>	203,245.72
Loss on written off of disposal fixed assets	–	–
(Gain) loss on changes in fair value	<b>1,049,660.00</b>	(237,660.00)
Finance costs	<b>9,479,540.64</b>	4,733,596.02
(Gain) loss on investment	<b>(52,682,604.48)</b>	(21,545,385.32)
(Increase) decrease in deferred income tax assets	<b>(539,879.77)</b>	13,569.35
Increase in deferred income tax liabilities	<b>939,238.52</b>	(181,643.04)
Increase in inventories	<b>(2,696,920.81)</b>	2,209,008.22
Decrease (increase) in operating accounts receivables	<b>(20,411,684.82)</b>	52,022,697.25
Increase in operating accounts payables	<b>32,200,936.25</b>	8,442,686.79
<b>Net cash flow from operating activities</b>	<b>175,692,888.75</b>	<b>285,730,172.29</b>

(7) Changes in cash and cash equivalents

Items	2013	2012
Cash at end of year	<b>539,240,795.08</b>	667,738,198.05
Less: Cash equivalent at end of last year	<b>667,738,198.05</b>	125,568,274.93
Changes in cash and cash equivalents	<b>(128,497,402.97)</b>	542,169,923.12

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XVI. SUPPLEMENTARY INFORMATION

### 1. Non-recurring profit (loss) for the year

In accordance with the requirements of “Interpretation on Information Disclosures by Listed Companies No. 1 [2008] – Non-recurring profit or loss” issued by the CSRC, the non-recurring profit or loss items are as follows:

Item	2013	2012
Gain on disposal of non-current assets	<b>(1,886,412.96)</b>	(623,199.29)
Ultra vires or no formal approval documents for approval or incidental tax refunds or relief	–	1,027,193.76
Government grants credited to profit for the period (Except for those grants that are closely related with the Company’s business and in fixed amount or quantity as determined according to the national uniform standards)	<b>32,030,573.94</b>	10,778,182.92
The excess of the share of fair value of net identifiable assets of the investee company over the cost of investment of acquisition of subsidiaries, associates and jointly controlled entities	–	486,508.23
Funds used fee received from non-financial enterprises and recorded in profit or loss for the period	<b>1,341,234.48</b>	–
Except for effective hedging for the ordinary course of operations of the company, profit or loss arising from fair value change in financial assets held for trading and financial liabilities held for trading; and investment income from gain or loss on disposal of financial assets held for trading, financial liabilities held for trading and available for sale financial assets	<b>(887,488.37)</b>	263,305.00
Reversal of provision for bad debts for accounts receivables which was individually tested for impairment	–	5,085,380.00
Income received from held for trust loans during the period	–	264,074.52
Changes in fair value of investment properties measured at fair value	–	82,900.00
Other non-operating income and expenses	<b>(2,201,979.28)</b>	2,208,410.05
Other profit and loss items meet the criteria of non-recurring profit or loss	<b>11,944,590.23</b>	–
Sub-total	<b>40,340,518.04</b>	19,572,755.19
Effect on income tax	<b>(7,899,987.95)</b>	(1,566,658.66)
Effect on minority interest (after tax)	<b>(1,414,864.19)</b>	(232,909.45)
<b>Total</b>	<b>31,025,665.90</b>	17,773,187.08

### 2. Returns on net assets and earning per share

In accordance with the requirements of “Compilation Rules for Information Disclosures by Listed Companies No. 9-Calculations and disclosures for the return on net assets and earnings per share” (as amended in 2010) issued by the CSRC, the returns on net assets, basic earnings per share and diluted earnings per share of the Company for the year ended 31 December 2013 are as follows:

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### 2. Returns on net assets and earning per share (Continued)

Profit for the reporting period	Weighted average returns on net assets(%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	9.61	0.92	0.92
Net profit attributable to shareholders of the Company (excluding non-recurring profit and loss)	8.18	0.79	0.79

### 3. Supplementary information of profit and loss statement-classification of expenses by nature

Expenses of The company (including operating cost, selling expenses and administrative expenses etc.) classified by nature were as followings:

Items	2013	2012
Raw materials consumptions	<b>755,709,427.74</b>	648,048,396.40
Staff cost	<b>206,236,635.99</b>	161,191,363.95
including: wages, salaries, and other benefits	<b>193,878,945.68</b>	149,184,028.80
Retirement scheme contribution	<b>12,357,690.31</b>	12,007,335.15
Depreciation on fixed assets	<b>74,316,347.74</b>	63,782,505.49
Amortization of intangible assets	<b>17,677,963.10</b>	10,578,484.87
Research and development expenses	<b>30,195,956.50</b>	29,527,209.99
Lease payment of operating lease	<b>9,812,404.93</b>	7,938,041.89
Entertainment	<b>10,757,134.04</b>	10,968,462.36
Provision (reversal of provision) or bad debts	<b>1,222,929.13</b>	1,478,379.59
Impairment loss on inventories	<b>3,653,694.97</b>	458,564.36
Impairment loss on goodwill	<b>3,052,019.14</b>	–

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### 4. Explanations of changes in significant items

The analysis of significant items whose fluctuation are over 30% (inclusive of 30%) as compared with last year; or whose amount are more than 5% (inclusive of 5%) of the total assets; or 10% (inclusive of 10%) of the total profit of the Group for the year of 2013.

Assets	Note	2013	2012	Movement	Percentage of change (%)
Cash and bank balances	Note 1	<b>946,887,455.89</b>	1,027,814,556.38	(80,927,100.49)	(7.87)
Financial assets at fair value through profit and loss	Note 2	<b>2,007,400.00</b>	3,748,980.00	(1,741,580.00)	(46.45)
Notes receivable	Note 3	<b>54,051,330.29</b>	31,778,542.16	22,272,788.13	70.09
Accounts receivable	Note 4	<b>179,584,250.23</b>	207,393,388.94	(27,809,138.71)	(13.41)
Prepayments	Note 5	<b>102,659,646.18</b>	164,693,996.63	(62,034,350.45)	(37.67)
inventory	Note 6	<b>244,452,387.59</b>	258,488,536.56	(14,036,148.97)	(5.43)
Other current assets	Note 7	<b>15,000,000.00</b>	59,108.33	14,940,891.67	25,277.13
Fixed assets	Note 8	<b>587,882,227.61</b>	572,193,605.20	15,688,622.41	2.74
Construction in progress	Note 9	<b>288,345,767.66</b>	239,146,012.43	49,199,755.23	20.57
Long-term receivables					
Intangible assets	Note 10	<b>439,039,924.10</b>	298,560,475.42	140,479,448.68	47.05
Goodwill	Note 11	<b>99,534,307.16</b>	42,789,715.19	56,744,591.97	132.61
Long-term prepayments	Note 12	<b>1,882,667.43</b>	1,152,733.51	(729,933.92)	63.32

Note 1: Raise fund coming into use and the increase of investment projects.

Note 2: One of the stocks was sold.

Note 3: Receiving bank acceptance bill as a mode of collecting sales income increased.

Note 4: Caused by enhancing the receivables management and consolidation scope changed.

Note 5: Project and material funds were settled and consolidation scope changed.

Note 6: Consolidation scope changed.

Note 7: In order to increase the efficiency of fund using, bank financial products, which can be converted into cash at any time, were purchased.

Note 8: Investment projects were transferred to the fixed assets when they are ready for intended use.

Note 9: Increase of investment projects.

Note 10: BOT investment projects were transferred to the intangible assets when they are ready for intended use and increase of land use rights during the year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### 4. Explanations of changes in significant items (Continued)

Liability and Equity	Note	2013	2012	Movement	Percentage of change (%)
Short term borrowing	Note 1	<b>265,724,000.00</b>	38,109,000.00	227,615,000.00	597.27
Receipts in advance	Note 2	<b>38,376,562.90</b>	58,671,791.40	(20,295,228.50)	(34.59)
Employee's emoluments	Note 3	<b>33,478,555.80</b>	24,454,789.68	9,023,766.12	36.90
Tax payable	Note 4	<b>(109,901.02)</b>	13,538,793.58	(13,648,694.60)	(100.81)
Other accounts payable	Note 5	<b>46,631,782.14</b>	114,873,450.85	(68,241,668.71)	(59.41)
Non-current liabilities due within 1 year	Note 6	<b>57,619,088.61</b>	160,371,838.90	(102,752,750.29)	(64.07)
Other current liabilities	Note 7	<b>6,073,444.20</b>	3,656,883.08	2,416,561.12	66.08
Long term payables	Note 8	<b>19,079,554.71</b>	30,947,203.20	(11,867,648.49)	(38.35)
Capital	Note 9	<b>225,714,561.40</b>	150,476,374.40	75,238,187.00	50
Capital reserve	Note 10	<b>855,365,333.07</b>	930,603,520.07	(75,238,187.00)	(8.08)
Undistributed profit	Note 11	<b>1,050,279,781.79</b>	919,750,287.90	130,529,493.89	14.19
Translation of financial statements denominated in foreign currency	Note 12	<b>(327,356.22)</b>	19,556.79	(346,913.01)	(1,773.88)
Minority shareholder's equity	Note 13	<b>208,195,873.30</b>	178,923,044.64	29,272,828.66	16.36

Note 1: As the increasing demand of fund, the amount of short-term loan borrowed from banks increased.

Note 2: Consolidation scope changed.

Note 3: It was caused by the provision for annual bonus.

Note 4: Due to the change of business tax to VAT, Input VAT increased, as well as the amount of collecting and transporting industrial waste water and materials increased.

Note 5: It was caused by the payments for acquisition of equity interests from minority shareholders under contract.

Note 6: The long-term borrowings to be repayable within 1 year and long-term payables decreased.

Note 7: Amortisation of asset-related government grants within 1 year increased.

Note 8: Financing lease repayments as contracted and no new financing lease arisen during the year.

Note 9: Profit distribution plans of year 2012 has implemented, capital reserve transferred to shares.

Note 10: Profit distribution plans of year 2012 has implemented, capital reserve transferred to shares.

Note 11: It was caused by the realised profit and implemented profit distribution plans of year 2012.

Note 12: It was arisen from the change in exchange rate.

Note 13: It was caused by the profitable ability of partially owned subsidiaries increased.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Unless otherwise stated, the financial statements are expressed in RMB)

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### 4. Explanations of changes in significant items (Continued)

Profit and loss	Note	2013	2012	Movement	Percentage of change (%)
Operating revenue	Note 1	<b>1,582,936,364.20</b>	1,521,517,728.17	61,418,636.03	4.04
Operating cost	Note 2	<b>1,100,398,704.00</b>	959,814,473.64	140,584,230.36	14.65
Sales tax and Levies	Note 3	<b>9,421,694.40</b>	14,873,057.13	(5,451,362.73)	(36.65)
Selling expenses	Note 4	<b>38,287,887.95</b>	34,011,655.63	4,276,232.32	12.57
Administrative expenses	Note 5	<b>221,405,603.84</b>	207,692,583.06	13,713,020.78	6.60
Finance cost	Note 6	<b>1,469,229.49</b>	3,192,383.07	(1,723,153.58)	(53.98)
Impairment loss of assets	Note 7	<b>7,928,643.24</b>	(1,936,943.95)	9,865,587.19	(509.34)
Gain on fair value changes	Note 8	<b>(1,049,660.00)</b>	237,660.00	(1,287,320.00)	(541.66)
Investment income	Note 9	<b>35,875,929.19</b>	11,671,538.33	24,204,390.86	207.38
Non-operating income	Note 10	<b>38,108,156.35</b>	19,255,546.88	18,852,609.47	97.91
Non-operating expenses	Note 11	<b>5,481,719.48</b>	2,307,017.56	3,174,701.92	137.61
Income tax expenses	Note 12	<b>27,839,095.95</b>	38,711,278.72	(10,872,182.77)	(28.09)
Other comprehensive income	Note 13	<b>(346,913.01)</b>	606,146.94	(953,059.95)	(157.23)

Note 1: The sales of industrial waste recycling products increased.

Note 2: It was caused by the increased purchase price of raw materials and increased labour cost

Note 3: It was due to the change of business tax to VAT.

Note 4: It was mainly caused by the increase of labour and transportation costs.

Note 5: The Company continually increased inputs in research and development.

Note 6: Interest income of bank deposits increased during the reporting period.

Note 7: It was caused by the provision for impairment of consolidated goodwill of acquisition of Hong Kong Lik Shun and the provision for loss of inventory

Note 8: It was caused by market price movement of financial assets at fair value through profit and loss

Note 9: It was caused by performance growth of joint ventures.

Note 10: It was caused by the increase of government grants related to income, which used for compensating the related expenses or losses incurred by the Company.

Note 11: It was caused by the loss incurred by subsidiary Zhuhai Qingxin suffered powerful typhoon and the increase of public donations

Note 12: It was caused by the decrease in profit for the year.

Note 13: The change in exchange rate caused the changes in translation difference on consolidation.

## XVII. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 27 March 2014.

**Dongjiang Environmental Company Limited**  
**27 March 2014**