



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

**2014**



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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*)  
SUN Ji Ping  
FENG Bo (*retired on 10 June 2014*)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Hin Wing (*appointed on 10 June 2014*)  
QU Jiu Hui (*appointed on 10 June 2014*)  
SU Qi Yun (*appointed on 16 March 2015*)  
WANG Ji De (*resigned on 16 March 2015*)  
HAO Ji Ming (*retired on 10 June 2014*)  
YE Ru Tang (*retired on 10 June 2014*)

## SUPERVISORS

YUAN Wei  
CAI Wen Sheng  
LIU An

## COMPANY SECRETARY

WANG Tian

## AUDIT COMMITTEE

WONG Hin Wing (*Chairman*)  
QU Jiu Hui  
SU Qi Yun  
YE Ru Tang (*retired on 10 June 2014*)  
HAO Ji Ming (*retired on 10 June 2014*)  
WANG Ji De (*resigned on 16 March 2015*)

## REMUNERATION AND APPRAISAL COMMITTEE

SU Qi Yun (*Chairman*)  
QU Jiu Hui  
WONG Hin Wing  
YE Ru Tang (*retired on 10 June 2014*)  
HAO Ji Ming (*retired on 10 June 2014*)  
WANG Ji De (*resigned on 16 March 2015*)

## NOMINATION COMMITTEE

QU Jiu Hui (*Chairman*)  
ZHANG Wei Yang  
WONG Hin Wing  
HAO Ji Ming (*retired on 10 June 2014*)  
YE Ru Tang (*retired on 10 June 2014*)

## STRATEGIC DEVELOPMENT COMMITTEE

ZHANG Wei Yang (*Chairman*)  
FENG Tao  
QU Jiu Hui  
YE Ru Tang (*retired on 10 June 2014*)

## AUTHORISED REPRESENTATIVES

ZHANG Wei Yang  
WANG Tian

## STOCK CODES

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

## AUTHORISED REPRESENTATIVE TO ACCEPT SERVICE OF PROCESSES AND NOTICES

Loong & Yeung

## AUDITORS

ShineWing Certified Public Accountants

## LEGAL ADVISERS

Loong & Yeung (*as to Hong Kong law*)  
北京國楓律師事務所 (*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 2001-2006, 20th Floor  
Jardine House, 1 Connaught Place  
Central, Hong Kong

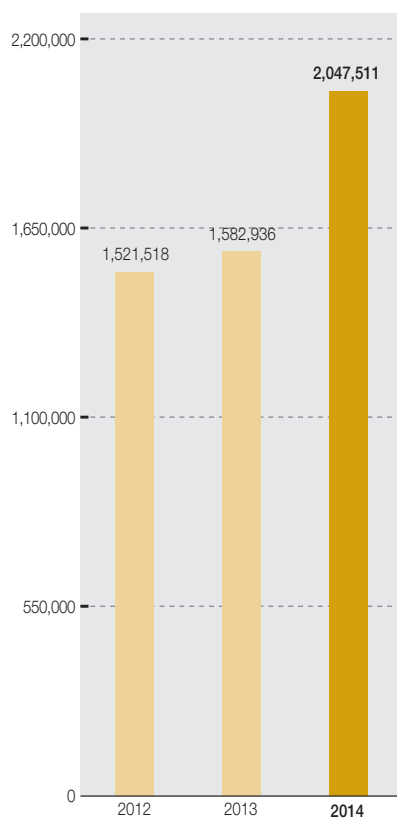
# FINANCIAL SUMMARY

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
<b>Results</b>					
Total operating revenue	<b>2,047,511</b>	1,582,936	1,521,518	1,501,074	1,152,358
Gross profit	<b>665,310</b>	482,537	561,703	522,685	402,322
Gross profit ratio	<b>32.49%</b>	30.48%	36.92%	34.82%	34.91%
Net profit attributable to shareholders of the Company	<b>251,610</b>	208,282	266,706	203,725	155,856

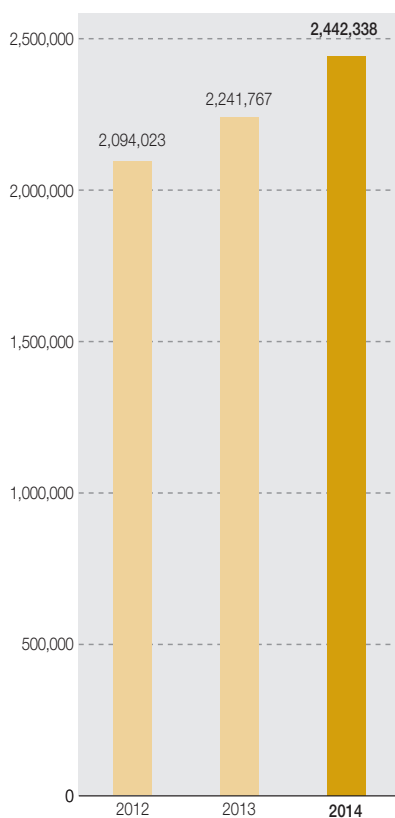
## Financial position as at end of year

Total assets	<b>4,985,470</b>	3,267,457	3,109,606	1,983,716	1,782,077
Total liabilities	<b>2,146,894</b>	817,494	836,660	934,033	943,247
Minority interests	<b>396,237</b>	208,195	178,923	103,338	95,221
Equity attributable to shareholders of the Company	<b>2,442,338</b>	2,241,767	2,094,023	946,346	743,609

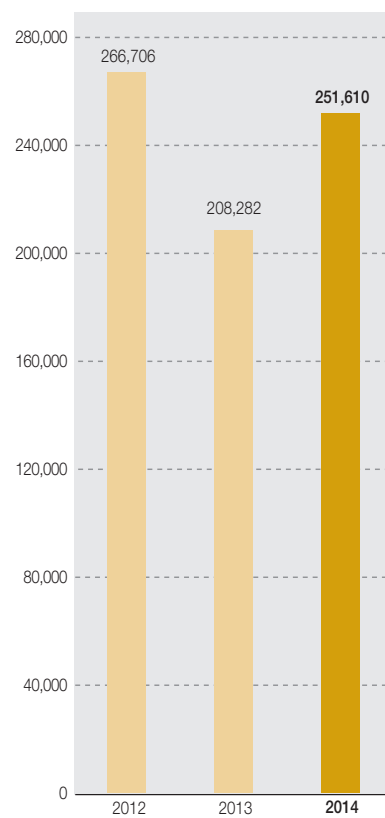
### Total operating revenue RMB'000



### 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 2014 (the "Reporting Period").

## REVIEW

In 2014, the Chinese economy of the People's Republic of China (the "PRC" or "China") entered into the New Normal, the economic structure continued to upgrade and optimize, the environmental protection industry embraced unprecedented development opportunities, the Group seized the opportunities for development and favourable policies of the industry, it took market expansion as its priority, regarded the strengthening of internal management as the main path, realized rapid expansion across different regions, and by promoting adjustment and upgrade of strategies, adopting effective measures such as continuous optimization of business structure, it obtained good business results for the year.

During the Reporting Period, the Group achieved an operating revenue of approximately RMB2,047,511,500, representing an increase of 29.35% as compared to 2013; net profit attributable to the shareholders of the Company was approximately RMB251,610,700, representing an increase of 20.80% as compared to 2013. In order to reward the shareholders and share the achievement arising from the rapid growth of development of the Company, the Company passed the 2014 profit distribution plan upon the approval of the Board. The Company will declare cash dividend of RMB 1.50 (tax inclusive) for every 10 existing shares held by all shareholders based on 347,806,841 shares which represented the total share capital of 347,836,841 shares as at 31 December 2014 deducting 30,000 restricted shares proposed to be repurchase for cancellation will be granted. The Company will increase the shares on the basis of 15 shares for every 10 existing shares held by all shareholders by way of capitalisation of capital reserves.

For the Year, the highlights of the principal activities of the Group were as follow: On one hand, the business structure continued to be optimized, the bottleneck of capacity of the industrial waste detoxification disposal business was effectively relieved, and the percentage of gross profit of the detoxification business rose from 28.98% of the same period last year to 34.33% this year. Besides, despite the continuous falling metal prices, thanks to the refining of recycled products and the reduction of cost of waste collection, gross profit margin increased and the risk resistance of the Group against price fluctuation of metals was further strengthened. On the other hand, the disassembly of waste electrical appliances and environmental protection project service business became source of growth of business results for the Group. As at the end of the Year, the Group possessed a total of 3 largest waste electrical appliance disassembly bases, the total disposal capacity reached 125,000 tonne/year, among the largest of its kind in China. In the environmental protection service business aspect, with the implementation of the model of third party governance of the environment, the demand due to client raising their targets and for transformation continued to be released, this business also achieved rapid development during the Year, the business scope has extended to Hainan, Jiangmen and Kunshan.

During the Year, the Group successfully implemented strategy adjustment and upgrade, while it achieved internal growth, it continued to increase the degree of external expansion by merger and acquisition. In 2014, the Group successfully implemented 6 investment and acquisition projects in aggregate which continued to strengthen its competitive advantages in Guangdong and Jiangsu, and successfully lay down its deployment in Jiangxi and Xinjiang, meanwhile it also quickly pushed ahead the construction of new projects, namely the hazardous waste treatment centre project in northern Guangdong, Jiangmen Industrial Waste Treatment project and Jiaxing Deda relocation and expansion project to significantly enhance the production capacity in the future and lay a solid foundation for the rapid market expansion.

In order to cope with the needs of rapid business development, and in view of the financial conditions and expected funds requirements of the Group in the future, the Group completed the first issuance of bonds with a limit of RMB700 million in August 2014, the scale of the issue was RMB350 million, this replenished the working capital of the Group in a better way, and ensured capital for production, operation and business development of the Group.

In order to ensure a 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, and completed the grant of reserved portion of restricted shares in 2014. This effectively stabilized the management, motivated the directors, senior management and core employees of the Group and promoted the thorough implementation of development strategies and business objectives of the Group.

### OUTLOOK

In 2015, the environmental protection industry will continue to face a situation of co-existence of opportunities and challenges, with the expected continuous implementation of the "Ten Regulations on Water", the legislation and collection of an environment tax and the related drafting of laws (air/soil etc), they will assist with the continuous upgrade of the governance of the environmental protection industry.

The Group will continue to use market expansion as its priority, use innovation as its driving force, adjust the business structure and make a in-depth layout of the service network, gradually create the model of "centralized management, platform services" under the control of the Group, realize a joint expansion of scale and enhancement of economies of scale, continue to grasp the opportunities in the market, and reciprocate the investors in general with stable business results.

### ACKNOWLEDGEMENTS

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

**Dongjiang Environmental Company Limited\***

**Zhang Weiyang**

*Chairman*

Shenzhen • Guangdong • PRC

26 March 2015

\* *for identification purpose only*

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### OVERVIEW

2014 was the beginning year for the comprehensive and deepening of reform of China, and the environmental protection industry continued to enjoy policy privileges under the New Normal, which included the promulgation of a new environmental protection law, the implementation of professional third party governance on environmental issues, the adjustment of waste discharge charging standard and the systematic introduction of the environmental protection tax, etc. However, at the same time, the industry is also exposed to keener market competition, continuous drop of metal and cooper prices, continuous raising of the national waste discharge standard, increasing costs and other challenges. Faced with an overall environment where opportunities and challenges exist side by side, the Group actively pushed ahead the upgrade of its strategic positioning, continued to optimize the business structure, intensify the regional layout and adjust product structure. Together with a focus on building a comprehensive environmental protection platform, and the joint and coordinated development of all businesses, the Group achieved a stable growth. For the year of 2014, the Group achieved an operating revenue of RMB 2,047,511,500, representing an increase of 29.35% as compared to the same period of 2013; and a total profit of RMB 321,512,900, representing an increase of 18.43% as compared to the same period of 2013. The net profit attributable to the shareholders of the parent company was RMB251,610,700, representing an increase of 20.80% as compared to the beginning of the period. As of 31 December 2014, the total assets of the Group was RMB4,985,470,600, representing an increase of 52.58% as compared to the beginning of the period; the total equity interests attributable to the shareholders of the parent company was RMB2,442,338,200, representing an increase of 8.95% as compared to the beginning of the period; and the net asset per share was RMB7.15.

### Industrial waste treatment

In the recent two years, the Group continued to focus on strategic adjustment and upgrade, making key regional layout and expanding the detoxification disposal business, greatly promoting the capacity expansion and construction work, so that the bottleneck pressure of the Group's production capacity was effectively relieved and the total volume of waste collection showed an obvious rising trend. At the same time, the Company used a market orientation approach to continue to optimize the product structure, and enhanced its ability to resist against the risks of metal price fluctuations. To sum up, the industrial waste treatment business achieved an operating revenue of RMB1,333,133,500 for the year of 2014, representing an increase of 10.53% as compared to the year of 2013. Among them, the recycled products recorded a sales revenue of RMB937,570,300 for the year of 2014, representing a decrease of 2.6% as compared to the year of 2013. Yet as a result of the optimization of product structure, in contrast with the slight fall in income, gross profit of this business rose 3.57% on a year-on-year basis; and the industrial waste treatment and disposal recorded a revenue of RMB395,563,300 for the year of 2014, representing an increase of 62.45% as compared to the year of 2013. As the Group's business structure continues to improve, the overall profitability and risk resistance of the Group were thus better enhanced.

Regarding market expansion, faced with the trend of the hazardous waste treatment market, relying on the Group's business management experience and the effects of our good brand image, there was a remarkable increase in the total number of clients and waste collection volume. However, at the same time, the Group faced with the challenges of stricter environmental protection supervision and insufficient capability to handle hazardous waste. In view of these, the Group promoted a development model combining both internal growth and external expansion, upgraded and transformed the existing facilities in the treatment bases of the Group and expanded the production capacity. Meanwhile, the Group also speeded up the establishment of new projects, made more efforts in merger and acquisitions, extended the sector chain and enhanced the comprehensive environmental protection service ability.

In the year of 2014, the main hazardous waste treatment bases of the Group has actively developed potential synergies, on one hand, by actively carrying out efficiency enhancement measures of the existing treatment bases, implementing alteration, expansion and construction, improving the skills and equipments and adopting several waste volume reduction techniques to cut the actual treatment volume of wastes, the Group effectively enhanced the treatment and disposal efficiency; on the other hand, the Group accelerated the construction of new projects. Some of them included the hazardous waste treatment centre project in northern Guangdong, which allowed us to obtain the hazardous waste treatment capability totalling 251,300 tonnes/year for 4 sub-projects with incineration, physical-chemical and sewage integrated treatment in October 2014. It is also expected that projects with more construction work involved, namely Jiangmen Industrial Waste Treatment (198,500 tonnes/year), Jiaying Deda moving and expansion project (60,000 tonnes/year) will be completed in the first half of 2015. When the construction of the above projects are completed and put into operation, the Group will be in a better position to expand the existing capability of treating wastage to undertake the increase in demand in the market.

External expansion is also an important development path of the Group. During the Reporting Period, the Group greatly increased the pace of expansion in other locations, successively acquiring certain companies, namely Xiamen Oasis, Karamay Wosen and Coastal Solid Waste, and successfully entering into the regions of Fujian and Xinjiang, which further improved the layout of the hazardous waste markets outside Guangdong province. Meanwhile, the Group quickly moved into new domains of medical waste treatment and dismantling of mobile phone sets, thus extending and improving the sector chain of environmental protection services of the Group. Besides, it is worthwhile to mention that the Group obtained the franchise of a BOT project – Jiangxi province hazardous waste treatment and disposal project for 25 years via tender, and the designed scale of treatment of hazardous waste is 86,000 tonnes/year, which is significant for the capacity expansion of the Group and the comprehensive expansion of the hazardous waste treatment and disposal market in Jiangxi.

As at the end of the Reporting Period, the Group possessed 27 wholly-owned subsidiaries, 17 controlled subsidiaries and 6 companies in which it had an interest, gradually covering pan Pearl Delta Region, Yangtze Delta Region and central and western regions. Through adopting an industry layout with industrial and municipal waste detoxification treatment and recycling businesses as the core business of the Group, the Group's businesses penetrated into 19 provinces such as Guangdong, Zhejiang, Fujian, Jiangxi and Tibet, etc, offering professional environmental protection solutions to over 10,000 clients. The Group firmly believes that given the favourable policies of energy saving and new environmental protection industries, the complete coverage in terms of business types and involvement of the Group in the sector chain, the Group's industrial waste treatment business will embrace a broader market with more development opportunities and a greater room for improving the business performance.

### **Waste electrical appliance disassembling business**

The waste electrical appliance disassembling business is another important business that the Group has recently set up, with waste electrical appliances of "Four Devices and One Computer" as the main treatment targets. The Group has set up a complete production chain comprising the collection, disassembling, treatment and recycling of waste electrical appliances. During the Reporting Period, the waste electrical appliance disassembling business developed rapidly, which achieved an operating revenue of RMB221,205,200, representing an increase of 437.5% as compared to the same period of last year, accounting for 10.80% of the operating revenue of the Group for the year of 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS

At present, the waste electrical appliance and electronic device disassembling projects set up and operated by the Group include: 1) Qingyuan Waste Electrical Appliance Dismantling Treatment Base and Comprehensive Utilization project, which obtained a treatment qualification of 30,000 tonnes/year in February 2014. In 2014, it disassembled and treated a total of 1.4 million waste electrical appliances, and achieved revenue of RMB153,526,600, becoming the only environmental protection education demonstration base at provincial level in Qingyuan city, one of the consulting firms for the preparation of the regulating of national mobile phone disassembly subsidy and one of the advisors for the adjustment of the national “Four Devices and One Computer” subsidy. Up till now, the Group has completed the construction of all projects with 80,000 tonnes of treatment capacity and is undergoing final acceptance and is scheduled to obtain the electronic product processing qualification for 80,000 tonnes of waste electrical appliance at the end of 2015; 2) Hubei Dongjiang Waste Electrical Appliance and Electronic Device Disassembling project with a designed annual treatment capacity of 50,000 tonnes/year. It obtained the waste electrical appliance and electronic device disassembling and treatment qualification at the end of 2014 and it has entered into the production stage in 2015; 3) Xiamen Oasis Waste Electrical Appliances and Electronic Products Treatment project, which disassembled and treated a total of 1.4 million waste electronic devices and achieved revenue of RMB67,678,600 for the Group (since the consolidated financial statements of August 2014). Through the above projects, the Group possesses the capability of disassembling and treating a total of 125,000 tonnes/year of waste electrical appliances and electronic devices, and the Group has gradually set up several channels and collection systems. In addition, the Group has started to set up mobile phone disassembling project, extending to the comprehensive treatment business of components – circuit board, LCD and battery in the future.

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

The municipal solid waste treatment business is another pillar business of the Group. During the Reporting Period, the municipal solid waste treatment business maintained a stable development, and achieved an operating revenue of approximately RMB209,173,900, representing an increase of 54.76% as compared to the same period of 2013.

With regard to municipal waste treatment and disposal, during the Reporting Period, the operation of Xiaping landfill site and Hunan Shaoyang waste landfill site was stable and Phase 2 of Fuyong sludge Treatment Project achieved an operating revenue of approximately RMB95,686,500, representing a substantial increase as compared to the same period of last year. In the field of municipal solid waste treatment, the Group acquired 100% equity interests in Shenzhen Hengjian Tongda Investment Management Co., Ltd. (深圳市恒建通達投資管理有限公司) in February 2015 by using the Group’s own fund of RMB147 million (further details of which are set out in the announcement of the Company dated 4 February 2015), which was the first municipal solid waste treatment project and will lay a solid foundation for business development in the future.

As for renewable energy utilization, the three existing landfill gas power generation projects have already implemented standardized operation gradually. Meanwhile, the Group actively explores new projects. During the Reporting Period, the Group acquired 100% equity interest in each of Nanchang Xinguan Energy Development Co., Ltd. (南昌新冠能源開發有限公司) and Hefei Xinguan Energy Development Co., Ltd (合肥新冠能源開發有限公司), and added 8 electric power generator modules, which expanded the companies’ overall landfill scale power generation to 22 MWh and achieved an operating revenue of approximately RMB63,865,200. Besides, during the Reporting Period, the Group actively looked for CDM trading opportunities at home and abroad. In view of the emergence of the carbon trading market in China, the Group set up a joint venture consulting company dedicated to carbon trading services to actively look for business opportunities of this business segment.

On the project construction aspect, the collection and transportation system of Shenzhen Luohu District Kitchen Waste Recycling Project – Collection and Transportation has preliminarily been set up, and achieved an operating revenue of approximately RMB1,731,500. It is expected that the project will launch a trial run in 2015. After the construction of the project is completed, the treated kitchen waste will realize the goal of “volume reduction, stabilization, detoxification and recycling” .

The Group will devote efforts in creating a new model of urban waste comprehensive treatment and continue to enhance the competitiveness of this business segment in the market through gradual improvement of the industry chain of municipal solid waste treatment business.

### **Environmental protection services business**

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

Pursuant to announcement of the “Third Party Opinions on the Promotion of Environmental Pollution Management”, China has commenced the road to third party management of environmental pollution protection. This action will create a new model for pollution control and impel the demand for standards-raising transformation for environment protection facilities to be gradually released, while the environment protection services business will enter into a stage of rapid growth. During the Reporting Period, the Group has made important measures to grasp the opportunity and achieved better results in environmental protection operations and construction projects.

On the environmental protection project operation aspect, during the Reporting Period, the business market exploration increased; the client structure was optimized and at the same time, the industrial sewage project operation model was optimized; the business scope extended from Shenzhen to Hainan, Jiangmen, Kunshan and Zhejiang, etc; and a subsidiary for sewage operation was set up in Shaoxing, Zhejiang, successfully entering into the printing and dyeing sewage treatment operation domain. During the Reporting Period, the sewage operation business obtained 7 new clients, and at present, there are 27 operation clients, having achieved an operating revenue of approximately RMB50,266,000, representing an increase of 30.75% as compared to the same period of last year.

As for engineering and services business, the Group obtained greater results in market expansion during the Reporting Period. The area of market expansion of the engineering and services business of the Group shifted and expanded gradually from Shenzhen to the surrounding cities of Guangdong Province, and to provinces such as Jiangxi, Hunan, Hubei and Jiangsu. During the Reporting Period, a total of 15 projects were undertaken for a contract amount of approximately RMB210,000,000. During the Reporting Period, the business achieved an operating revenue of RMB102,451,600, representing an increase of 88.80% as compared to the same period of last year. With several years of environmental protection project management experience and successful operation of projects like sewage treatment construction in Jiangmen Suntak project, and through the improvement of project information work flow management and technical system management and other ancillary mechanisms, the environmental protection engineering and services business of the Group has gradually established a brand in the industry, and secured a foundation for undertaking other large scale environmental protection projects subsequently.

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESEARCH AND DEVELOPMENT

During the Reporting Period, the Group continued to actively develop independent innovation and conversion of technological achievements. In response to the Company's technology development plan and production and market demands, the Group collectively carried out 18 research projects, among them, there are 14 independent Research and Development ("R&D") projects, 3 cooperative projects and 1 technology transfer project. These projects include basic zinc new product development, utilization of waste stripping solution, the use of specialty films to process chemical and biological wastewater and other pilot projects, which are gradually moving towards the implementation of industrialization. The above research projects will play a positive role in promoting the enhancement of the company's core competitiveness and sustainable development in the future.

Meanwhile, the Group continued to strengthen the reporting and maintenance management for technological achievements. For the management of intellectual property right, the Group had obtained 13 new patents and filed 17 applications during the Reporting Period; and the Group had made better achievements in the government project reporting, The projects which have been approved includes Guangdong Province hazardous waste resource-based and harmless engineering technology research centre, Shenzhen brand development project, Shenzhen environmental special projects and etc.

As for technical exchange, during the Reporting Period, the Group primarily focused on policy direction and development strategy, and carried out technical exchanges and cooperation with many well-known foreign companies (e.g. Westinghouse Plasma Corporation of US and Eco-nat of Malaysia), famous domestic equipment enterprises (e.g. Zhonshan Baodilong Water Treatment Facilities Co., Ltd. (中山寶迪龍水處理設備有限公司) and MFT China Membrane Technology Company ((美富特)中國膜科技公司)) and famous domestic research institutes (e.g. Institute of Process Engineering, Tsinghua University, Guangzhou Institute of Energy Conversion of Chinese Academy of Sciences, and the Sciences, Ecological and Environmental Research Centre of the Chinese Academy of Sciences). The fields involved include treatment technology and equipment of industrial sewage, incineration fly ash recycling utilization, key technology and equipment of hazardous waste incineration and key deodorization techniques of municipal solid waste, etc.

## ANALYSIS ON CORE COMPETITIVENESS

### 1. Extensive industrial experience and brand qualification strength

As one of the earliest participants in the domestic environmental protection industry, the Group has accumulated rich experience in the industry, possesses professional waste identification ability, and is equipped with professional management ability and experience. At present, the Group possesses 88 qualification certificates, including waste treatment, pollution control, environmental engineering, environmental monitoring and worn-out electronic product treatment. For the operations of industrial hazardous waste treatment, it has obtained 16 new qualification certificates for hazardous waste treatment during the Reporting Period. At present, the Group possesses operation qualifications for 46 hazardous wastes out of the 49 categories listed in the National Catalogue of Hazardous Wastes other than HW10 Wastes containing PCBs and PBBs, HW15 Explosive wastes and HW29 Mercury wastes, establishing strong competitive strength in the industry.

## 2. Perfection of the industry chain strength and “one-stop” comprehensive environmental protection service

In line with the trend of rapid development of environmental protection industry and industrial consolidation, with solid wastes treatment as the core business, the Group actively expands its industry chain, integrating advantageous resources and developing a comprehensive environmental service platform through acquisition, introduction, joint venture and cooperation. Currently, the business of the Company covers two major areas, namely industrial solid waste and municipal solid waste, complemented by a one-stop environmental protection service at the same time. Based on the principles of “reduction, bio-safety, recycling”, the Group has built a perfect business chain for waste collection and transportation, comprehensive recycling treatment and detoxification treatment and disposal. In 2014, it entered into the domains of medical waste and disassembling of mobile phone sets, following which the industry chain was further consolidated and strengthened. As such, the scope of services of the Company has extended to kitchen waste, electronic waste, soil remediation and other emerging areas. The Group has the ability to provide one-stop comprehensive environmental protection service to clients, thus effectively improving its comprehensive competitiveness.

## 3. Technology innovation strength

Technology innovation is the major impetus for the future development of the Group, and the Group places much importance on technology innovation, using no less than 3% of its total operating revenue for technology research and development every year. The research and development centre has implemented over 200 research and utilization projects since its establishment, and obtained 78 patents. During the Reporting Period, 13 new patents were added, of which 5 were new inventions. At the same time, the Company the management on technology innovation, by transforming its technology innovation work to production bases gradually, strengthening the interaction between technology, production and market, thus achieving comprehensive improvement of its service ability, quality ability and value-creating ability.

## FINANCIAL REVIEW

### Total Operating Revenue

For the year ended at 31 December 2014, the Group’s total operating revenue increased by 29.35% to approximately RMB2,047,511,528 (2013: RMB1,582,936,364). The main reasons for the increase are that the Group has taken advantage of the environmental protection industry policy; followed the changes of demands in the hazardous wastes markets; accelerated the pace in the implementation of the strategic layouts; vigorously promoted the expansion in other regions; actively explored new segments and new markets; accelerated the construction of production capacity; and improved the market share. During the Reporting Period, except the income from the renewable energy and comprehensive utilization of recycled products decreased slightly as compared with the corresponding period in 2013 due to the periodical maintenance of electricity generators and the use of integrated resources products was affected by the falling domestic metals price, income from all other businesses of the Group increased as compared to 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit

For the Reporting Period, the Group's gross profit increased by approximately 37.88% to approximately RMB665,310,419 (2013: RMB482,537,660). During the Reporting Period, save that the operating income and the gross margin of renewable energy utilization reduced due to the periodical maintenance of electricity generators, the gross margin of the other businesses increased as compared with last year. The first reason for such increase is that the Group actively explored the market, accelerated in promoting the construction of production capacity, increased the market share and expanded the business scale, increasing the total operating revenue; secondly, the Company continued to enhance its control over the costs and expenses during the Reporting Period, promoted overall budget management, and actively conducted production activities in relation to energy and consumption conservation, which effectively controlled the costs and improved the comprehensive gross profit ratio of the Company.

For the Reporting Period, the Group's gross profit margin was 32.49% (2013: approximately 30.48%), representing an increase of approximately 2.01% as compared to the corresponding period in 2013.

For the Reporting Period, net profit attributable to shareholders of the Company increased by approximately 20.80% to approximately RMB251,610,695 as compared with the corresponding period in 2013 (2013: approximately RMB208,282,106). The main reason for the increase is that the business scale expanded while the market share increased. Secondly, during the Reporting Period, the Company continued to expand its control over the cost and expenses, promoted the overall budget management, and actively conducted production activities in relation to energy and consumption conservation, which effectively controlled the costs and improved the gross margin ratio of the Company.

## Sales Expenses

For the Reporting Period, the Group's sales expenses was approximately RMB32,464,522 (2013: approximately RMB38,287,888), representing approximately 1.59% (2013: approximately 2.42%) of the total operating revenue. The decrease in sales expenses is mainly due to the Group having intensified the efforts on cost control and strictly controlled the expenses such as the travelling expenses, entertainment expenses and conference expenses; and secondly, the Company having further enhanced management over the waste transportation and reasonably dispatched the wastes according to the business layout, improved the efficiency of waste transportation, and the expenditure of transportation having reduced due to reduction of oil price.

## Administrative expenses

For the Reporting Period, the Group's administrative expenses was RMB284,962,606 (2013: RMB221,405,604), representing approximately 13.92% (2013: approximately 13.99%) of the Group's total operating revenue. The increase in administration expenses is mainly due to the amortization of newly issued equity interests during the Reporting Period; secondly, the Company continuing to enhance input in research and development and having increased the staff education costs; and in addition, the number of subsidiaries having increased as compared with the corresponding period in 2013.

## Finance Costs

For the Reporting Period, the Group's finance cost was approximately RMB24,204,951 (2013: approximately RMB1,469,229), representing approximately 1.18% (2013: approximately 0.09%) of the Group's total operating revenue. Increase in finance costs is mainly due to the demands for funds having increased along with the expansion of the Company, increase in corporate bonds and bank loans and increase in interest expenses.

## Income Tax Expenses

For the Reporting Period, the Group's income tax expenses was RMB39,045,324 (2013: RMB27,839,096), representing approximately 12.14% of the Group's total profits (2013: approximately 10.25%). The increase in income tax expenses was mainly due to the increase in the total profit of the Group.

## Financial Position and Liquidity

As at 31 December 2014, the Group's net current assets accounted for RMB923,597,023 (2013: RMB1,020,961,492), including cash and cash equivalent of RMB1,024,299,019 (2013: RMB934,877,456).

As at 31 December 2014, the Group's total liabilities was RMB2,146,894,681 (2013: RMB817,494,079). The Group's gearing ratio was approximately 43.06% (2013: 25.02%) in terms of the Group's total liabilities and total assets. The current liabilities of the Group was RMB1,317,418,212 (2013: RMB605,720,441). As at 31 December 2014, the Group had outstanding bank loans of RMB1,078,123,022 (2013: RMB434,036,619).

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 March 2014, the Company entered into an acquisition and capital increase agreement to acquire equity interests in Yancheng Coastal Solid Waste Disposal Co., Ltd. (鹽城市沿海團體廢料處置有限公司) ("Yancheng Solid Waste") at a consideration of RMB51,200,000 in cash. Upon completion of the transaction, the Company owns 60% of Yancheng Solid Waste.

In April 2014, the Company invested RMB1,000,000 to establish a wholly-owned subsidiary, namely Shenzhen Dongjiang Kaida Transport Co., Ltd (深圳市東江愷達運輸有限公司).

In May 2014, Shenzhen Dongjiang Environmental Renewable Energy Co., Ltd. (深圳市東江環保再生能源有限公司), a wholly-owned subsidiary of the Company, entered into an equity acquisition agreement to acquire Hefei New Champion Energy Development Co., Ltd. (合肥新冠能源開發有限公司) ("Hefei New Champion") at a cash consideration of RMB30,557,422. Upon completion of the transaction, the Company owns 100% of Hefei New Champion.

In May 2014, Shenzhen Dongjiang Environmental Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity acquisition agreement to acquire Nanchang New Champion Energy Development Co., Ltd. (南昌新冠能源開發有限公司) ("Nanchang New Champion") at a cash consideration of RMB40,478,850. Upon completion of the transaction, the Company owns 100% of Nanchang New Champion.

In June 2014, the Company injected an amount of RMB48,733,500, part of the proceeds raised for R&D base construction (the change of the use of proceeds has been approved) (including interest derived thereof) in the 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 of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

In June 2014, the Company entered into a share transfer and capital increase agreement to acquire 60% equity interests in Xiamen Oasis Environmental Industrial Company Limited (廈門綠洲環保產業股份有限公司) (“Xiamen Oasis”) at a price of RMB375,000,000 in cash. Upon completion of the transaction, Xiamen Oasis is owned as to 60% by the Company.

In August 2014, the Company entered into an equity acquisition and capital increase agreement to acquire Karamay Wosen Environmental Technology Co., Ltd.(克拉瑪依沃森環保科技有限公司) (“Wosen Environmental”) at a price of RMB53,174,000 in cash. Upon the completion of transaction, the Company owned 82.82% equity interests in Wosen Environmental.

In September 2014, Jiangmen Dongjiang Environmental Technology Limited, a wholly-owned subsidiary of the Company invested RMB 6,000,000 to incorporate Jiangmen Dongjiang Lvlvda Fine Chemical Co., Ltd. (江門東江綠達精細化工有限公司), a subsidiary, in which the Company owned 60% equity interests.

In November 2014, the Company invested RMB2,000,000 to incorporate Shenzhen Tricycle Information Technology Co., Ltd. (深圳市三輪車資訊科技有限公司), a subsidiary, in which the Company owned 40% equity interests.

In November 2014, the Company invested RMB10,000,000 to incorporate Jiangxi Dongjiang Environmental Technology Co., Ltd. (江西東江環保技術有限公司), a wholly-owned subsidiary of the Company.

In November 2014, the Company invested RMB520,000 to incorporate Shaoxing Dongjiang Environmental Engineering Co., Ltd. (紹興東江環保工程有限公司), a subsidiary, in which the Company owned 52% equity interests.

In December 2014, the Company acquired Jiangxi Kangtai Environmental Co., Ltd. (江西康泰環保股份有限公司) (“Jiangxi Kangtai Environmental”) at a price of RMB17,693,900 in cash. Upon the completion of the transaction, the Company owned 51% equity interests in Jiangxi Kangtai Environmental.

In June 2014, the Company entered into a share transfer agreement to dispose 11.01% equity interests in Wuhan Yunfeng Recycled Resources Co., Limited (武漢雲峰再生資源有限公司) held by it at a consideration of approximately RMB2,804,821.

Save as disclosed in this report, the Group does not have any substantial investments, acquisitions and disposals of subsidiaries, jointly controlled entities and associated companies 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 RISK

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

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

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

## FOREIGN EXCHANGE RISK

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

## PLEDGE OF ASSETS

As at 31 December 2014, certain assets of the Group were pledged to secure bank borrowings, guarantees and letters of credit facilities granted to the Group, as follows:

	2014	2013
Fixed assets	<b>38,452,620.88</b>	–
Cash and bank balances	<b>3,451,118.87</b>	12,010,000
Intangible assets	<b>41,807,474.90</b>	–
Total	<b>83,711,214.65</b>	12,010,000

## INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the number of full-time employees stood at 3,146 (2013: 2,455). For the year ended 31 December 2014, a total staff cost of approximately RMB272,785,625 (2013: approximately RMB206,236,636). 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 being evaluated periodically 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.

## CONTINGENT LIABILITIES

Pursuant to the method of collection and treatment of industrial waste adopted by the Group, since its incorporation, the Group has not incurred any material expenses due to environmental restoration. However, there is no guarantee that the Chinese authorities will not implement stringent environmental policies and guidelines/environmental restoration standards in the future which would cause the Group to take environmental protection measures. The financial position of the Group may be adversely affected due to any environmental liabilities which may arise as a result of the promulgation of new environmental policies, guidelines and standards.

Save as disclosed above, the Group had no significant contingent liabilities for the years ended 31 December 2013 and 2014.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL COMMITMENT

As at 31 December 2014, the capital commitment of the Group was as follows:

Item	2014	2013
Capital expenditures contracted for but not provided for in the financial statements		
– Foreign investment	<b>87,071,400.00</b>	–
– Construction in progress	<b>219,636,663.88</b>	100,715,550.52
– Acquisition of plant and machinery	<b>30,187,750.00</b>	8,382,100.00
Total	<b>336,895,813.88</b>	109,097,650.52

## FUTURE PROSPECTS

### 1. DEVELOPMENT TREND OF THE INDUSTRY

Along with the environmental problems such as smog, soil pollution, solid waste pollution, etc, the tolerance of the environment of China is close to its maximum limit, the favourable policies for the environmental protection industry will hopefully be implemented, which in turn will realise the positioning of its strategic emerging industries. Meanwhile, the capital market has started to be more involved in the environmental protection industry, which brings new development opportunities for the environmental protection industry, and provides more merger and acquisition opportunities. With increasing concern over the environmental protection industry, the relevant authorities of the government is increasing their supervision step by step. In the Eighteenth Three Plenary Meeting, it was proposed that mixed ownership economy and the concept of governance by third party should be actively developed and promoted, by introducing specialized third party to bring the pollution under control through marketization mechanism. This certainly promotes the development of the environmental protection industry, and the promulgation of the “Two Supreme Explanation” continued to induce the demand for the treatment of hazardous waste. Faced with broad market potential and room for improvement, together with the continuous release of the system vitality, under the circumstances of gradual change to market mechanism and the environmental protection industry, being more regulated and integrated, the environmental protection listed companies with financial, technological strength and ability to integrate advantageous resources will definitely obtain more market resources and achieve rapid development.

### 2. DEVELOPMENT STRATEGY OF THE GROUP AND OPERATION PLAN FOR THE YEAR

In 2015, the Company will continue to pioneer with market exploration and use innovation as motivation, to adjust the business structure and network for an in-depth layout, gradually creating the management model of “centralized management, services at the platform” in the form of a group and achieving scale expansion and efficiency enhancement. In this regard, the business working plan of the Company for 2015 is as follows:

- (1) To strengthen the management of strategies of the Group, prepare the 3 to 5-year strategic planning of the Group, link up business strategies and function strategies properly, strengthen the management of budgeting and performance, set up efficient business operation management system.
- (2) To continue to optimize the adjustment of industry structure, realize upgrade and transformation of strategies. In the future the Group will still stress on expanding the industrial waste detoxification business, raising the proportion business in the entire businesses, enhancing the business results and risk resistance of the Group, and realising a reasonable and stable business structure.

- (3) To continue to focus on project establishment, harvesting both the release of capacity and increase of efficiency. It is expected that in the first half of 2015, more projects under construction such as Jiangmen Industrial Waste Treatment project, Jiaxing Deda moving and expansion project and Karamay hazardous waste demonstration centre project will be completed and put to operation.
- (4) To set up the market management function of the head office of the Group, set up a data platform of the Group, promote the upgrade of informationization. In the future, the Group will set up a business database of the Group and a client relationship management platform, greatly exploring the potential value of clients and strengthening after-sales services; and strengthen the resource consolidation of regional businesses to achieve smooth information interaction and exchange and resource sharing.
- (5) To develop innovation technology R&D management. Technological innovation drives the sustainable development of the Group. The Group will set up a multi-level open R&D platform, strengthen resource consolidation and adequately share resources. At the same time, the Group will strengthen the introduction and digestion of fundamental techniques, target at the study of common key technologies, strengthen the study of production technologies, continue to promote standardized skills and techniques, work by modules and realize an interaction between technology and production.

### 3. RISKS EXPOSURE

#### (1) Macro economic environment and policy risks

In 2015, the global economy is still uncertain, the Chinese economy also faces huge challenges and competition in the market intensifies. Faced with keen market competition, the Company will make use of comprehensive and reasonable adjustments in technologies, management and market, cutting costs and other measures to further enhance the core competitiveness of the Company and ensure the stable development of the Company.

#### (2) Human resources management risk

Since currently the Group has over 40 wholly-owned, controlled companies and companies in which it has an interest, and over 3,000 staff with a business layout covering 19 provinces and cities, the Company faces the risks of a very long management chain and unstable teams of employees. To tackle this, the Group, through innovating the human resources training, recruitment, retention and deployment mechanisms, particularly strengthening the training of middle management and primary staff, will set up a platform for input and output of human resources and strengthen the personnel management, make proper analysis of human resources efficiency indicators and strengthen the corporate management, etc to enhance the cohesion of employees. At the same time, the Group will implement a share incentive mechanism to attract more talents to join the Group.

#### (3) Business management risks.

Amid a huge system of projects under construction and rapid expansion of business scale, the corporate management desperately needs reform. The Company will set up a responsibility and duty system, further specifying the responsibility and duty relationship between the head office and subsidiaries and branches, and continue to promote the ten key tasks for the year of the Group, such as "Optimization of project investment and construction management", "Optimization of performance management system" and "Innovative human resources management model" to facilitate standardized management and improve efficiency.

# MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Mr. Zhang Wei Yang (張維仰)**, aged 50, 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 Wei Yang is currently a delegate to the People's Congress for Shenzhen, Deputy Supervisor of Central Energy and Resources and Environment Committee of China Democratic National Construction Association (民主建國會中央能源與資源環境委員會), Deputy Chairman of the Sixth Session of Committee of China Democratic National Construction Association in Shenzhen, Vice Chairman of Shenzhen Federation of Industry & Commerce (深圳市總商會), Director of China Siyuan Foundation for Poverty Alleviation (中華思源工程扶貧基金會), Executive Director of China Association of Environmental Protection Industry (中國環保產業協會) and Vice Chairman of Environmental Service Industry Association of All-China Federation of Industry & Commerce (中華全國工商業聯合會環境服務業商會). 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 49, 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 40, 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 business divisions and 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 48, 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 State Planning Committee, State Economic and Trade Commission and The Foundation of Development in Science and Technology of 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 a director of 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)), Western Mining Co., Ltd. (listed on the Shanghai Stock Exchange (Stock code: 601168)) and Venturepharm Laboratories Limited (listed on the Growth Enterprise Market of the Stock Exchange ("GEM") (Stock code: 8225)) (now renamed as "China Health Group Inc.") before 22 May 2009, 21 February 2011 and 26 November 2014 respectively. Mr. Feng was appointed as a non-executive Director on 28 November 2001. Mr. Feng is a member of the strategic development committee of the Company.

**Ms. Sun Ji Ping (孫集平)**, aged 59, 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. Su Qi Yun (蘇啓雲)**, aged 51, independent non-executive director. He was the manager of the industrial investment department in China Ping An Insurance Company and a cadre of Shenzhen Industry and Commerce Administration Bureau. He has served as a managing partner of Deheng Law Firm Shenzhen Office since 2002. Mr. Su Qi Yun is an independent director of Shenzhen Chiwan Wharf Holdings Ltd., a company whose shares are listed on the Shenzhen Stock Exchange (stock code: A stock/B stock: 000022/200022). Mr. Su Qi Yun was an independent director of Shenzhen Beauty Star Co., Ltd, a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002243). Mr. Su has over 20 years of experiences in the areas of legal, investment and finance sector.

**Mr. Qu Jiu Hui (曲久輝)**, aged 57, independent non-executive director. Mr. Qu is an Academician of Chinese Academy of Engineering and a researcher of Research Center for Eco-Environmental Sciences of Chinese Academy of Sciences. He also serves as the Vice Chairman of All-China Environment Federation, Vice Chairman of Chinese Society for Environmental Sciences and Vice Chairman of Chinese Society for Sustainable Development and member of the National Environmental Consultation Committee. Mr. Qu is also an independent non-executive director of Guodian Technology & Environment Group Corporation Limited (Stock Code: 01296), whose shares are listed on the Main Board of the Stock Exchange. Mr Qu specializes in water science and the research of engineering technology. He has made various breakthroughs in the theory and technology of water pollution control and securing safe drinking water.

**Mr. Wong Hin Wing (黃顯榮)**, aged 52, independent non-executive director. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He is also a council member of the Chinese University of Hong Kong, a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a member of the Nursing Council of Hong Kong. He has been the founder and the chief executive officer of Legend Capital Partners, Inc., since 1997. Mr. Wong is also an independent non-executive director of Aeon Credit Service (Asia) Company Limited (Stock Code: 00900), whose shares are listed on the Main Board of the Stock Exchange. Mr. Wong has 30 years of experience in accounting, finance, investment management and advisory.

# MANAGEMENT PROFILE

## SUPERVISORS

**Ms. Yuan Wei (袁桅)**, aged 45, 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 49, 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 43, is a supervisor of the Company. Mr. Liu had been working in the chief executive officer's office of the Company and one of the subsidiaries since 2005 when he joined the Company. He is currently the senior manager of the purchasing department of 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 39, is the vice president of the Group, the secretary of the Board and 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 in the 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, and was appointed as the vice president of the Group on 10 June 2014.

## SENIOR MANAGEMENT

**Mr. Cao Ting Wu (曹庭武)**, aged 49, is the vice president of the Group, in charge of 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 56, is the vice president of the Group, in charge of management of environment, health and safety of the Group and the senior engineer of the Group. Mr. Lan graduated from 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 39, is the vice president of the Group, 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 44, 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 VIII 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 47 of this report.

## DIVIDENDS

During the Reporting Period, the Company has distributed and paid a final dividend of RMB0.3 for each Share, thereby distributing dividend of a total of RMB69,469,368.30 in cash.

The Board proposed to use 347,836,841 shares of the total share capital as at 31 December 2014, deducting 30,000 restricted shares intended to be repurchased for cancellation, i.e. 347,806,841 shares, as the basis to pay a final dividend of RMB 0.15 per share of the Company (inclusive of tax) (2013:RMB0.3) to all shareholders of the Company, with the total amount of cash dividend of RMB 52,171,026.15, subject to approval by the shareholders of the Company at the 2014 annual general meeting ("AGM") to be convened and held. In addition, the Board proposes to offer to all shareholders of the Company 15 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 521,710,261 shares (including 120,082,500 H shares and 401,627,761 A shares) based on the total number of 347,806,841 shares of the Company. Following the aforesaid conversion of capital reserve, the Company shall have a total of 869,517,102 shares (including 200,137,500 H shares and 669,379,602 A shares). The aforesaid conversion of capital reserve is subject to, among other things, the approval to be granted 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 approval to be granted by Stock Exchange for the listing of the 120,082,500 H shares to be issued on the Main Board of the Stock Exchange. The Company will make further announcements in accordance with the Listing Rules upon the record date of ascertaining the holders of H shares and the holder of A shares entitled to the final dividends and the conversion of capital reserve is determined.

If there is any change to the total shares of the Company due to the conversion of convertible bonds and repurchase of shares prior to the implementation of profit distribution plan, the Company shall make the distribution according to the percentage share of the latest total shares based on the perpetual principle of "conversion of capital reserves by the total amount of cash dividend, total amount of share capital increased from capital reserves" approved and determined at the general meeting.

A circular containing, among other things, the distribution of final dividend and the capital increase by way of conversion of capital reserve, together with the notices of the AGM, 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 2014, the Company announced its proposals to issue 5 new Shares for each 10 existing Shares by way of conversion of capital reserve to all shareholders. The proposed issue of shares of the Company was approved by the shareholders at the annual general meeting of the Company held on 10 June 2014, the class meeting of holders of H Shares and the class meeting for holders of A Shares held on 10 June 2014.

89,097,280 A Shares and 26,685,000 H Shares were issued on 25 June 2014, respectively. The total number of issued shares of the Company increased to 347,346,841 shares (comprising 267,291,841 A Shares and 80,055,000 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 25 April 2014.

For details of the issue of shares by conversion of capital reserve, please refer to the announcements of the Company dated 27 March 2014, 24 April 2014, 10 June 2014 and 24 June 2014, and the circular of the Company dated 25 April 2014.

## 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 (CSRC Approval [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.

On 1 August 2014, the first tranche of domestic corporate bonds in an aggregate principal amount of RMB350,000,000 has been issued with a term of 5 years at the coupon rate of 6.5%. The remaining tranche(s) of domestic corporate bonds shall be issued within 24 months from 7 February 2014 (being the date on which the approval from the CSRC to issue domestic corporate bonds was obtained).

On 10 September 2014, the first tranche of the domestic corporate bonds was listed on the Shenzhen Stock Exchange.

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, 5 March 2014, 29 July 2014, 5 August 2014 and 8 September 2014, and the circular of the Company dated 23 August 2013.

### THE RESTRICTED A SHARE INCENTIVE SCHEME

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.



## DIRECTORS' REPORT

On 20 November 2014, the grant of a reserved portion of Restricted A Shares ("Reserved Restricted A Shares") under the Restricted A Share Incentive Scheme was considered and approved by the Board. On 21 November 2014, an aggregate of 900,000 Reserved Restricted A Shares were granted to 68 Share Incentive Participants.

On 15 December 2014, since 3 original incentive participants had left office and were no longer qualified under the conditions of the A Share Incentive Scheme, the Company had repurchased a total of 390,000 of its own restricted A shares (the "Repurchase") and such shares had later been cancelled on 17 December 2014 ("the Cancellation"). For details of the Repurchase and Cancellation, please refer to the section "Purchase, Sale and Redemption of Listed Securities of the Company" below.

On 20 November 2014, the grant of a reserved portion of Restricted A Shares under the Restricted A Share Incentive Scheme was considered and approved by the Board. On 21 November 2014, an aggregate of 900,000 Reserved Restricted A Shares have been granted to 68 Share Incentive Participants. 2 Share Incentive Participants have later surrendered their subscription rights for all the Restricted Shares to be granted to them due to personal reasons, in this connection, the Company has adjusted the list of the Share Incentive Participants and the number of Reserved Restricted A Shares accordingly (the "Adjustment"). Subsequent to the Adjustment, the number of Share Incentive Participants is 66, and the number of Reserved Restricted A Shares is 880,000 shares. On 24 December 2014, the issuance of 880,000 Reserved Restricted A Shares to the 66 Share Incentive Participants have been completed (the "Grant").

On 7 January 2015, the articles of association of the Company have been amended as a result of the completion of the Cancellation and the Grant taken place on 24 December 2014.

For details of the Restricted A Share Incentive Scheme, the First Grant and the 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, 21 February 2014, 20 November 2014, 10 December 2014, 17 December 2014, 24 December 2014 and 7 January 2015, and the circular of the Company dated 28 November 2013.

### CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

With effect from 10 June 2014, the principal place of business of the Company in Hong Kong has been changed to Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, 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.14 to the financial statements.

### SHARE CAPITAL

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

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, SALE AND REDEMPTION OF SECURITIES

On 15 December 2014, the Company had purchased a total of 390,000 of its own restricted A Shares of RMB1.00 each at the price of RMB12.91 per A Share. The aggregate purchase price was RMB5,036,200. All these shares have been subsequently cancelled on 17 December 2014. The restricted A Shares under the repurchase represented approximately 0.11% of the total capital of the Company immediately prior to the repurchase. For details, please refer to the announcement dated 17 December 2014.

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

## 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 53 to 54 of this report.

## DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to approximately RMB1,121,146,750.68. 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 24.85% of the total sales for the year and sales to the largest customer included therein amounted to approximately 8.02%. Purchases from the Group's five largest suppliers accounted for approximately 15.73% of the total purchases for the year and purchase from the Group's largest supplier accounted for approximately 4.98% 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.

## CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR, MEMBER OF THE AUDIT COMMITTEE AND CHAIRMAN OF THE REMUNERATION AND APPRAISAL COMMITTEE

On 10 December 2014, Mr. Wang Ji De had tendered a resignation from his positions as the independent non-executive Director, member of the audit committee and chairman of the remuneration and appraisal committee of the Company after having considered the "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises" issued by the Organisation Department of the CPC Central Committee (the "Opinion"). Pursuant to the requirements of the Opinion, retired government officials and leaders are not allowed to have any economic interest in any economic entities.

## DIRECTORS' REPORT

Following the proposed resignation of Mr. Wang, the appointment of Mr. Su Qi Yun (蘇 啟 雲) to be an independent non-executive Director has been approved by the Shareholders at the general meeting held on 16 March 2015 to fill the vacancies and the resignation of Mr. Wang became effective on the same day.

For details of the change, please refer to the announcements dated 10 December 2014, 11 December 2014 and 16 March 2015 and the circular dated 28 January 2015.

### 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 and Ms. Sun Ji Ping as the non-executive Directors; Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Su Qi Yun 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

Except Mr. Su Qi Yun, 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 10 June 2014. Mr. Su Qi Yun entered into a service contract with the Company for a term commencing from 16 March 2015 and ending on the expiry of the term of the fifth session of the Board. None of the Directors or the Supervisors had entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 XI.4 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 2014, 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	97,107,669 A shares	27.92%/36.26%
Li Yong Peng	Beneficial owner	14,696,598 A shares	4.23%/5.49%
Chen Shu Sheng	Beneficial owner	5,751,673 A shares	1.65%/2.15%

Save as disclosed above, as at 31 December 2014, 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.

## DIRECTORS' REPORT

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

Save as disclosed above in respect to certain Directors, as at 31 December 2014, 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 Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE H SHARES

During the Reporting Period, none of the Directors, Supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 31 December 2014, none of the Directors, Supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

### SHARE OPTION SCHEME

No share option scheme was adopted by the Company as at 31 December 2014.

### 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 RMB120 million for the period from 1 January 2014 to 31 December 2014. During the Reporting Period, the aggregate amount paid by Shenzhen Micronutrients to the Group under the Sales Agreement amounted to RMB97,761,226.

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

As the value of each of total assets, profits and revenue of DJ Heritage represents less than 10% of the relevant percentage ratios in 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 (effective until 30 June 2014). The new amendments to the Listing Rules on connected transactions came into effect on 1 July 2014 (the "New Connected Transaction Rules"). Subsequent to the New Connected Transaction Rules becoming effective, as each of the percentage ratios regarding total assets, profits and revenue of DJ Heritage is less than 10% for each of the latest three financial years, DJ Heritage is an insignificant subsidiary (as defined under the New Connected Transaction Rules) of the Company and thus Shenzhen Micronutrients is no longer a connected person of the Company.

**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 general meeting approving the First Grant, Mr. Zhang Wei Yang, chairman of the Board and executive director, held 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, was required to, and did, abstain from voting for the relevant resolutions at the extraordinary general meeting.

On 20 November 2014, the Board resolved to approve the grant of 900,000 A Shares to the 68 participants pursuant to the Restricted A Share Incentive Scheme (adjustment to the list of participants and number of restricted shares under the Restricted A Share incentive scheme have later been made in December 2014). Among the 900,000 Restricted Shares to be conditionally granted under the Grant of Reserved Restricted Shares, 185,000 Restricted Shares, representing approximately 0.05% of the total issued share capital of the Company as at 20 November 2014, was conditionally granted to Mr. Tian Huachen, the financial controller of the Group and a director of a subsidiary of the Company, at the price of RMB16.39 per Share (the "Grant").

As Mr. Tian is the financial controller of the Group and a director of the subsidiary of the Company and therefore a connected person of the Company. Accordingly, the Grant constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Grant is to a connected person at the subsidiary level on normal commercial terms and the Board (including all the independent non-executive Directors) have approved the Grant and confirmed that the Grant is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Grant is subject to the reporting and announcement requirements pursuant to Rule 14A.101 of the Listing Rules, but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the Restricted A Share Incentive Scheme and the Grant, please refer to the paragraph headed "Adoption of the Restricted A Share Incentive Scheme and the First Grant" in this section and the announcement of the Company dated 20 November 2014.

**Service Contracts**

The related party transactions in relation to the emoluments of Directors, Supervisors and employees as disclosed in Note XI.4(1) 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 Shareholders**

The related party transactions in relation to the financial guarantee given by controlling shareholders as disclosed in Note XI.2(3) 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 XI to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company that are subject to reporting, announcement or independent shareholders approval under Chapter 14A of the Listing Rules.

# DIRECTORS' REPORT

## 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

26 March 2015

# SUPERVISORY COMMITTEE'S REPORT

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

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

On 26 March 2015, the Supervisory Committee convened a meeting, at which the 2014 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 senior management of the Group had, under the principles of diligence, fairness and honesty, duly performed the responsibilities as stipulated in the Articles of the Company, carefully implemented all resolutions of the general meetings and the Board had never breached any laws, regulations and the Articles of the Company.

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

By Order of the Supervisory Committee  
**Dongjiang Environmental Company Limited**

**YUAN Wei**  
*Chairman of the Supervisory Committee*  
Shenzhen, the PRC  
26 March 2015



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

The Board currently comprises three executive directors, being Mr. Zhang Wei Yang, Mr. Chen Shu Sheng and Mr. Li Yong Peng; two non-executive directors, being Mr. Feng Tao and Ms. Sun Ji Ping; and three independent non-executive directors, being Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Su Qi Yun. 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.

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

Name of Directors	Attendance/Number of meeting(s) held
Executive Directors	
Mr. Zhang Wei Yang ( <i>Chairman</i> )	25/25
Mr. Chen Shu Sheng ( <i>Chief Executive</i> )	25/25
Mr. Li Yong Peng ( <i>Vice President</i> ) ( <i>Note 1</i> )	25/25
Non-executive Directors	
Mr. Feng Tao ( <i>Vice Chairman</i> )	25/25
Mr. Feng Bo ( <i>Note 2</i> )	11/11
Ms. Sun Ji Ping	25/25
Independent Non-executive Directors	
Mr. Ye Ru Tang ( <i>Note 3</i> )	11/11
Mr. Hao Ji Ming ( <i>Note 4</i> )	11/11
Mr. Wang Ji De ( <i>Note 5</i> )	25/25
Mr. Wong Hin Wing ( <i>Note 6</i> )	14/14
Mr. Qu Jiu Hui ( <i>Note 7</i> )	14/14
Mr. Su Qi Yun ( <i>Note 8</i> )	N/A
Average attendance rate	100%

*Notes:*

- Mr. Li Yong Peng (executive Director) is a nephew of Mr. Zhang Wei Yang (Chairman and executive Director).
- Mr. Feng Bo retired as a non-executive Director on 10 June 2014. Mr. Feng attended 11 out of 11 Board meetings held during his tenure in the year ended 31 December 2014.
- Mr. Ye Ru Tang retired as an independent non-executive Director on 10 June 2014. Mr. Ye attended 11 out of 11 Board meetings held during his tenure in the year ended 31 December 2014.
- Mr. Hao Ji Ming retired as an independent non-executive Director on 10 June 2014. Mr. Hao attended 11 out of 11 Board meetings held during his tenure in the year ended 31 December 2014.
- Mr. Wang Ji De resigned as an independent non-executive Director on 16 March 2015.
- Mr. Wong Hin Wing was appointed as an independent non-executive Director on 10 June 2014. Mr. Wong attended 14 out of 14 Board meetings held during his tenure in the year ended 31 December 2014.
- Mr. Qu Jiu Hui was appointed as an independent non-executive Director on 10 June 2014. Mr. Qu attended 14 out of 14 Board meetings held during his tenure in the year ended 31 December 2014.
- Mr. Su Qi Yun was appointed as an independent non-executive Director on 16 March 2015.

Save as disclosed above, there are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

# CORPORATE GOVERNANCE REPORT

## 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 taking primary responsibility for ensuring good corporate governance practices and procedures are established. The chief executive together with other executive directors are responsible for the Company's daily operation and the effective implementation of corporate strategy and policies.

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

## NON-EXECUTIVE DIRECTORS

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.

Except Mr. Su Qi Yun, each of the Directors (including non-executive Directors) has entered into a service contract with the Company for a term of three years. Mr. Su has entered into a service contract with the Company for a term of commencing from 16 March 2015 and ending on the expiry of the term of the fifth session of the Board.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Name of Directors	Attending training/briefing session	Reading materials
Executive Directors		
Mr. 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	√	√
Mr. Wong Hin Wing	√	√
Mr. Qu Jiu Hui	√	√
Mr. Su Qi Yun ( <i>Note</i> )	N/A	N/A

Except Mr. Su Qi Yun, who was appointed as an Independent non-executive Director on 16 March 2015, 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.

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.

## GENERAL MEETINGS WITH SHAREHOLDERS

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

Name of Directors	Attendance/Number of meeting(s) held
Executive Directors	
Mr. Zhang Wei Yang ( <i>Chairman</i> )	1/5
Mr. Chen Shu Sheng ( <i>Chief Executive</i> )	4/5
Mr. Li Yong Peng ( <i>Vice President</i> )	3/5
Non-executive Directors	
Mr. Feng Tao ( <i>Vice Chairman</i> )	3/5
Mr. Feng Bo ( <i>Note 1</i> )	3/3
Ms. Sun Ji Ping	3/5
Independent Non-executive Directors	
Mr. Ye Ru Tang ( <i>Note 2</i> )	3/3
Mr. Hao Ji Ming ( <i>Note 3</i> )	3/3
Mr. Wang Ji De ( <i>Note 4</i> )	4/5
Mr. Wong Hin Wing ( <i>Note 5</i> )	2/2
Mr. Qu Jiu Hui ( <i>Note 6</i> )	2/2
Mr. Su Qi Yun ( <i>Note 7</i> )	N/A
Average Attendance Rate	77.50%

# CORPORATE GOVERNANCE REPORT

## Note:

1. Mr. Feng Bo retired as a non-executive director on 10 June 2014. Mr. Feng attended 3 out of 3 general meetings held during his tenure in the year ended 31 December 2014.
2. Mr. Ye Ru Tang retired as an independent non-executive director on 10 June 2014. Mr. Ye attended 3 out of 3 general meetings held during his tenure in the year ended 31 December 2014.
3. Mr. Hao Ji Ming retired as an independent non-executive director on 10 June 2014. Mr. Hao attended 3 out of 3 general meetings held during his tenure in the year ended 31 December 2014.
4. Mr. Wang Ji De resigned as an independent non-executive director on 16 March 2015.
5. Mr. Wong Hin Wing was appointed as an independent non-executive director on 10 June 2014. Mr. Wong attended 2 out of 2 general meetings held during his tenure in the year ended 31 December 2014.
6. Mr. Qu Jiu Hui was appointed as an independent non-executive director on 10 June 2014. Mr. Qu attended 2 out of 2 general meetings held during his tenure in the year ended 31 December 2014.
7. Mr. Su Qi Yun was appointed as an independent non-executive director on 16 March 2015.

## 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. Qu Jiu Hui, Mr. Su Qi Yun and Mr. Wong Hin Wing. Mr. Wong Hin Wing 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 system.

The Audit Committee met 4 times during the Reporting Period to discuss the Group's quarterly and annual financial reports, and review the accounting principles and practices and internal controls adopted by the Group. The following table shows the attendance record of individual members of the Audit Committee:

<b>Name of Audit Committee members</b>	<b>Attendance/Number of meeting(s) held</b>
Mr. Wang Ji De (Note 1)	4/4
Mr. Ye Ru Tang (Note 2)	2/2
Mr. Hao Ji Ming (Note 3)	2/2
Mr. Wong Hin Wing (Chairman) (Note 4)	2/2
Mr. Qu Jiu Hui (Note 5)	2/2
Mr. Su Qi Yun (Note 6)	N/A
Average attendance rate	100%

**Notes:**

1. Mr. Wang Ji De resigned as an independent non-executive director on 16 March 2015. Prior to his resignation, he had acted as the chairman of the Audit Committee from the beginning of the Reporting Period until 10 June 2014 and as a member from 10 June 2014 until the end of the Reporting Period.
2. Mr. Ye Ru Tang retired as an independent non-executive director on 10 June 2014. Mr. Ye attended 2 out of 2 committee meetings held during his tenure in the year ended 31 December 2014.
3. Mr. Hao Ji Ming retired as an independent non-executive director on 10 June 2014. Mr. Hao attended 2 out of 2 committee meetings held during his tenure in the year ended 31 December 2014.
4. Mr. Wong Hin Wing was appointed as an independent non-executive director on 10 June 2014. Mr. Wong attended 2 out of 2 committee meetings held during his tenure in the year ended 31 December 2014.
5. Mr. Qu Jiu Hui was appointed as an independent non-executive director on 10 June 2014. Mr. Qu attended 2 out of 2 committee meetings held during his tenure in the year ended 31 December 2014.
6. Mr. Su Qi Yun was appointed as an independent non-executive director on 16 March 2015.

## 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. Su Qi Yun, Mr. Qu Jiu Hui and Mr. Wong Hin Wing. Mr. Su Qi Yun has been appointed as the chairman of the Remuneration and Appraisal Committee.

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

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

The Remuneration and Appraisal Committee met 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 during the Reporting Period:

Name of Remuneration and Appraisal Committee members	Attendance/Number of meeting(s) held
Mr. Ye Ru Tang ( <i>Note 1</i> )	2/2
Mr. Hao Ji Ming ( <i>Note 2</i> )	2/2
Mr. Wang Ji De ( <i>Note 3</i> )	3/3
Mr. Wong Hin Wing ( <i>Note 4</i> )	1/1
Mr. Qu Jiu Hui ( <i>Note 5</i> )	1/1
Mr. Su Qi Yun ( <i>Note 6</i> )	N/A
Average attendance rate	100%

**Notes:**

1. Mr. Ye Ru Tang retired as an independent non-executive director on 10 June 2014. Mr. Ye attended 2 out of 2 committee meetings held during his tenure in the year ended 31 December 2014.
2. Mr. Hao Ji Ming retired as an independent non-executive director on 10 June 2014. Mr. Hao attended 2 out of 2 committee meetings held during his tenure in the year ended 31 December 2014.
3. Mr. Wang Ji De resigned as an independent non-executive Director on 16 March 2015. Prior to his resignation, he had acted as the chairman of the Remuneration and Appraisal Committee since 10 June 2014 until the end of the Reporting Period.
4. Mr. Wong Hin Wing was appointed as an independent non-executive director on 10 June 2014. Mr. Wong attended 1 out of 1 committee meeting held during his tenure in the year ended 31 December 2014.
5. Mr. Qu Jiu Hui was appointed as an independent non-executive director on 10 June 2014. Mr. Qu attended 1 out of 1 committee meeting held during his tenure in the year ended 31 December 2014.
6. Mr. Su Qi Yun was appointed as an independent non-executive director on 16 March 2015.

# CORPORATE GOVERNANCE REPORT

## 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. Qu Jiu Hui and Mr. Wong Hin Wing, and one executive director, namely Mr. Zhang Wei Yang. Mr. Qu has been appointed as the chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the structure, size, composition, diversity policy and the independent element of the Board, and make recommendations to the Board regarding candidates to fill vacancies on the Board.

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 during the Reporting Period:

<b>Name of Nomination Committee members</b>	<b>Attendance/Number of meeting(s) held</b>
Mr. Hao Ji Ming ( <i>Note 1</i> )	2/2
Mr. Zhang Wei Yang	2/2
Mr. Ye Ru Tang ( <i>Note 2</i> )	2/2
Mr. Wong Hin Wing ( <i>Note 3</i> )	0/0
Mr. Qu Jiu Hui ( <i>Chairman</i> ) ( <i>Note 4</i> )	0/0
Average attendance rate	100%

*Notes:*

1. Mr. Hao Ji Ming retired as an independent non-executive director on 10 June 2014. Prior to his retirement, he had acted as the chairman of the Nomination Committee of the Company and Mr. Hao attended 2 out of 2 committee meetings held during his tenure in the year ended 31 December 2014.
2. Mr. Ye Ru Tang retired as an independent non-executive director on 10 June 2014. Mr. Ye attended 2 out of 2 committee meetings held during his tenure in the year ended 31 December 2014.
3. Mr. Wong Hin Wing was appointed as an independent non-executive director on 10 June 2014. No committee meeting was held during his tenure in the year ended 31 December 2014.
4. Mr. Qu Jiu Hui was appointed as an independent non-executive director on 10 June 2014. No committee meeting was held during his tenure in the year ended 31 December 2014.

## 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. Qu Jiu Hui. 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 during the Reporting Period:

Name of Strategic Development Committee members	Attendance/Number of meeting(s) held
Mr. Zhang Wei Yang ( <i>Chairman</i> )	1/1
Mr. Ye Ru Tang ( <i>Note 1</i> )	1/1
Mr. Feng Tao	1/1
Mr. Qu Jiu Hui ( <i>Note 2</i> )	0/0
Average attendance rate	100%

Note:

1. Mr. Ye Ru Tang retired as an independent non-executive director on 10 June 2014. Mr. Ye attended 1 out of 1 committee meeting held during his tenure in the year ended 31 December 2014.
2. Mr. Qu Jiu Hui was appointed as an independent non-executive director on 10 June 2014. No committee meeting was held during his tenure in the year ended 31 December 2014.

## AUDITORS' REMUNERATION

The remuneration paid to the Company's auditor, SHINEWING CERTIFIED PUBLIC ACCOUNTANTS, for audit services during the Reporting Period was in total RMB1,050,000. During the Reporting Period, there was no non-audit service provided by our external auditor.

## COMPANY SECRETARY

Ms. Wang Tian has been appointed as 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 raised by Shareholders.



# CORPORATE GOVERNANCE REPORT

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

Addressee: 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  
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 Relations".

## 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 2014, the Articles was amended to take into account of 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 24 April 2014 for details of the amendments made to the Articles pursuant to the issue of H shares and A shares.

Pursuant to the relevant requirements under the Guidelines for the Articles of Association of Listed Companies 《上市公司章程指引》 (as amended in 2014) and the Rules for the General Meetings of Shareholders of Listed Companies 《上市公司股東大會規則》 (as amended in 2014) promulgated by the CSRC and taking into account of the operations of the Company, the Articles was amended accordingly in order to meet the requirements under the said guidelines and rules. Please refer to the circular of the Company dated 29 August 2014 for details of the amendments made to the Articles.

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

## SENIOR MANAGEMENT'S REMUNERATION

Remuneration by band	Number of senior management
0 – RMB788,900 (approximately HKD1,000,000)	2
RMB788,900.79 – RMB1,577,800 (approximately HKD1,000,001 – HKD2,000,000)	3

Particulars regarding senior management's remuneration and the five individuals with highest emoluments for the Reporting Period are set out in the note XI.4(2) 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 Company's system of internal control includes a complete internal management system and approving procedures which apply to all members of the Group. The Group has formulated a comprehensive budget management system, pursuant to which, business plans and budgets are prepared annually by the management of subsidiaries and individual core businesses and subject to review and approval by the executive directors. 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 an internal audit function to ensure the effectiveness of its internal control system, as well as identify and prevent any potential risk. The head of internal audit submits working reports and recommendations on a regular basis to the executive directors. The 2014 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 42 of this report.

# REPORT OF THE AUDITORS

XYZH/2014SZA1026

## TO ALL 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 2014, 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 2014 and of their financial performance and their cash flows for the year then ended.

#### ShineWing Certified Public Accountants

**Wang Jianxin**

Chinese Certified Public Accountant

**Qiu Lequn**

Chinese Certified Public Accountant

Beijing, China

26 March 2015

# CONSOLIDATED BALANCE SHEET

31 December 2014

Unit: RMB

Item	Note	31/12/2014	31/12/2013
<b>Current Assets:</b>			
Bank balances and cash	VI.1	1,027,750,137.40	946,887,455.89
Financial assets at fair value through profit and loss	VI.2	2,054,460.00	2,007,400.00
Notes receivable	VI.3	78,904,823.06	54,051,330.29
Accounts receivable	VI.4	471,463,000.99	179,584,250.23
Prepayments	VI.5	62,972,114.89	102,659,646.18
Interest receivable			
Dividend receivable			
Other accounts receivable	VI.6	85,181,888.39	53,359,463.07
Inventories	VI.7	300,312,175.25	244,452,387.59
Assets classified to held for sale			
Non-current asset due within one year	VI.8	28,680,000.00	28,680,000.00
Other current assets	VI.9	183,696,635.45	15,000,000.00
<b>Total current assets</b>		<b>2,241,015,235.43</b>	1,626,681,933.25
<b>Non-current assets:</b>			
Available-for-sale financial assets	VI.10		1,800,000.00
Held-to-maturity investment			
Long-term accounts receivable	VI.11	102,098,599.96	56,310,000.00
Long-term equity investment	VI.12	101,383,642.95	101,756,310.18
Investment properties	VI.13	53,870,800.00	53,630,900.00
Fixed assets	VI.14	790,008,632.11	587,882,227.61
Construction in progress	VI.15	724,412,543.84	288,345,767.66
Engineering material			
Disposal of fixed assets			
Intangible assets	VI.16	503,966,799.34	439,039,924.10
Development expenditure			
Goodwill	VI.17	345,402,506.21	99,534,307.16
Long-term unamortized expenses	VI.18	1,578,863.29	1,882,667.43
Deferred income tax assets	VI.19	17,467,808.84	10,593,534.90
Other non-current assets	VI.20	104,265,197.84	
<b>Total non-current assets</b>		<b>2,744,455,394.38</b>	1,640,775,639.04
<b>Total assets</b>		<b>4,985,470,629.81</b>	3,267,457,572.29
<b>Current liabilities:</b>			
Short-term borrowings	VI.21	559,264,227.46	265,724,000.00
Financial liabilities at fair value through profit and loss			
Notes payable			
Accounts payable	VI.22	290,733,139.43	157,926,908.55
Receipts in advance	VI.23	34,837,458.01	38,376,562.90
Employee benefits payables	VI.24	48,915,674.57	33,478,555.80

# CONSOLIDATED BALANCE SHEET

31 December 2014

Unit: RMB

Item	Note	Year End Balance	Year Beginning Balance
Tax payable	VI.25	35,843,004.36	-109,901.02
Interest payable	VI.26	2,255,536.85	
Dividend payable	VI.27	1,593,150.00	
Other accounts payable	VI.28	176,415,524.54	46,631,782.14
Items classified to be held for sale liabilities in disposition group			
Non-current liabilities repayable within one year	VI.29	157,902,710.91	57,619,088.61
Other current liabilities	VI.30	9,657,786.27	6,073,444.20
<b>Total current liabilities</b>		<b>1,317,418,212.40</b>	605,720,441.18
<b>Non-current liabilities:</b>			
Long-term borrowings	VI.31	376,459,453.45	124,713,278.43
Bonds payable	VI.32	355,632,555.15	
Including: preferred shares			
Perpetual bond			
Long-term accounts payables	VI.33	6,162,843.75	19,079,554.71
Long-term employee benefits payables			
Special accounts payable			
Estimated liabilities			
Deferred income	VI.34	83,059,965.96	60,922,912.24
Deferred income tax liabilities	VI.19	1,992,514.63	1,721,720.00
Other non-current liabilities	VI.35	6,169,135.84	5,336,171.96
<b>Total non-current liabilities</b>		<b>829,476,468.78</b>	211,773,637.34
<b>Total liabilities</b>		<b>2,146,894,681.18</b>	817,494,078.52
<b>Shareholders' equity:</b>			
Share capital	VI.36	347,836,841.40	225,714,561.40
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserve	VI.37	874,710,682.20	855,365,333.07
Less: treasury share	VI.38	122,701,500.00	
Other comprehensive income	VI.39	-738,312.10	-327,356.22
Special reserves			
Surplus reserves	VI.40	133,231,913.01	110,735,300.43
Generic risk reserve			
Undistributed profits	VI.41	1,209,998,595.99	1,050,279,781.79
<b>Total equity attributable to shareholders of the Company</b>		<b>2,442,338,220.50</b>	2,241,767,620.47
Minority interests	VI.42	396,237,728.13	208,195,873.30
<b>Total shareholders' equity</b>		<b>2,838,575,948.63</b>	2,449,963,493.77
<b>Total liabilities and shareholders' equity</b>		<b>4,985,470,629.81</b>	3,267,457,572.29

**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 2014

Unit: RMB

Item	Note	31/12/2014	31/12/2013
<b>Current assets:</b>			
Bank balances and cash	XVII.1	<b>718,896,468.89</b>	548,300,795.08
Financial assets at fair value through profit and loss	XVII.2	<b>2,054,460.00</b>	2,007,400.00
Notes receivable	XVII.3	<b>50,586,141.65</b>	46,118,446.38
Accounts receivable	XVII.4	<b>176,279,053.50</b>	90,214,471.70
Prepayments	XVII.5	<b>161,959,188.72</b>	24,422,551.27
Interest receivable			
Dividend receivable			
Other accounts receivable	XVII.6	<b>933,650,930.73</b>	608,277,237.02
Inventories	XVII.7	<b>34,816,504.03</b>	20,571,448.65
Assets classified to held for sale			
Non-current asset due within one year	XVII.8	<b>28,680,000.00</b>	28,680,000.00
Other current assets	XVII.9	<b>8,265,832.66</b>	
<b>Total current assets</b>		<b>2,115,188,580.18</b>	1,368,592,350.10
<b>Non-current assets:</b>			
Available-for-sale financial assets	XVII.10		1,800,000.00
Held-to-maturity investment			
Long-term accounts receivable	XVII.11	<b>102,098,599.96</b>	56,310,000.00
Long-term equity investment	XVII.12	<b>1,666,552,933.60</b>	1,109,421,335.71
Investment properties	XVII.13	<b>53,870,800.00</b>	53,630,900.00
Fixed assets	XVII.14	<b>183,677,239.73</b>	170,575,660.17
Construction in progress	XVII.15	<b>67,723,165.91</b>	45,922,380.48
Engineering material			
Disposal of fixed assets			
Intangible assets	XVII.16	<b>90,754,826.98</b>	72,306,769.56
Development expenditure			
Goodwill			
Long-term unamortized expenses	XVII.17		961,999.98
Deferred income tax assets	XVII.18	<b>11,040,843.44</b>	7,606,601.09
Other non-current assets	XVII.19	<b>14,758,129.50</b>	9,036,792.00
<b>Total non-current assets</b>		<b>2,190,476,539.12</b>	1,527,572,438.99
<b>Total assets</b>		<b>4,305,665,119.30</b>	2,896,164,789.09

# BALANCE SHEET OF THE COMPANY

31 December 2014

Unit: RMB

Item	Note	31/12/2014	31/12/2013
<b>Current liabilities:</b>			
Short-term borrowings	XVII.20	<b>484,576,227.46</b>	250,000,000.00
Financial liabilities at fair value through profit and loss			
Notes payable			
Accounts payable	XVII.21	<b>148,575,737.11</b>	98,906,191.34
Receipts in advance	XVII.22	<b>27,547,961.59</b>	12,459,091.88
Employee benefits payables	XVII.23	<b>32,660,328.58</b>	21,078,640.01
Tax payable	XVII.24	<b>24,111,747.57</b>	9,719,578.36
Interest payable	XVII.25	<b>2,255,536.85</b>	
Dividend payable	XVII.26	<b>1,593,150.00</b>	
Other accounts payable	XVII.27	<b>398,925,385.60</b>	177,265,792.97
Items classified to be held for sale liabilities in disposition group			
Non-current liabilities repayable within one year	XVII.28	<b>111,500,000.00</b>	11,000,000.00
Other current liabilities	XVII.29	<b>2,173,549.75</b>	2,506,883.09
<b>Total current liabilities</b>		<b>1,233,919,624.51</b>	582,936,177.65
<b>Non-current liabilities:</b>			
Long-term borrowings	XVII.30	<b>285,400,000.00</b>	64,500,000.00
Bonds payable	XVII.31	<b>355,632,555.15</b>	
Including: preferred shares			
Perpetual bond			
Long-term accounts payable			
Long-term employee benefits payable			
Special accounts payable			
Estimated liabilities			
Deferred income	XVII.32	<b>25,502,696.12</b>	17,749,149.19
Deferred income tax liabilities	XVII.18	<b>1,992,514.63</b>	1,721,720.00
Other non-current liabilities	XVII.33	<b>2,309,000.00</b>	2,686,000.00
<b>Total non-current liabilities</b>		<b>670,836,765.90</b>	86,656,869.19
<b>Total liabilities</b>		<b>1,904,756,390.41</b>	669,593,046.84
<b>Shareholders' equity:</b>			
Share capital	XVII.34	<b>347,836,841.40</b>	225,714,561.40
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserve	XVII.35	<b>935,440,478.92</b>	916,095,129.79
Less: treasury share	XVII.36	<b>122,701,500.00</b>	
Other comprehensive income			
Special reserves			
Surplus reserves	XVII.37	<b>119,186,157.89</b>	96,689,545.31
Undistributed profits	XVII.38	<b>1,121,146,750.68</b>	988,072,505.75
<b>Total shareholders' equity</b>		<b>2,400,908,728.89</b>	2,226,571,742.25
<b>Total liabilities and shareholders' equity</b>		<b>4,305,665,119.30</b>	2,896,164,789.09

Zhang Wei Yang  
Legal representative:

Tian Hua Chen  
Chief Financial Officer:

Wang Min Yan  
Head of Financial Section:

# CONSOLIDATED INCOME STATEMENT

For Year 2014

Unit: RMB

Item	Note	2014	2013
<b>I. Total operating revenue</b>		<b>2,047,511,528.29</b>	1,582,936,364.20
Including: operating revenue	VI.46	<b>2,047,511,528.29</b>	1,582,936,364.20
<b>II. Total operating cost</b>		<b>1,781,151,044.46</b>	1,378,911,762.92
Including: Cost of operation	VI.46	<b>1,382,201,109.45</b>	1,100,398,704.00
Sales tax and levies	VI.48	<b>9,596,811.00</b>	9,421,694.40
Selling expenses	VI.49	<b>32,464,521.51</b>	38,287,887.95
Administrative expenses	VI.50	<b>284,962,606.10</b>	221,405,603.84
Finance costs	VI.51	<b>24,204,951.38</b>	1,469,229.49
Impairment loss for assets	VI.52	<b>47,721,045.02</b>	7,928,643.24
Add: Gain (loss) on fair value changes	VI.53	<b>713,150.00</b>	-1,049,660.00
Investment income	VI.54	<b>36,165,521.77</b>	35,875,929.19
Share of profit (loss) in associates and jointly controlled entity		<b>32,105,728.07</b>	22,427,932.85
Exchange gain (loss)			
<b>III. Operating profit (Loss represented in “-” signs)</b>		<b>303,239,155.60</b>	238,850,870.47
Add: Non-operating income	VI.55	<b>29,150,448.19</b>	38,108,156.35
Including: Disposal income on non-current asset		<b>326,537.55</b>	556,188.45
Less: Non-operating expenses	VI.56	<b>10,876,751.04</b>	5,481,719.48
Including: Disposal loss on non-current asset		<b>2,357,064.94</b>	2,442,601.41
<b>IV. Total Profit (Loss)</b>		<b>321,512,852.75</b>	271,477,307.34
Less: Income tax expenses	VI.57	<b>39,045,324.21</b>	27,839,095.95
<b>V. Net profit (Loss)</b>		<b>282,467,528.54</b>	243,638,211.39
Net profit attributable to shareholders of the Company		<b>251,610,695.08</b>	208,282,106.18
Profit and loss attributable to minority interests		<b>30,856,833.46</b>	35,356,105.21
<b>VI. Other comprehensive income, net of tax</b>	VI.63	<b>-410,955.88</b>	-346,913.01
Other comprehensive income to shareholders of the Company, net of tax		<b>-410,955.88</b>	-346,913.01
(1) Items cannot be classified to profit and loss in future periods			
(2) Items can be classified to profit and loss when qualified in the future periods		<b>-410,955.88</b>	-346,913.01
1. Exchange difference on translation of financial statement in foreign currency		<b>-410,955.88</b>	-346,913.01
Other comprehensive income attributable to minority interests, net of tax			
<b>VII. Total comprehensive income</b>		<b>282,056,572.66</b>	243,291,298.38
Attributable to shareholders of the Company		<b>251,199,739.20</b>	207,935,193.17
Attribute to minority interests		<b>30,856,833.46</b>	35,356,105.21
<b>VIII. Earnings per share</b>			
(1) Basic earnings per share	VI.62	<b>0.74</b>	0.61
(2) Diluted earnings per share	VI.62	<b>0.74</b>	0.61

**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 2014

Unit: RMB

Item	Note	2014	2013
<b>I. Operating revenue</b>	XVII.42	<b>1,092,413,391.82</b>	875,831,635.75
<b>Less: Operating cost</b>	XVII.42	<b>716,913,934.40</b>	612,041,782.85
Sales tax and levies	XVII.43	<b>3,793,289.75</b>	3,888,609.68
Selling expenses	XVII.44	<b>13,364,910.24</b>	12,011,502.66
Administrative expenses	XVII.45	<b>141,806,205.54</b>	107,562,546.80
Finance costs	XVII.46	<b>18,400,280.85</b>	-3,424,476.29
Impairment loss for assets	XVII.47	<b>5,711,735.25</b>	6,204,017.63
Add: Gain (loss) on fair value changes	XVII.48	<b>713,150.00</b>	-1,049,660.00
Investment income	XVII.49	<b>52,287,126.99</b>	52,682,604.48
Share of profit (loss) in associates and jointly controlled entity		<b>32,105,728.07</b>	22,427,932.85
<b>II. Operating profit (Loss represented in "-" signs)</b>		<b>245,423,312.78</b>	189,180,596.90
Add: Non-operating income	XVII.50	<b>12,699,438.18</b>	7,849,347.67
Including: Disposal income on non-current asset		<b>106,630.00</b>	11,016.21
Less: Non-operating expenses	XVII.51	<b>7,343,711.97</b>	2,700,859.52
Including: Disposal loss on non-current asset		<b>1,649,219.08</b>	679,807.17
<b>III. Total Profit (Loss)</b>		<b>250,779,038.99</b>	194,329,085.05
Less: Income tax expenses	XVII.52	<b>25,812,913.18</b>	18,708,458.14
<b>IV. Net profit (Loss)</b>		<b>224,966,125.81</b>	175,620,626.91
<b>V. Other comprehensive income, net of tax</b>			
(1) Items cannot be classified to profit and loss in future periods			
(2) Items can be classified to profit and loss when qualified in the future periods			
<b>VI. Total comprehensive income</b>		<b>224,966,125.81</b>	175,620,626.91
<b>VII. Earnings per share</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer:

**Wang Min Yan**  
Head of Financial Section:

# CONSOLIDATED CASH FLOW STATEMENT

For Year 2014

Unit: RMB

Item	Note	2014	2013
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		<b>1,999,171,282.20</b>	1,752,851,804.69
Refund of taxes and levies		<b>6,854,365.19</b>	7,393,382.98
Other cash receipts relating to operating activities	VI.65	<b>57,789,358.39</b>	93,877,558.71
<b>Sub-total of cash inflows from operating activities</b>		<b>2,063,815,005.78</b>	1,854,122,746.38
Cash paid for goods and services		<b>1,306,738,725.53</b>	1,070,439,821.57
Cash paid to and on behalf of employees		<b>256,946,664.68</b>	197,212,869.87
Payments of taxes and levies		<b>123,401,979.13</b>	130,068,483.20
Other cash payments relating to operating activities	VI.65	<b>211,190,231.09</b>	112,415,513.71
<b>Sub-total of cash outflows from operating activities</b>		<b>1,898,277,600.43</b>	1,510,136,688.35
<b>Net cash flows from operating activities</b>		<b>165,537,405.35</b>	343,986,058.03
<b>II. Cash flows from investing activities</b>			
Cash received from investments		<b>554,760.00</b>	752,711.63
Cash received from returns on investments		<b>37,350,503.19</b>	1,503,406.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>548,001.78</b>	347,698.55
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>38,453,264.97</b>	2,603,816.29
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>500,956,254.16</b>	317,855,221.30
Cash paid on investments		<b>116,000,000.00</b>	14,940,891.67
Net cash paid on acquisition of subsidiaries and other operating units		<b>362,567,710.32</b>	107,736,653.63
Other cash payments relating to investing activities	VI.65	<b>28,780,000.00</b>	21,563,258.78
<b>Sub-total cash outflows from investing activities</b>		<b>1,008,303,964.48</b>	462,096,025.38
<b>Net cash flows used in investing activities</b>		<b>-969,850,699.51</b>	-459,492,209.09

# CONSOLIDATED CASH FLOW STATEMENT

For Year 2014

Unit: RMB

Item	Note	2014	2013
<b>III. Cash flows from financing activities</b>			
Cash received from financing		<b>132,217,700.00</b>	
Including: Cash received by subsidiaries from investment from minority shareholders		<b>4,480,000.00</b>	
Cash received from borrowings		<b>1,094,598,243.11</b>	417,615,000.00
Cash received from issuing bonds		<b>350,000,000.00</b>	
Cash received from other financing activities	VI.65	<b>8,560,000.00</b>	6,593,250.00
<b>Sub-total cash inflows from financing activities</b>		<b>1,585,375,943.11</b>	424,208,250.00
Cash payments for settlement of borrowings		<b>541,900,708.52</b>	279,182,069.60
Cash payments for interest expenses, distribution of dividend or interests		<b>128,164,453.68</b>	84,452,787.44
Including: cash payments for distribution of dividends and profit by subsidiaries to minority shareholders		<b>23,140,000.00</b>	6,327,500.00
Other cash payments relating to financing activities	VI.65	<b>21,164,968.23</b>	26,732,249.48
<b>Sub-total cash outflows from financing activities</b>		<b>691,230,130.43</b>	390,367,106.52
<b>Net cash flows from financing activities</b>		<b>894,145,812.68</b>	33,841,143.48
<b>IV. Effect of foreign exchange rate changes</b>		<b>-410,955.88</b>	-346,913.01
<b>V. Net Increase in cash and cash equivalents</b>		<b>89,421,562.64</b>	-82,011,920.59
Add: Cash and cash equivalents at beginning of year		<b>934,877,455.89</b>	1,016,889,376.48
<b>VI. Cash and cash equivalents at end of year</b>		<b>1,024,299,018.53</b>	934,877,455.89

**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 Year 2014

Unit: RMB

Item	Note	2014	2013
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		<b>1,062,700,399.34</b>	941,189,090.69
Refund of taxes and levies			
Other cash receipts relating to operating activities	XVII. 56	<b>66,110,531.32</b>	138,539,269.31
<b>Sub-total of cash inflows from operating activities</b>		<b>1,128,810,930.66</b>	1,079,728,360.00
Cash paid for goods and services		<b>745,973,691.25</b>	646,659,410.48
Cash paid to and on behalf of employees		<b>101,984,674.08</b>	97,712,975.16
Payments of taxes and levies		<b>41,450,607.12</b>	62,227,212.22
Other cash payments relating to operating activities	XVII. 56	<b>98,696,573.20</b>	97,435,873.39
<b>Sub-total of cash outflows from operating activities</b>		<b>988,105,545.65</b>	904,035,471.25
<b>Net cash flows from operating activities</b>		<b>140,705,385.01</b>	175,692,888.75
<b>II. Cash flows from investing activities</b>			
Cash received from investments		<b>648,995.23</b>	752,711.63
Cash received from returns on investments		<b>53,249,303.18</b>	27,643,405.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			29,500.00
Net cash received from disposal of subsidiaries and other operating units			3,300,000.00
Other cash receipts relating to investing activities			
<b>Sub-total cash inflows from investing activities</b>		<b>53,898,298.41</b>	31,725,616.65
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>113,996,721.95</b>	101,449,777.90
Cash paid on investments		<b>48,733,500.00</b>	84,180,000.00
Net cash paid on acquisition of subsidiaries and other operating units		<b>479,956,500.00</b>	117,903,404.82
Other cash payments relating to investing activities	XVII. 56	<b>299,530,000.00</b>	269,172,021.77
<b>Sub-total cash outflows from investing activities</b>		<b>942,216,721.95</b>	572,705,204.49
<b>Net cash flows from investing activities</b>		<b>-888,318,423.54</b>	-540,979,587.84

# CASH FLOW STATEMENT OF THE COMPANY

For Year 2014

Unit: RMB

Item	Note	2014	2013
<b>III. Cash flows from financing activities</b>			
Cash received from investments		<b>122,701,500.00</b>	
Cash received from borrowings		<b>1,016,263,118.31</b>	380,000,000.00
Cash received from issuing bonds		<b>350,000,000.00</b>	
Cash received from other financing activities	<i>XVII. 56</i>	<b>8,560,000.00</b>	6,560,000.00
<b>Sub-total cash inflows from financing activities</b>		<b>1,497,524,618.31</b>	386,560,000.00
Cash payments for settlement of borrowings		<b>460,286,890.85</b>	68,500,000.00
Cash payments for interest expenses, distribution of dividend or interests		<b>102,653,146.00</b>	69,650,397.06
Other cash payments relating to financing activities	<i>XVII. 56</i>	<b>7,815,869.12</b>	11,640,000.00
<b>Sub-total cash outflows from financing activities</b>		<b>570,755,905.97</b>	149,790,397.06
<b>Net cash flows from financing activities</b>		<b>926,768,712.34</b>	236,769,602.94
<b>IV. Effect of foreign exchange rate changes</b>			19,693.18
<b>V. Net Increase in cash and cash equivalents</b>		<b>179,155,673.81</b>	-128,497,402.97
Add: Cash and cash equivalents at beginning of year		<b>539,240,795.08</b>	667,738,198.05
<b>VI. Cash and cash equivalents at end of year</b>		<b>718,396,468.89</b>	539,240,795.08

**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

Year 2014

Unit: RMB

Item	The Year							
	Attributable to shareholders of the Company							Total Shareholders' Equity
	Share Capital	Capital Reserve	Less: Treasury Share	Other Consolidated Income	Surplus Reserve	Undistributed Profits	Minority Interests	
<b>I. Balance at the end of last year</b>	225,714,561.40	855,365,333.07		-327,356.22	110,735,300.43	1,050,279,781.79	208,195,873.30	2,449,963,493.77
Add: changes in accounting policy								
Correction of previous years								
Combination of entities under common control								
Others								
<b>II. Balance at beginning of year</b>	225,714,561.40	855,365,333.07		-327,356.22	110,735,300.43	1,050,279,781.79	208,195,873.30	2,449,963,493.77
<b>III. Movement of the year</b>								
(Minus represented by "-" signs)	122,122,280.00	19,345,349.13	122,701,500.00	-410,955.88	22,496,612.58	159,718,814.20	188,041,854.83	388,612,454.86
(1) Total comprehensive income				-410,955.88		251,610,695.08	30,856,833.46	282,056,572.66
(2) Contribution from shareholders and reduction of capital	6,340,000.00	135,127,629.13	122,701,500.00				172,325,021.37	191,091,150.50
1. Injection of ordinary shares from shareholders							4,480,000.00	4,480,000.00
2. Injection from holders of other equity instruments								
3. Share-based payment included in the amount of stockholders' equity	6,340,000.00	135,127,629.13	122,701,500.00					18,766,129.13
4. Others							167,845,021.37	167,845,021.37
(3) Profits appropriation					22,496,612.58	-91,891,880.88	-15,140,000.00	-84,535,268.30
1. Extract from surplus reserve					22,496,612.58	-22,496,612.58		
2. Extract from general risk reserve								
3. Distribution to holders (or shareholders)						-69,395,268.30	-15,140,000.00	-84,535,268.30
4. Others								
(4) Internal transfer of shareholders' equity	115,782,280.00	-115,782,280.00						
1. Transfer of capital reserve to share capital	115,782,280.00	-115,782,280.00						
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to compensate deficit								
4. Others								
(5) Special reserve								
1. Extract this year								
2. Usage this year								
(6) Others								
<b>IV. Balance at end of year</b>	347,836,841.40	874,710,682.20	122,701,500.00	-738,312.10	133,231,913.01	1,209,998,595.99	396,237,728.13	2,838,575,948.63

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2014

Unit: RMB

Item	Last Year								Total Shareholders' Equity
	Attributable to shareholders of the Company								
	Share Capital	Capital Reserve	Less: Treasury Share	Other Consolidated Income	Special Reserve	Surplus Reserve	Undistributed Profits	Minority Interests	
<b>I. Balance at the end of last year</b>	150,476,374.40	930,603,520.07		19,556.79		93,173,237.74	919,750,287.90	178,923,044.64	2,272,946,021.54
Add: changes in accounting policy									
Correction of previous years									
Combination of entities under common control									
Others									
<b>II. Balance at beginning of year</b>	150,476,374.40	930,603,520.07		19,556.79		93,173,237.74	919,750,287.90	178,923,044.64	2,272,946,021.54
<b>III. Movement of the year</b>									
<b>(Minus represented by "-" signs)</b>	75,238,187.00	-75,238,187.00		-346,913.01		17,562,062.69	130,529,493.89	29,272,828.66	177,017,472.23
(1) Total comprehensive income				-346,913.01			208,282,106.18	35,356,105.21	243,291,298.38
(2) Contribution from shareholders and reduction of capital								12,404,223.45	12,404,223.45
1. Injection of ordinary shares from shareholders								4,900,000.00	4,900,000.00
2. Injection from holders of other equity instruments									
3. Share-based payment included in the amount of Stockholders' equity									
4. Others								7,504,223.45	7,504,223.45
(3) Profits appropriation						17,562,062.69	-77,752,612.29	-18,487,500.00	-78,678,049.60
1. Extract from surplus reserve						17,562,062.69	-17,562,062.69		
2. Extract from general risk reserve									
3. Distribution to holders (or shareholders)							-60,190,549.60	-18,487,500.00	-78,678,049.60
4. Others									
(4) Internal transfer of shareholders' equity	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									
(5) Special reserve									
1. Extract this year									
2. Usage this year									
(6) Others									
<b>IV. Balance at end of year</b>	225,714,561.40	855,365,333.07		-327,356.22		110,735,300.43	1,050,279,781.79	208,195,873.30	2,449,963,493.77

**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

Year 2014

Unit: RMB

Item	The Year							Total Shareholders' Equity
	Share Capital	Capital Reserve	Less: Treasury Share	Other Consolidated Income	Special Reserve	Surplus Reserve	Undistributed Profit	
<b>I. Balance at the end of last year</b>	225,714,561.40	916,095,129.79				96,689,545.31	988,072,505.75	2,226,571,742.25
Add: changes in accounting policy								
Correction of previous years								
Others								
<b>II. Balance at beginning of year</b>	225,714,561.40	916,095,129.79				96,689,545.31	988,072,505.75	2,226,571,742.25
<b>III. Movement of the year</b>								
(Minus represented by "-" signs)	122,122,280.00	19,345,349.13	122,701,500.00			22,496,612.58	133,074,244.93	174,336,986.64
(1) Total comprehensive income							224,966,125.81	224,966,125.81
(2) Contribution from shareholders and reduction of capital	6,340,000.00	135,127,629.13	122,701,500.00					18,766,129.13
1. Injection of ordinary shares from shareholders								
2. Injection from holders of other equity instruments								
3. Share-based payment included in the amount of stockholders' equity	6,340,000.00	135,127,629.13	122,701,500.00					18,766,129.13
4. Others								
(3) Profits appropriation						22,496,612.58	-91,891,880.88	-69,395,268.30
1. Extract from surplus reserve						22,496,612.58	-22,496,612.58	
2. Distribution to holders (or shareholders)							-69,395,268.30	-69,395,268.30
3. Others								
(4) Internal transfer of shareholders' equity	115,782,280.00	-115,782,280.00						
1. Transfer of capital reserve to share capital	115,782,280.00	-115,782,280.00						
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to compensate deficit								
4. Others								
(5) Special reserve								
1. Extract this year								
2. Usage this year								
(6) Others								
<b>IV. Balance at end of year</b>	347,836,841.40	935,440,478.92	122,701,500.00			119,186,157.89	1,121,146,750.68	2,400,908,728.89



# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Year 2014

Unit: RMB

Item	Share Capital	Capital Reserve	Last Year		Special Reserve	Surplus Reserve	Undistributed Profit	Total Shareholders' Equity
			Less: Treasury Share	Other Consolidated Income				
<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>								
<b>(Minus represented by "-" signs)</b>	75,238,187.00	-75,238,187.00				17,562,062.69	97,868,014.62	115,430,077.31
(1) Total comprehensive income							175,620,626.91	175,620,626.91
(2) Contribution from shareholders and reduction of capital								
1. Injection of ordinary shares from shareholders								
2. Injection from holders of other equity instruments								
3. Share-based payment included in the amount of stockholders' equity								
4. Others								
(3) Profits appropriation						17,562,062.69	-77,752,612.29	-60,190,549.60
1. Extract from surplus reserve						17,562,062.69	-17,562,062.69	
2. Distribution to shareholders							-60,190,549.60	-60,190,549.60
3. Others								
(4) Internal transfer of shareholders' equity	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								
(5) Special reserve								
1. Extract this year								
2. Usage this year								
(6) 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

**Zhang Wei Yang**  
Legal representative:

**Tian Hua Chen**  
Chief Financial Officer:

**Wang Min Yan**  
Head of Financial Section:

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(Unless otherwise stated, the notes to 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 incorporated as a joint stock limited company in the People’s Republic of China (the “PRC”) in accordance with the Company Law of the PRC on 18 July 2002. 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 approval of Shenzhen Municipal Government Shen Fu Gu [2002] No. 26, 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 by its 7 shareholders, also the promoters 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. The net assets value of the original Shenzhen Dongjiang Environmental Technology Limited Company as at 31 March 2002 amounted to RMB46,565,460.00 and was converted on 1 to 1 basis into 46,565,460 shares of the Company at RMB1.00 per share. The Company obtained business registration licence on 18 July 2002 with registered share capital of RMB46, 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 RMB0.10 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, thereafter share capital of the Company was RMB62,738,187.20.

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 share for every 1 share held by the shareholders. Share capital of the Company was then increased by RMB62,738,187.20 by issuing 627,381,872 shares at par value of RMB0.1 per share and 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, share capital of the Company amounted to RMB125,476,374.40, 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 with stock code of 00895.

Pursuant to the approval of Shenzhen Market Administration Notice (Record) [2010] No. 3185143, name of the Company was changed to Dongjiang Environmental Company Limited on 10 December 2010.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(Unless otherwise stated, the notes to 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 RMB150,476,374.40. 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 Company distributed a cash dividend of RMB4.00 for every 10 shares (tax inclusive), based on the total share capital of 150,476,374 shares as at 31 December 2012, total cash dividends distributed amounted to RMB60,190,549.60. The retaining earnings carry over to the subsequent periods. Meanwhile, based on the total share capital of 150,476,374 shares as at the end of 2012, the Company transferred 5 shares for each existing 10 shares from capital reserve to the registered capital, upon which 75,238,187 shares in total were transferred. Since then, total share capital has increased to 225,714,561 shares.

On 13 January 2014, pursuant to the resolution approved on the first extraordinary shareholders meeting of the Company in 2014, the first class meeting of the holders of A shares in 2014, the first class meeting of the holders of H shares in 2014 and passed on the 56th board meeting of the forth Board of Directors, the Company issued an additional 5,850,000.00 shares at the price of RMB19.37 per share, pursuant to the share incentive scheme, amount invested totaled RMB113,314,500.00, the granting date was 23 January 2014, fully paid up by one-off payment by the 104 original shareholders of the Company and the registered capital of the Company was RMB231,564,561.00 thereafter.

On 10 June 2014, as passed on the 2013 general meeting and class meetings of the Company, the Company issued an additional 5 shares for every 10 shares held by each shareholder out of the capital reserve based on the total capital of 231,564,561 shares, totaling an addition of 115,782,280 shares, upon which the registered capital of the Company amounted to RMB347,346,841.00.

On 20 November 2014, upon passing the “Resolution in relation to the repurchase and cancellation of granted but not yet unlocked restrictive shares held by former incentive participants” on the 13th meeting of the fifth Board of Directors and the sixth meeting of the fifth Supervisory Committee, since the original incentive participants of the Company Su Shiyong, Chen Jinfang, Xue Chengbing and Chen Shi had resigned from the Company and were not qualified under the conditions of the incentive scheme, the Company decided to repurchase and cancel a total of 390,000 restrictive shares granted to them but not yet unlocked, thus the registered capital of the Company decreased from RMB347,346,841 to RMB346,956,841.

Pursuant to the resolution approved on the first extraordinary shareholders meeting in 2014, the first class meeting of holders of A shares in 2014, the first class meeting of holders of H shares in 2014, the 13th meeting of the fifth Board of Directors and the 14th meeting of the fifth Board of Directors, the Company reserved a total of 880,000 restrictive shares, part of the restrictive shares as incentive to grant to 66 individuals, upon which the registered capital was RMB347,836,841.00.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## I. GENERAL INFORMATION (Continued)

As at 31 December 2014, the share capital and capital structure of the Company were as follows:

	Number of Shares (shares)	Proportion of Shareholdings (%)
<b>I. Selling Restricted Shares</b>		
1. Incentive restricted shares	9,265,000.00	2.66
2. Shares held by senior management	4,971,880.00	1.43
3. Individual shares before IPO	126,971,616.00	36.50
	141,208,496.00	40.59
<b>II. Selling Unrestricted Shares</b>		
1. RMB ordinary shares	126,573,345.00	36.39
2. overseas listed foreign shares	80,055,000.00	23.02
	206,628,345.00	59.41
<b>III. Total shares</b>	347,836,841.00	100.00

As at 31 December 2014, the Company had 347,840,000 shares in total, of which 206,630,000 shares were tradable shares, representing 59.41% of total capital; 141,210,000 shares were non-tradable shares, representing 40.59% 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; renewable resources recycling operations; new energy technology development.

The major products of the Group include 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.

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 and EHS Department. Major branches include Shajing Treatment Base and Engineering branch.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group covers 46 companies including Dongjiang Heritage, Longgang Dongjiang, Huizhou Dongjiang, Qiandeng Wastes Treatment, Qingyuan Xinlv, Qingyuan Dongjiang, Jiaxing Deda, Dongguan Hengjian, Xiamen Luzhou Environmental (full name of subsidiaries listed under Note 8.1). Compared with last year, 13 subsidiaries including Xiamen Luzhou Environmental, Yancheng Yanhai Solid Wastes and Jiangxi Kangtai were added as a result of business combination of enterprises not under common control, and 4 new subsidiaries have been established, including Dongjiang Kaida, Jiangxi Dongjiang and Shaoxing Dongjiang.

## III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

### 1. Basis for preparation

The financial statement of the Group is made based on the going concern and the transaction and trade actually occurred and in line with Accounting Standards for Enterprises – Basic Standards issued by Ministry of Finance and other relevant regulations (hereinafter referred to as Accounting Standard for Business Enterprises), as well as Information Disclosure Rule for the Companies Public Offering Securities, No.15 – General Provisions for Financial Statement (revised in 2014) issued by China Securities Regulatory Commission, the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and Hong Kong Companies Ordinance. The financial statement of the Group is also made based on the Accounting Policies and Estimates applied for the Group.

### 2. Going concern

The Group recorded recent operating profit and is supported by financial resources, thus the preparation of financial statements based on the going concern basis is considered reasonable.

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statements for the year 2014 have been prepared in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of information such as financial position, the results of operation and the cash flows of the Group as at 31 December 2014.

### 2. Accounting year

The accounting year is from 1 January to 31 December.

### 3. Reporting currency

The functional currency of the Company and its domestic subsidiaries is Renminbi (“RMB”). The functional currency for the oversea 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

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 4. Accounting treatments for a business combination involving enterprises under and not under common control

The assets and liabilities obtained by the Group (as the acquirer) by business combination under common control, are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations adjusted to capital reserve. If the balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination under common control are measured at fair value. The cost of business combination is the fair value of consideration, including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and the sum of all expenses incurred during the business combination (For business combination achieved in stages, the cost of combination is the sum of cost for each single transaction). Goodwill is recognized by the difference between the cost of business combination over the fair value of net identifiable assets acquired. If cost of business combination less than fair value of net identifiable assets of the acquiree, review fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities firstly. After review, if fair value of net identifiable assets of the acquiree still excess the cost of business combination, it will be recognized in non-operating income for the current period.

### 5. Preparation of consolidated financial statements

The scope of consolidated financial statements includes the Company and its controlled subsidiaries.

When preparing the consolidated financial statements, if the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing consolidated financial statements, all significant internal transactions, balances and un-realised profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the parent company, and proportion of profit or loss for the current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under "equity of minority shareholders, profit or loss of minority shareholders, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to the minority shareholders".

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the beginning of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existing since the final controller started control.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

For shareholding of the investee under common control through different transactions in stages which ultimately constitute a business combination, the accounting method under the combined financial statement should be disclosed during the reporting period when control was obtained. For example, shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, shall be regarded as the final controller started the control and adjustment was made under current status. When preparing comparative financial statements, time limit is the time not earlier than the Group and the investee are both under the control of final controller, related assets and liabilities of the investee shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets added due to combination adjusted related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the investee, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the acquire are under the same control, whichever is earlier, to the date of combination, the related profit or loss recognized, other comprehensive income and other change in assets, shall be written off retained income at the beginning of the comparative period and profit or loss for the current period.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, for shareholding of the investee which was holding before the date of acquisition, have to be remeasured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for the current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, and change to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the Group loss control in the investee due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for the current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for the current period upon loss of control.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loss control through disposal of shareholding in subsidiaries belongs to package deal, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary, shall be recognized as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for the current period upon loss of control.

### 6. Classification of joint arrangement and accounting method for joint operation

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, recognizes assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assumes in proportion, and related income and fees will be recognized according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or sale under joint operation that do not constitute business, only when profit or loss incurred from that transaction attributable to the other parties under the joint operation.

### 7. Cash and cash equivalents

Cash in the cash flow statement of the Group indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid that are easily convertible to known amounts of cash and subject to an insignificant risk of value change.

### 8. 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 the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for from the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalised, the exchange difference is accounted into profit and loss for the period. For non-monetary accounts measured in foreign currency under historical cost method, the foreign currency is also translated into RMB at the spot exchange rate. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognized which is applied and the exchange difference is accounted into profit and loss for the period as a result of fair value change, or recognized as other comprehensive income and recorded into capital reserves.



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 8. Foreign currency transactions and translation of financial statements denominated in foreign currencies *(Continued)*

#### *(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 presented under the item of other comprehensive income. 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.

### 9. Financial assets and financial liabilities

When the Group becomes a party in the financial instrument contract, a financial asset or financial liability will be recognized.

#### *(1) Financial assets*

##### 1) Classification of financial assets, basis of recognition and method of measurement

The Group classified financial assets into financial assets at fair market value through profit or loss, held-to-maturity investments, receivables and financial assets available for sale according to the investment purpose and the economic stance.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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

##### 1) Classification of financial assets, basis of recognition and method of measurement *(Continued)*

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated into financial assets at profit or loss at initial recognition. Financial asset is classified as held for trading if one of the following conditions is satisfied: It has been acquired principally for the purpose of selling in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or the financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; hybrid instruments which contain one or more embedded derivatives, unless the embedded derivatives does not have a substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from the relevant hybrid instruments; hybrid instruments that have to be separated but cannot be individually measured after it has been obtained or the balance sheet date afterwards. Such kind of financial assets designated by the Group mainly includes listed equity instrument investments under financial assets held for trading. The Group applies subsequent measurement based on fair value in respect of such kind of financial assets. Changes in fair values include in the fair value profit or loss; interests or cash dividends obtained during the period of holding assets, shall be recognized as investment income; difference between the fair value and the amount initial record, recognized as investment income on disposal, and the fair value change profit or loss will be adjusted at the same time.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains or losses arising from amortization or impairment are recognized in the current profit and loss.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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

##### 1) Classification of financial assets, basis of recognition and method of measurement *(Continued)*

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories. For equity instruments which do not have quotations in active market and the fair values of which cannot be reliably measured and linked to that equity instrument, and derivatives linked to such equity instrument and settled through delivery of such equity instrument, will be Subsequently measured at cost; other such assets which have quotations in active market or which do not have quotations in active market but the fair value of which can be reliably measured, are measured at fair value, and changes in fair value are recorded in other comprehensive income. For these financial assets which are subsequently measured at fair value, except for impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets are derecognized, the accumulated change in the amount of fair value previous recorded in equity is transferred to the profit and loss account for the period. Interests for the period in which the assets are held are calculated using the effective interest method is recorded in profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are recorded in profit or loss for the period as 'Investment income'. As for instruments that do not have quotation in active market and the fair values of which cannot be reliably measured, they are measured subsequently at cost.

##### 2) Recognition basis of transfer of financial assets and measure method

A financial asset is derecognized when any one of the following conditions is satisfied: (1) the rights to receive cash flows from the asset expire, (2) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, (3) the financial asset has been transferred to the transferee, and the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an enterprise neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities.

In the case where the financial asset as a whole qualifies for the de-recognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is recorded into profit or loss for the period.

In the case where only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount recorded profit or loss for the period.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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

##### 3) Testing of impairment of financial assets and accounting method

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 the fair value of available-for-sale financial assets occurs, 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 owner's equity.

#### (2) *Financial Liabilities*

##### 1) Classification of financial liabilities, recognition basis and measure method

Financial liabilities of the Group are classified as "financial liabilities at fair value through profit or loss" and other financial liabilities" on initial recognition.

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities held-for-trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

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

##### 2) Conditions of derecognition of financial liabilities

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Company and an lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

# NOTES TO FINANCIAL STATEMENTS

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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

For financial assets at fair value through profit or loss of the Group, fair value of financial assets and financial liabilities are measured based on their prices in principal markets. For those without a principal market, fair value of such financial assets and financial liabilities are measured based on the most favorable market prices, and valuation methods supported by sufficient available information and other data that is applicable at the moment are adopted. Inputs used to measure the fair value is divided into 3 levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities available on the date of measurement; Level 2 inputs are related assets or liabilities (other than those included in Level 1) that are directly or indirectly observable; and Level 3 inputs are unobservable inputs to the related assets or liabilities. The Group priorities the Level 1 input firstly and the Level 3 inputs lastly. Listed equity instruments under financial assets held-for-trade uses the Level 1 input. The level to which the result of fair value measurement belongs to is determined based on the lowest level of input that has significant meaning to the overall fair value measurement.

### 10. Bad debts provision for receivables

Receivables include accounts receivable and other receivables, etc. The Group's accounts receivable from selling products and providing services are initially recorded at consideration of contract value from buyer or service receiver.

Criteria for provision for bad debts: provision for bad debts on receivable 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 receivable are defaulted for over three years; or when there are objective evidences indicating the debts are not recovered or not likely to be recoverable.

Provision for bad debts is made using allowance account method. At the end of the year, receivables are assessed for impairment on individual or group basis and the provision for bad debts is recognized in the profit or loss for the current period. When there are objective evidences indicating the receivable cannot be collected, it is written off against the provision for bad debts as a loss of bad debts according to the required procedures of approval of the Group.

# NOTES TO FINANCIAL STATEMENTS

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 10. Bad debts provision for receivables *(Continued)*

Impairment loss of receivables is estimated individually and collectively at the same time.

(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 provided for bad debts based on portfolio of credit risks characteristics*

Method of provision of bad debts on portfolio basis:

Aged group	Bad debts provided based on aging analysis
Related party group	Generally, no provision for bad debts will be made
Collateral group	Generally, no provision for bad debts will be made
Government related receivables	Generally, no provision for bad debts will be made

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

Aged	Proportion to accounts receivable (%)	Proportion to other receivables (%)
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

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 10. Bad debts provision for receivables *(Continued)*

(2) *Receivables provided for bad debts based on portfolio of credit risks characteristics (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.
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.
Government related receivables	Mainly includes receivables from governmental departments in relation to dismantling business and municipal waste treatment business, provision for bad debts is generally not made as the estimated differences between the present value of future cash flows and their carrying amount is small.

(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.
Method of provision for bad debts	Provision for bad debts is made as the excess of its carrying amount over the present value of the estimated future cash flows.

### 11. Inventories

The inventories of the Group include raw material, packing materials, low-valued consumables, work-in-process inventories, and finished goods, etc.

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. Low value consumables are amortised in full when received for use.

The net realisable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. The net realisable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 12. Long-term equity investment

Long-term investment of the Group is the investment in subsidiaries and investment in associates and investment in joint ventures.

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

The Group directly or indirectly owns 20% (inclusive) or more but less than 50% shares with voting rights in the invested company, usually have significant influence to the invested company. For voting rights less than 20% in the invested company, the Board or representative in similar authority in the invested company or the implementation processes of financial or operation policies of invested company have also been taken into account, or significant transaction with the invested company, or management personnel send to the invested company, or significant technology information provided to the invested company which have significant influence to the invested company.

The Group's subsidiaries are invested companies which form control. For long-term investment obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of acquisition in the consolidated financial statements of the final controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree is negative, investment cost of long-term equity investment is calculated as zero.

For shareholding of the investee under common control through different transactions in stages which ultimately constitute a business combination, the accounting method of long-term equity investment under the financial statement of the Company should be disclosed during the reporting period when control was obtained. For example, for shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust capital reserve. If the balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 12. Long-term equity investment *(Continued)*

For shareholding of the investee under common control through different transactions in stages which ultimately constitute a business combination, the accounting method of long-term equity investment costs under the financial statement of the Company should be disclosed during the reporting period when control was obtained. For example, for shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, Initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly dispose related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be recorded into profit or loss for the current period on the date of combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the contract or agreement.

Investments in subsidiaries are accounted for the Group using cost method, while investments in the associates and joint ventures are accounted for under equity method.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be added according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the invested company, it shall be recognized as investment income for the current period using the amount which it entitles.

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders equity of the invested company. When determining the amount of proportion of net profit or loss in the invested company which it entitles, fair value of each identifiable assets of the invested company at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognized after adjustment is made to the net profit of the invested company.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

# NOTES TO FINANCIAL STATEMENTS

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 12. Long-term equity investment *(Continued)*

When the Group loses control in the invested company due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal of will be accounted for under available-for-sale financial assets, difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period. Other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be recorded as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for-sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting method for each transaction will be treated as disposing subsidiary and loss of control. However, difference between each disposal price before loss of control and the carrying value of the long-term investment of the equity disposed, shall be recognized as comprehensive income, and shall be transfer to profit or loss for the current period upon loss of control.

### 13. Investment properties

The investment properties of the Group are buildings leased for rental income measured using the fair value model.

The fair value of the investment properties are determined by management of the Group by reference to similar properties of same location and similar usage on the open market using the market comparison approach or income approach.

### 14. Fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or rendering of services, leasing to others, or for administrative purposes; have useful life over one accounting year.

The cost of an item of fixed assets shall be recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets consist of buildings, machinery, transportation facilities, office equipment and others.

# NOTES TO FINANCIAL STATEMENTS

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 14. Fixed assets (Continued)

Apart from fixed assets which are provided in full and continue to use and land which is accounted for separately, the Group made provision for all the fixed assets. The Group made provision for depreciation using straight-line method. The useful life, estimated rate of salvage value and depreciation of fixed assets of the Group are classified as below:

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

The Group makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.

The Group's financial leased fixed assets refer transportation vehicles shall ownership of the leased assets be transferred to the Group upon expiry of the lease, they shall be recognized as financial leased fixed assets.

Regarding to the financial leased fixed assets, the value lower between the fair value of the rental assets and the current value of the minimum rental payment shall be recognized as the entry value of the rental assets. The difference between the entry value of the rental assets and the minimum rental payment shall be recognized as the financing costs.

The depreciation policy applied for financial leased fixed assets is the consistent with the depreciation policy for self-owned fixed assets. If it can be confirmed reasonably that the ownership of the rental assets can be obtained when the rental term expires, the depreciation of the rental fixed assets shall be implemented within service life; otherwise, the depreciation shall be implemented in the shorter period between the leasing term of the rental fixed assets and the estimated service life of the rental fixed assets.

### 15. Construction in progress

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 project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The cost of the asset is adjusted when the construction finalisation procedures are completed, but it is not necessary to adjust the previous recorded depreciation or amortization amount.

The Group participates in BOT projects for public infrastructure construction. Where the project company does not provide actual construction services under the projects by itself, the construction costs such as construction fees paid during the construction process is transferred to intangible assets when the targeted usable stage is reached, and amortised from the same month.

# NOTES TO FINANCIAL STATEMENTS

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 16. Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can be reached usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalisation starts; when construction or assets that fulfil the capitalisation conditions, and reached the expected useable or sale condition, capitalisation have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for the current period. If assets that fulfil capitalisation conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalisation of borrowing costs have to terminate, until construction of assets or production activities resumed.

Where funds are borrowed under a specific-purpose borrowing, 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 Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

### 17. Intangible assets

The intangible assets of the Group include the land use right, patented technologies, non-patented technologies and BOT operation rights, and are measured at actual cost on acquisition. The actual cost of intangible assets purchased includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration 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. BOT operation rights of construction projects are measured at the construction costs.

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. From November 2014, assets of operating rights under BOT projects are classified according to their nature, where concrete objects are treated as fixed assets. The useful life of each type of assets is determined by its type and physical characteristics, with reference to the depreciation rate of similar fixed assets of the Company, and the amortization period is determined according to its useful life and licensed period so as to amortise its costs based on straight line approach and landfill approach. Intangible assets with finite life are amortised over its estimated useful life from the month of acquisition using the straight line approach. The estimated useful life and amortization methods are reviewed at the end of each year, with changes accounted for as changes in accounting estimates.

### 18. Long-term assets impairment

The Group would assess intangible assets such as long-term equity investment, fixed assets, construction in progress and intangible assets with limited useful lives at each of the assets balance sheet date. When there is indication that there is impairment, the Group would perform impairment test. Impairment test should be made for goodwill and intangible assets with uncertain useful life, at the year-end regardless of whether there is indication of impairment loss.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 18. Long-term assets impairment *(Continued)*

Recoverable amount should be measured at the higher of the fair value after subtracting the costs of disposal of the net and the present value of estimated future cash flows. Assets' provision for impairment is calculated based on the single asset; if the recoverable amount of single asset is difficult to estimate then the portfolio of which the single asset belonged to should be used as calculation unit. The portfolio is the minimal combination of assets that can generate cash inflow independently. After the impairment test, if the carrying value of such assets is higher than its recoverable amount, the difference is recognized as impairment loss.

When testing for impairment of goodwill, 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 recognized. 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 recognized, it will not be reversed for the value recovered in the subsequent periods.

### 19. 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, mainly includes improvement fees. 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.

### 20. Employee benefits

Employee benefits of the Group include short-term emolument, post-employment benefits and termination benefits.

Short-term emolument including: wages, bonuses, allowances and subsidies, staff welfare, medical insurance, social insurance such as injury insurance and maternity insurance, housing provident fund, union operation cost and staff education cost, short-term compensated leave and other short-term emolument. Short-term emolument actually incurred shall be recognised as liabilities during the accounting period which the labour provided services, and included into the profit or loss or related assets cost of the current period of beneficiary.

Post-employment benefits including the endowment insurance and MPFs, and classified into defined contribution plan according to the risks and liabilities assumed by the Company. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

# NOTES TO FINANCIAL STATEMENTS

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 20. Employee benefits *(Continued)*

Termination benefits are the compensation to employees when the Group terminates the employment relationship with employee. The compensation liability for the termination of employment are charged to the profit or loss for the period upon termination of such labour contract.

### 21. Contingent liabilities

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.

### 22. Shared based payments

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. The fair value amount of instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions is recognized as relevant cost or expense on a straight-line during the vesting period based on the best estimated quantity of exercisable equity instruments, with corresponding increase made to the capital reserve.

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 vesting period, 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.

At each balance sheet date and settlement date before settlement of related liabilities, the Group remeasures the fair value of liabilities, with changes accounted for in the profit and loss of the period.

# NOTES TO FINANCIAL STATEMENTS

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

Where the Group cancels an equity instrument during the vesting period, it is treated as if it had vested on the date of cancellation, where the share-based payment plan for the remain period is treated as fully fulfilled its exercising conditions, all fees for the remaining period recognized upon cancellation of the equity instrument.

### 23. Recognition of revenue

The business revenue of the Group are generated mainly from sales of goods, rendering of services, waste electronics dismantling subsidies and transfer of assets use rights. 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; revenue from renewable energy utilisation; and revenue from dismantled resources recycling*

Sales of goods are recognized 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 recognized 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. Specifically:

Revenue from industrial waste treatment and municipal solid waste treatment are recognized according to the waste treatment volume and contracted prices determined by both parties.

Revenue from environmental protection projects and services is recognized 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 waste electronics dismantling subsidies*

Independent subcontracted intermediate companies recognized by the environmental protection department would audit the dismantling treatment volume of the Company and issue the "Waste Electronics Dismantling Treatment Audit Report", where the Group would estimate the revenue based on the audited dismantling treatment volume, and adjust the recognized revenue according to the recognized treatment volume audited by the Ministry of Environmental Protection.

# NOTES TO FINANCIAL STATEMENTS

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 23. Recognition of revenue *(Continued)*

#### *(4) Revenue from transfer of assets use rights*

Revenue from transfer of asset use rights is recognized 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.

### 24. Government grants

Government grants received by the Group includes environmental protection projects fund, energy saving emission reduction subsidies and resources recycling subsidies.

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 year 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.

Environmental protection projects fund is assets related government subsidies recognized as deferred income allocated to profit and loss of the period over the useful life of such assets. Resources recycling subsidies is income related government grant to compensate for related fees or losses of future periods, is recognized as deferred income and credited to profit and loss of the period upon recognition of such related fees.

### 25. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liability are recognized at the differences (temporary tax differences) between the tax base of an asset or liability and its book value. According to Taxation Law, the Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. For the temporary difference arise from goodwill recognition is not recognized as deferred tax liability. For assets or liabilities arise from non-consolidation transactions, which do not give any influence on the temporary difference, arise from neither accounting profits nor taxable profits, is not recognized as deferred tax assets or deferred tax liability. On the balance sheet date, deferred tax assets and deferred tax liability are measured at applicable tax rate which is relevant to the period of expected assets return or pay liability.

The Group recognizes deferred tax assets as a result of deductible temporary difference, limited to the most probable deductible temporary difference.



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 26. Buy back shares of the Company

In accordance with legal process and is approved to reduction in assets by repurchase of the Company's shares, according to the share capital reduced by cancellation of face value of shares in total, the adjusting shareholders' equity by difference between the consideration paid by repurchase of shares (including transaction fees) and the face value of shares. For proportion which exceeding face value in total, shall be written-off in the order of capital premium, reserve, and undistributed profit. For proportion which is lower than face value in total, shall be added to capital reserves.

Shares repurchased by the Company shall be managed as treasury stock before cancel or transfer. All expenses related to repurchase of shares shall be transferred as cost of treasury stock.

Upon transfer of treasury stock, transfer income which is higher than the cost of treasury stock, shall to be added to capital premium; transfer income which is lower than the treasury stock, shall be written-off in the order of capital premium, Surplus reserve, and undistributed profit. For repurchase of shares of the Company due to the implementation of equity incentive, upon repurchase, all expenses of repurchase shares shall be treated as treasury stock, and at the same time carry out registration for future reference.

### 27. Leasing

Leasing of the Group includes transportation vehicles, machineries and equipment acquired under finance leases, and buildings, machineries and equipment acquired under operating leases.

The Group, as the lessee under the financial lease, on the start date of financial lease, according to the lower of the fair value of leasing assets on the start date of leasing and the present value of the minimum lease payments, to be the recorded value of leasing fixed assets. The minimum lease payment shall be the recorded value of the long-term payable, the difference between the two recorded as unrecognized financial expense.

As the lessee, the Group's payable rentals during the period of the lease shall be treated as costs of the relevant assets or accounted for in the profit and loss of the period on straight-line basis.

### 28. Changes in accounting policies and accounting estimates

#### (1) *Change in Significant Accounting Policies*

No change in significant accounting policies occurred during the year.

#### (2) *Change in Significant Accounting Estimates*

In order for the Group to accurately reflect usage of resources allocated to BOT projects of the Company, so as to give a fair and true view of the financial accounting information of BOT projects assets, and to impartially and truthfully reflect the financial and operation results of the Company, the structure, current condition and useful life of assets under the BOT projects are reviewed, with proposed changes to the amortization period and methods of assets under the BOT projects with reference to the depreciation period of similar fixed assets of the Company.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 28. Changes in accounting policies and accounting estimates (Continued)

#### (2) Change in Significant Accounting Estimates (Continued)

As approved by the resolution proposed on the 12th meeting of the fifth Board of Directors of the Company, from November 2014, treatment of assets under the BOT projects was changed. Costs of such assets was originally amortised over the licensed period using the straight line basis regardless of the type of assets; upon such changes, BOT assets are classified according to the nature of assets, where concrete objects are treated as fixed assets according to the type of assets and their physical characteristics, and the useful life of each type of assets determined with reference to the depreciation rate of similar fixed assets of the Company, and the amortization period is determined according to its useful life and licensed period so as to amortise its costs based on straight line approach and landfill approach. Among which, the cost of buildings, simple houses and temporary sheds, fences, roads, machineries and equipment, vehicles and transportation facilities, electronics, office facilities and others are amortised using the straight line approach, where the cost of assets related to landfills and related construction, and direct costs to storage of landfills are amortised using the work measurement approach (namely the landfill approach).

Changes to the accounting estimates mainly affects the following items in the statements: downward adjustment to intangible assets and upward adjustment to major operation costs of RMB1,633,111.56.

## V. TAX

### 1. Major taxes and tax rates

Type of taxes	Tax base	Tax rate
Value Added Tax ("VAT")	Balance of sales tax after VAT or sales amount	17%, 11%, 6%, 3%
Business Tax	Assessable income	5%, 3%
City Maintenance and Construction Tax	Assessable turnover	7%, 5%
Enterprise Income Tax	Assessable income	25%, 16.5%
Education Surcharge	Assessable turnover	3%
Local education Surcharge	Assessable turnover	2%

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## V. TAX (Continued)

### 1. Major taxes and tax rates (Continued)

Particulars of tax paying entities under different enterprise income tax rates:

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

Name of taxable entities	Actual implementation tax rate	Notes
The Company	15%	2(1).a
Resource Recycling	25%	
Dongjiang Heritage	25%	
Longgang Dongjiang	–	2(1).b
Yunnan Dongjiang	25%	
Huizhou Dongjiang	15%	2(1).c
Qiandeng Wastes Treatment	15%	2(1).d
Kunshan Kunpeng	25%	
Huabao Technology	20%	2(1).e
Qingyuan Dongjiang	–	2(1).f
Qingdao Dongjiang	25%	
Hunan Dongjiang	12.5%	2(1).g
Chengdu Treatment Centre	25%	
Renewable Energy	25%	
Shaoguan Dongjiang	25%	
Shaoguan Green	25%	
Dongjiang Property Service	10%	2(1).h
Baoan Dongjiang	25%	
Dongjiang HK	16.5%	
Likshun Services	16.5%	
Dongjiang Transport	25%	
Products Trading	25%	
Dongjiang Songsao	25%	
Zhuhai Qingxin	25%	
Hubei Dongjiang	25%	
Qingyuan Xinlv	15%	2(1).i
Jiaxing Deda	25%	
Jiangmen Dongjiang	25%	
Dongguan Hengjian	25%	

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## V. TAX (Continued)

### 1. Major taxes and tax rates (Continued)

Name of taxable entities	Actual implementation tax rate	Notes
Dongjiang Shangtian	25%	
Dongjiang Kaida	25%	
Coastal Solid Waste	12.5%	2(1).j
Nanchang Xinguan	25%	
Hefei Xinguan	12.5%	2(1).k
Xiamen Oasis Headquarters	25%	
Fujian Oasis Solid Waste	–	2(1).l
Sanming Oasis Resources	25%	
Xiamen Oasis Environmental	25%	
Longyan Oasis Environmental	12.5%	2(1).m
Nanping Oasis Environmental	25%	
Sanming Oasis Environmental	25%	
Karamay Wosen Environmental	25%	
Jiangmen Lvlvda	25%	
Jiangxi Dongjinag	25%	
Shaohing Dongjiang	25%	
Jiangxi Kangtai	25%	
Kangtai Environmental	25%	

### 2. Tax incentives

#### (1) EIT tax incentives

- a. The Company entitled tax incentives for new and high technology enterprises at 15% EIT tax rate, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 50% on research and development fees before tax.
- b. Longgang Dongjiang entitled income tax incentive on environmental protection and energy saving water saving projects that meet certain requirements, enjoyed full EIT exemption from 2012 to 2014, and 50% EIT reduction from 2015 to 2017.
- c. Huizhou Dongjiang entitled tax incentives for new and high technology enterprises at 15% EIT tax rate, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 50% on research and development fees before tax.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## V. TAX (Continued)

### 2. Tax incentives (Continued)

#### (1) EIT tax incentives (Continued)

- d. Qiandeng Wastes Treatment entitled tax incentives for new and high technology enterprises at 15% EIT tax rate, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 50% on research and development fees before tax.
- e. Huabao Technology is a small low-profit enterprise that entitled 20% EIT tax rate reduction.
- f. Qingyuan Dongjiang entitled income tax incentive on environmental protection and energy saving water saving projects that meet certain requirements, where its waste household appliances projects enjoyed full EIT exemption from 2013 to 2015, and 50% EIT reduction from 2016 to 2018; its circuit board waste treatment project enjoys full tax waiver from 2012 to 2014, and 50% EIT reduction from 2015 to 2017.
- g. Hunan Dongjiang entitled income tax incentive on environmental protection and energy saving water saving projects that meet certain requirements, and enjoyed full EIT exemption from 2011 to 2013, and 50% EIT reduction from 2014 to 2016.
- h. Dongjiang Property Service is a small low-profit enterprise that entitled 10% EIT tax rate reduction.
- i. Qingyuan Xinlv entitled tax incentives for new and high technology enterprises at 15% EIT tax rate, where its revenue from resources recycling business enjoys 90% reduction on assessable total revenue of EIT tax, and EIT reduction of 50% on research and development fees before tax.
- j. Coastal Solid Waste entitled three year exemption and three year 50% reduction transitional incentives, with full tax exemption from 2010 to 2012 and 50% tax reduction from 2013 to 2015.
- k. Hefei Xinguan entitled three year exemption and three year 50% reduction transitional incentives, and enjoyed full tax exemption from 2009 to 2011 and 50% tax reduction from 2012 to 2014.
- l. Fujian Oasis Solid Waste entitled income tax incentives on environmental protection projects that meets certain requirements, and enjoyed EIT exemption from 2014 to 2016 and 50% EIT reduction from 2017 to 2019.
- m. Longyan Oasis Environmental enjoys income tax incentives on environmental protection projects that meets certain requirements, and enjoyed EIT exemption from 2011 to 2013 and 50% EIT reduction from 2014 to 2016.

#### (2) VAT tax incentive

According to “Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting and Improving the Value-added Tax Policies for Products and Labor Services that Comprehensively Utilise Resources” (Cai Shui [2011] No. 115), Qingyuan Dongjiang’s sales of products that comprehensively utilise resources meet the requirements of VAT refunds upon assessment of 50% tax reduction incentive during the period from 2014 to 2015.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## V. TAX (Continued)

### 2. Tax incentives (Continued)

#### (2) VAT tax incentive (Continued)

According to the “Shenzhen Economic, Trade and Information Technology Commission, Shenzhen Finance Committee, Shenzhen Municipal Office of the State Administration of Taxation, Shenzhen Local Taxation Bureau file” (Shen Jing Mao Zi Xun Dian Zi [2013] No. 202), revenue from renewable energy landfill gas and electricity enjoys the tax incentive of refund upon assessment.

According to “Notice of the State Administration of Taxation on Products and Labor Services that Comprehensively Utilise Resources and Other Product Value Added Tax Policies” (Cai Shui [2008] No. 156), Baoan Dongjiang, Nanchang Xinguan and Hefei Xinguan enjoys VAT refunds upon assessment for enterprises that use waste as fuel to produce electricity or heat.

According to “Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting and Improving the Value-added Tax Policies for Products and Labor Services that Comprehensively Utilise Resources” (Cai Shui [2011] No. 115), Coastal Solid Waste and Fujian Oasis Solid Waste provides medical waste treatment services that meet the requirements of VAT exemption policies, and Xiamen Oasis Environmental provides medical and industrial waste treatment labor service that meet the requirements of VAT exemption policies.

#### (3) Business Tax Incentives

According to Shen Di Shui Nan Han [2010] No. 74 “Reply in relation to the application of charge of waste treatment and waste water bill issue from Shenzhen Dongjiang Environmental Company Limited”, waste treatment fee charged by the Company can issue receipts, and is exempted from business tax.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

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

For the following information disclosed in the financial statements, unless otherwise stated, “beginning of the year” means 1 January 2014; “end of the year” means 31 December 2014; “the Year” means the period from 1 January 2014 to 31 December 2014; “last year” means 1 January 2013 to 31 December 2013. Presentation currency is Renminbi (“RMB”).

### 1. Bank Balances and Cash

Item	2014	2013
Cash	<b>342,085.99</b>	241,276.35
Bank Deposits	<b>723,956,747.44</b>	934,534,531.69
Other Bank balances and cash	<b>303,451,303.97</b>	12,111,647.85
Total	<b>1,027,750,137.40</b>	946,887,455.89
Including: total amount of other deposits overseas	<b>3,452,081.98</b>	3,688,708.42

As the end of the year, the restricted monetary fund of the Group were RMB3,451,118.87 (last year: RMB12,010,000.00) which mainly includes guarantee deposits and lease deposits under other monetary fund. Other monetary fund mainly includes an investment amount of RMB300 million designated to micro-credit companies by the parent company.

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

(1) *Types of financial assets held for trading*

Item	2014	2013
Financial assets held for trading	<b>2,054,460.00</b>	2,007,400.00
Including: equity instrument investments	<b>2,054,460.00</b>	2,007,400.00
Total	<b>2,054,460.00</b>	2,007,400.00

(2) *Financial assets held for trading analysis as follows:*

Item	2014 Fair Value	2013 Fair Value
Listed		
The PRC (exclude Hong Kong)	<b>2,054,460.00</b>	2,007,400.00
Total	<b>2,054,460.00</b>	2,007,400.00

At the end of the year, the market value of listed investment was RMB2,054,460.00 (last year: RMB2,007,400.00).

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

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

### 3. Notes receivable

(1) Types of notes receivable

Types of notes receivable	2014	2013
Bank acceptance notes	78,904,823.06	54,051,330.29
Commercial acceptance notes	–	–
Total	78,904,823.06	54,051,330.29

(2) Notes receivable endorsed or discounted and not expired at the balance sheet date at the end of the year

Item	Amount derecognized at the end of year	Amount derecognized at the beginning of year
Bank acceptance notes	141,159,104.19	–
Commercial acceptance notes	–	–
Total	141,159,104.19	–

### 4. Accounts receivable

Item	2014	2013
Accounts receivable	487,508,311.81	190,364,856.98
Less: bad debt provision	16,045,310.82	10,780,606.75
Net amount	471,463,000.99	179,584,250.23



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## VI. EXPLANATORY NOTES FOR 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:

Age	2014	2013
0-90 days	<b>248,542,176.85</b>	137,868,783.93
91-180 days	<b>103,049,730.08</b>	31,164,256.77
181-365 days	<b>108,926,690.35</b>	3,615,411.20
1-2 years	<b>7,625,735.49</b>	4,396,811.63
2-3 years	<b>3,318,668.22</b>	1,288,986.70
Over 3 years	-	1,250,000.00
Net amount	<b>471,463,000.99</b>	179,584,250.23

#### (2) Accounts receivable by categories

Category	Book balance		2014 Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Proportion of provisions (%)	
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 based on credit risks characteristics	<b>481,749,533.79</b>	<b>98.82</b>	<b>10,286,532.80</b>	<b>2.14</b>	<b>471,463,000.99</b>
Accounts receivable that are individually insignificant but are individually provided for bad debts	<b>5,758,778.02</b>	<b>1.18</b>	<b>5,758,778.02</b>	<b>100.00</b>	-
Total	<b>487,508,311.81</b>		<b>16,045,310.82</b>		<b>471,463,000.99</b>

## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

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

#### 4. Accounts receivable (Continued)

(2) Accounts receivable by categories (Continued)

	Book balance		2013 Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Proportion of provisions (%)	
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 based on credit risks characteristics	189,036,066.66	99.30	9,451,816.43	5.00	179,584,250.23
Accounts receivable that are individually insignificant but are individually provided for bad debts	1,328,790.32	0.70	1,328,790.32	100.00	-
<b>Total</b>	<b>190,364,856.98</b>		<b>10,780,606.75</b>		<b>179,584,250.23</b>

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

Age	Accounts receivable	2014	
		Provision for bad debt	Proportion of provisions (%)
0-90 days	<b>138,365,161.75</b>	<b>2,075,477.43</b>	<b>1.50</b>
91-180 days	<b>25,788,501.25</b>	<b>773,655.04</b>	<b>3.00</b>
181-365 days	<b>8,635,469.55</b>	<b>431,773.48</b>	<b>5.00</b>
1-2 years	<b>7,360,347.28</b>	<b>1,472,069.46</b>	<b>20.00</b>
2-3 years	<b>1,418,786.81</b>	<b>709,393.40</b>	<b>50.00</b>
Over 3 years	<b>4,824,163.99</b>	<b>4,824,163.99</b>	<b>100.00</b>
<b>Total</b>	<b>186,392,430.63</b>	<b>10,286,532.80</b>	

## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

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

#### 4. Accounts receivable (Continued)

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

Age	2014	2013
0-90 days	26,420,465.83	15,271,600.00
91-180 days	–	12,160,795.78
Net amount	26,420,465.83	27,432,395.78

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 provided, reversed (or recovered) during the year

Bad debt provision provided during the Year amounted to RMB-2,995,827.19, and reversed or recovered bad debt provision of RMB0.00.

(5) Accounts receivable written off during the Year

Item	Amount written off
Accounts receivable written off	1,096,410.94

Including significant accounts receivables written off:

Name	Nature of accounts receivable	Amount	Reason of write off	Implementation	Whether arisen from related party transaction
Lianneng (Plato) Bao'an District Shajing	Construction service fee	487,508.00	Irrecoverable	Report to the Board	No
Shatabao Electronics Factory	Purchase of goods	244,932.27	Irrecoverable	Report to the Board	No
Copam Electronic (Shenzhen) Co., Ltd.	Construction service fee	230,000.00	Irrecoverable	Report to the Board	No
Other insignificant amounts		133,970.67	Irrecoverable	Report to the Board	No
Total		1,096,410.94			

# NOTES TO FINANCIAL STATEMENTS

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

### 4. Accounts receivable (Continued)

(6) Top five accounts receivable outstanding as at the end of the year categorized by debtors were as follows:

Name	Balance at the end of year	Age	Proportion to total account receivable at the end of year (%)	Balance of bad debt provision at the end of year
No. 1	<b>217,865,810.30</b>	Within 1 year	44.69	–
No. 2	<b>35,085,504.05</b>	Within 1 year	7.20	–
	<b>1,737,457.67</b>	1-2 years	0.36	–
	<b>2,597,207.23</b>	2-3 years	0.53	–
No. 3	<b>26,175,524.71</b>	Within 1 year	5.37	–
No. 4	<b>18,426,536.02</b>	Within 1 year	3.78	276,398.04
No. 5	<b>10,464,623.75</b>	Within 1 year	2.15	–
Total	<b>312,352,663.73</b>		64.08	276,398.04

### 5. Prepayments

(1) Age of prepayments

Item	2014		2013	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	<b>42,913,948.56</b>	<b>68.16</b>	82,540,185.73	80.40
1-2 years	<b>13,554,486.68</b>	<b>21.52</b>	13,354,780.70	13.01
2-3 years	<b>568,712.64</b>	<b>0.90</b>	6,559,101.69	6.39
Over 3 years	<b>5,934,967.01</b>	<b>9.42</b>	205,578.06	0.20
Total	<b>62,972,114.89</b>	<b>100.00</b>	102,659,646.18	100.00

Significant prepayment aged over 1 year mainly includes the CDM fees paid by Qingdao Dongjiang to Qingdao Solid Waste Treatment Co., Limited before due.

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

### 5. Prepayments (Continued)

(2) Top five prepayment at the end of the year categorized by prepaid items are as follows:

Name	Balance at the end of year	Age	Proportion to the total prepayment at the end of year (%)
No. 1	<b>1,900,000.00</b>	1-2 years	3.02
No. 2	<b>5,895,864.94</b>	Over 3 years	9.36
No. 3	<b>5,659,910.84</b>	Within 1 year	8.99
	<b>5,580,773.77</b>	Within 1 year	8.86
No. 4	<b>3,983,376.04</b>	Within 1 year	6.33
No. 5	<b>2,670,459.55</b>	Within 1 year	4.24
Total	<b>25,690,385.14</b>		40.80

### 6. Other receivables

Item	2014	2013
Other receivables	<b>91,914,232.15</b>	60,728,375.64
Less: Provision for bad debts	<b>6,732,343.76</b>	7,368,912.57
Net amount	<b>85,181,888.39</b>	53,359,463.07

(1) Age analysis of other receivables

Age	2014	2013
0-90 days	<b>36,995,976.60</b>	20,621,808.27
91-180 days	<b>4,326,394.48</b>	3,686,249.60
181-365 days	<b>6,495,560.09</b>	15,917,077.22
1-2 years	<b>27,644,884.11</b>	7,345,851.47
2-3 years	<b>6,504,225.93</b>	2,530,633.35
Over 3 years	<b>3,214,847.18</b>	3,257,843.16
Net amount	<b>85,181,888.39</b>	53,359,463.07

# NOTES TO FINANCIAL STATEMENTS

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

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

### 6. Other receivables (Continued)

(2) Other receivables by categories

Item	Book balance		2014 Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	-	-	-	-	-
Other receivables that are provided for bad debts on credit risks portfolio basis	86,763,429.99	94.40	1,581,541.60	1.82	85,181,888.39
Other receivables that are individually insignificant but are individually provided for bad debts	5,150,802.16	5.60	5,150,802.16	100.00	-
<b>Total</b>	<b>91,914,232.15</b>		<b>6,732,343.76</b>		<b>85,181,888.39</b>

Item	Book balance		2013 Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	-	-	-	-	-
Other receivables that are provided for bad debts on credit risks portfolio basis	54,898,682.48	90.40	1,539,219.41	2.80	53,359,463.07
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>		<b>53,359,463.07</b>

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1 January 2014 to 31 December 2014

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

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

### 6. Other receivables (Continued)

(2) Other receivables by categories (Continued)

1) Other receivables within the portfolio that are provided for bad debts based on ageing analysis

Age	Other receivables	2014	
		Provision for bad debts	Proportion of provision (%)
0-90 days	18,692,516.19	280,387.74	1.50
91-180 days	2,817,618.14	84,528.54	3.00
181-365 days	1,855,497.15	92,774.86	5.00
1-2 years	395,955.04	79,191.01	20.00
2-3 years	49,781.20	24,890.60	50.00
Over 3 years	1,019,768.85	1,019,768.85	100.00
Total	24,831,136.57	1,581,541.60	

(3) Withdrawal, reversal (recovery) of bad debt provision during the year

Bad debt provision of RMB666,002.34 was withdrawn during the year, and bad debt provision of RMB0.00 was recovered or reversed during the year.

(4) Other receivables written off during the year

Item	Amount written off
Other receivables written off	847,430.16

Including significant receivables written off as follows:

Name	Nature of other receivables	Amount written off	Reason for written off	Implementation of written off	Whether arisen from related party transaction
Huizhou Shengtianhan Industrial Co., Limited	Deposit	500,000.00	Unrecoverable	Report to the Board	No
Xue Yaochun	Guarantee deposit	300,000.00	Unrecoverable	Report to the Board	No
Other insignificant amount		47,430.16	Unrecoverable	Report to the Board	No
Total		847,430.16			

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

### 6. Other receivables (Continued)

(5) Other receivables categorized by nature

Nature	Book balance at the end of year	Book balance at the beginning of year
Guarantee deposits	52,530,391.29	41,835,015.27
Considerations and deposits of equity transfer	20,804,820.69	–
Provisions	6,445,178.26	5,629,298.05
Payment on behalf of third parties	3,089,041.75	4,621,476.85
Others	9,044,800.16	8,642,585.47
<b>Total</b>	<b>91,914,232.15</b>	<b>60,728,375.64</b>

(6) Top five other receivables as at the end of the year categorized by debtors

Name	Nature	Balance at the end of year	Age	Proportion of total other receivables at the end of year (%)	Bad debt provision at the end of year
No. 1	Deposits for equity transfer	18,000,000.00	Within 1 year	19.58	270,000.00
No. 2	Security deposits	4,580,000.00	1-2 years	4.98	–
No. 3	Guarantee deposits	2,857,001.35	Within 1 year	3.11	–
No. 4	Considerations for equity transfer	2,804,820.69	Within 1 year	3.05	84,144.62
No. 5	Guarantee deposits	1,848,000.00	Within 1 year	2.01	–
<b>Total</b>		<b>30,089,822.04</b>		<b>32.73</b>	<b>354,144.62</b>



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

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

### 7. Inventories

(1) *Categories of inventories*

Item	Book balance	2014	
		Provision of impairment	Book value
Raw material	201,996,308.75	46,922.67	201,949,386.08
Work-in-progress	1,593,866.79	–	1,593,866.79
Finished goods	72,329,206.97	157,129.77	72,172,077.20
Low-valued consumables	10,325,127.90	–	10,325,127.90
Goods in transit	14,271,717.28	–	14,271,717.28
<b>Total</b>	<b>300,516,227.69</b>	<b>204,052.44</b>	<b>300,312,175.25</b>

Item	Book balance	2013	
		Provision of impairment	Book 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
Low-valued 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>

(2) *Inventory impairment provision*

Item	Amount at the beginning of year	Increase during the year		Decrease during the year		Amount at the end of year
		Withdrawal	Others	Reversal or recovery	Other transfer	
Raw material	3,700,617.64	–	–	3,653,694.97	–	46,922.67
Finished goods	–	157,129.77	–	–	–	157,129.77
<b>Total</b>	<b>3,700,617.64</b>	<b>157,129.77</b>	<b>–</b>	<b>3,653,694.97</b>	<b>–</b>	<b>204,052.44</b>

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

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

### 7. Inventories (Continued)

(3) Withdrawal of impairment provision of inventory

Item	Basis of recognition of net realisable value	Reason for reversal or transferal during the year
Raw material		Realisable net value greater than book value
Finished goods	Estimated price less relevant taxes	

### 8. Non-current assets due within 1 year

Item	2014	2013	Nature
Long-term receivables due within 1 year (notes VI.11)	<b>28,680,000.00</b>	28,680,000.00	Construction fee
<b>Total</b>	<b>28,680,000.00</b>	28,680,000.00	

### 9. Other current assets

Item	2014	2013
Bank financial products	<b>141,000,000.00</b>	15,000,000.00
Discounted amortization	<b>5,969,884.02</b>	-
Input tax deductible	<b>36,726,751.43</b>	-
<b>Total</b>	<b>183,696,635.45</b>	15,000,000.00

# NOTES TO FINANCIAL STATEMENTS

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

### 9. Other current assets (Continued)

Details of financial products are as follows:

Name of trustee	Type of product	Amount of trust	Start date	End date	Confirmation of return
China Merchants Bank Shajing Branch	Bu Bu Sheng Jin (步步生金) 8688	15,000,000.00	2014-12-30	No fixed term	Guaranteed return
China Merchants Bank Shajing Branch	Dian Jin Chi No. 2 (點金池2號)	85,000,000.00	2014-12-30	2015-1-6	Guaranteed return
Ping An Bank Shenzhen Longxiang Branch	Superior plan – rolling break-even Renminbi coporate financial product (卓越計劃滾動型保本 人民幣公司理財產品)	10,000,000.00	2014-12-9	2015-3-9	Break-even with variable return
China Merchants Bank Shenzhen Pingdi Branch	35 days interest-guaranteed Renminbi financial product (35天穩利人民幣理財產品)	20,000,000.00	2014-11-8	2015-1-20	Break-even with variable return
China Merchants Bank Karamay Oilfield Branch	“Ri Sheng Yue Heng” income ascending legal person Renminbi financial product (“日升月恒”收益遞增型法人 人民幣理財產品)	5,000,000.00	2014-11-18	No fixed term	Guaranteed return
Bank of Communications Qingyuan Branch	“Yun Tong Cai Fu – daily interest” integrated financial planning arrangement (term model) (“蘊通財富·日增利”集合理 財計劃協定(期次型))	6,000,000.00	2014-12-5	2015-1-8	Guaranteed return
Total		141,000,000.00			

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

### 10. Available-for-sale financial assets

(1) Details of available-for-sale financial assets

Item	Balance at the end of year			Balance at the beginning of year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	-	-	-	1,800,000.00	-	1,800,000.00
Including: measured at cost	-	-	-	1,800,000.00	-	1,800,000.00
Total	-	-	-	1,800,000.00	-	1,800,000.00

(2) Available-for-sale financial assets analyzed as follows:

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	-	1,800,000.00
Total	-	1,800,000.00

### 11. Long-term accounts receivable

Item	Amount at the end of year	Amount at the beginning of year
Receivables for rendering of services to be recovered by installments	<b>130,778,599.96</b>	84,990,000.00
Less: Amount due within 1 year and showed as non-current assets due within one year (Note VI.8)	<b>28,680,000.00</b>	28,680,000.00
Receivables for rendering of services to be recovered by installments due after 1 year	<b>102,098,599.96</b>	56,310,000.00

(1) Age analysis of long-term receivables

Item	Amount at the end of year	Amount at the beginning of year
0-90 days	<b>72,078,599.96</b>	22,900,000.00
180-360 days	-	13,495,000.00
1-2 years	<b>36,395,000.00</b>	48,595,000.00
2-3 years	<b>22,305,000.00</b>	-
Total	<b>130,778,599.96</b>	84,990,000.00

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1 January 2014 to 31 December 2014

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

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

#### 11. Long-term accounts receivable (Continued)

(2) Account receivables at the end of year categorized by debtors

Name	Balance at the end of year	Proportion (%)	Balance at the beginning of year	Proportion (%)
Jiangmen Sungde Circuits Technology Limited	<b>35,800,000.00</b>	27.37	62,090,000.00	73.06
Heyuan new High-technology Development Zone Co., Limited	<b>43,510,000.00</b>	33.27	22,900,000.00	26.94
Lianping Zhongxin Wastewater treatment Plant (連平忠信鎮污水廠)	<b>15,988,600.00</b>	12.23	—	—
Xinfeng Xunjiexing Circuits Technology Limited (信豐迅捷興電路科技有限公司)	<b>13,437,868.00</b>	10.28	—	—
Lianping Shenghuo Wastewater Treatment Plant (連平生活污水廠)	<b>11,658,000.00</b>	8.91	—	—
Xinfeng Zhaotai Investment Company Limited (信豐兆泰投資有限公司)	<b>8,123,131.96</b>	6.21	—	—
Shaoguan Haoteli Electronic Company Limited (韶關好特利電子有限公司)	<b>2,261,000.00</b>	1.73	—	—
<b>Total</b>	<b>130,778,599.96</b>	100.00	84,990,000.00	100.00

(3) At the end of the year, long-term receivables does not include amount due from shareholders holding more than 5% (including 5%) voting power attached to shares of the Company.

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

### 12. Long-term equity investments

#### (1) Categories of long-term investments

Investee	Balance at the beginning of year	Additional investments	Decrease in investments	Movement during the Year					Others	Balance at the end of year	Impairment provision at the end of year
				Gain and loss of investment recognized under equity approach	Adjustments to other comprehensive income	Movement in other equity interests	Declaration or payment of cash divided or profit	Impairment provision			
Joint venture											
Dongjiang Veolia	68,606,855.05	-	-	28,672,453.26	-	-	(34,295,530.18)	-	-	62,983,778.13	-
Associate											
Shenzhen Micronutrients	2,717,429.68	-	-	1,715,911.19	-	-	-	-	-	4,433,340.87	529,649.00
Shenzhen Resource	30,432,025.45	-	-	1,631,975.41	-	-	-	-	-	32,064,000.86	-
Tricycle Information Technology	-	2,000,000.00	-	(97,476.91)	-	-	-	-	-	1,902,523.09	-
<b>Total</b>	<b>101,756,310.18</b>	<b>2,000,000.00</b>	<b>-</b>	<b>31,922,862.95</b>	<b>-</b>	<b>-</b>	<b>(34,295,530.18)</b>	<b>-</b>	<b>-</b>	<b>101,383,642.95</b>	<b>529,649.00</b>

For details of joint ventures and associates, please refer to Note VIII.2.

#### (2) Analysis of long-term investments

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	<b>101,383,642.95</b>	101,756,310.18
<b>Total</b>	<b>101,383,642.95</b>	101,756,310.18

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

#### 13. Investment properties

(1) *Investment properties measured at fair value*

Item	Buildings and constructions	Total
I. Balance at the beginning of year	53,630,900.00	53,630,900.00
II. Movement of the year	239,900.00	239,900.00
Add: Acquisition	–	–
Transfer from inventory/fixed assets/work-in-progress	–	–
Addition from business combination	–	–
Less: Disposal	–	–
Other transfer	–	–
Add: change in fair value	239,900.00	239,900.00
III. Balance at the end of year	53,870,800.00	53,870,800.00

At the end of the year, the fair value of these investment properties is determined based on the valuation made by Shenzhen Pengxin Assets Appraisal and Valuation Co., Limited, which is an independent party not related to the Group. The valuation is prepared with reference to recent market prices of similar properties at the same location with the same purpose after capitalisation of net rental income (as appropriate).

(2) *Location and age analysis of investment properties are as follows:*

Item	Amount at the end of year	Amount at the beginning of year
Within the PRC		
Medium term (10-50 years)	<b>53,870,800.00</b>	53,630,900.00
<b>Total</b>	<b>53,870,800.00</b>	53,630,900.00

(3) *As at the end of the year, all the investment properties have proper legal property rights certificate.*

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

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

### 14. Fixed assets

(1) Breakdown of fixed assets

Item	Machineries		Transportation		Others	Total
	Buildings	and equipment	Office facilities	facilities		
I. Original book value						
1. Balance at the beginning of year	387,322,961.02	351,857,808.96	20,958,412.50	92,005,153.61	73,097,664.89	925,242,000.98
2. Increase	162,325,436.48	158,683,462.97	19,570,905.51	37,983,229.28	38,922,453.46	417,485,487.70
(1) Acquisition	5,895,156.60	18,495,993.73	5,935,944.10	23,865,963.59	10,834,539.97	65,027,597.99
(2) transfer from work-in-progress	51,324,715.52	39,557,080.56	113,548.37	3,149,871.85	10,981,527.25	105,126,743.55
(3) Addition from business combination	92,713,489.27	100,617,995.51	11,196,228.98	10,795,564.84	7,042,524.16	222,365,802.76
(4) Others	12,392,075.09	12,393.17	2,325,184.06	171,829.00	10,063,862.08	24,965,343.40
3. Decrease	46,948,211.19	19,689,135.96	1,494,140.88	9,592,196.02	21,741,501.99	99,465,186.04
(1) Disposal or retirement	35,360.00	7,947,543.47	892,590.88	8,986,722.50	258,202.92	18,120,419.77
(2) Others	46,912,851.19	11,741,592.49	601,550.00	605,473.52	21,483,299.07	81,344,766.27
4. Balance at the end of year	502,700,186.31	490,852,135.97	39,035,177.13	120,396,186.87	90,278,616.36	1,243,262,302.64
II. Accumulated depreciation						
1. Balance at the beginning of year	73,633,977.54	137,245,179.97	13,047,645.15	49,841,900.64	25,905,268.96	299,673,972.26
2. Increase	28,546,280.13	62,116,898.06	9,453,972.18	19,795,252.34	18,927,362.15	138,839,764.86
(1) Withdrawal	20,941,529.18	45,245,999.81	4,289,163.84	13,330,271.09	11,994,217.52	95,801,181.44
(2) Additional from business combination	7,025,954.47	16,844,159.16	3,900,222.51	6,429,832.63	979,493.11	35,179,661.88
(3) Others	578,796.48	26,739.09	1,264,585.83	35,148.62	5,953,651.52	7,858,921.54
3. Decrease	12,156,476.38	11,875,618.17	1,116,439.18	7,020,353.29	5,908,154.59	38,077,041.61
(1) Disposal or retirement	-	5,449,082.64	821,443.66	6,895,145.51	149,375.13	13,315,046.94
(2) Others	12,156,476.38	6,426,535.53	294,995.52	125,207.78	5,758,779.46	24,761,994.67
4. Balance at the end of year	90,023,781.29	187,486,459.86	21,385,178.15	62,616,799.69	38,924,476.52	400,436,695.51
III. Impairment provision						
1. Balance at the beginning of year	16,079,325.86	19,607,881.13	-	1,112,177.89	886,416.23	37,685,801.11
2. Increase	5,660,857.77	13,057,076.27	6,927.87	-	-	18,724,861.91
(1) Withdrawal	5,660,857.77	13,057,076.27	6,927.87	-	-	18,724,861.91
3. Decrease	2,371,844.75	653,137.14	-	142,311.00	426,395.11	3,593,688.00
(1) Disposal or retirement	-	640,297.14	-	142,311.00	27,741.84	810,349.98
(2) Others	2,371,844.75	12,840.00	-	-	398,653.27	2,783,338.02
4. Balance at the end of year	19,368,338.88	32,011,820.26	6,927.87	969,866.89	460,021.12	52,816,975.02
IV. Book value						
1. Book value at the end of year	393,308,066.14	271,353,855.85	17,643,071.11	56,809,520.29	50,894,118.72	790,008,632.11
2. Book value at the beginning of year	297,609,657.62	195,004,747.86	7,910,767.35	41,051,075.08	46,305,979.70	587,882,227.61



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

### 14. Fixed assets (Continued)

(1) Breakdown of fixed assets (Continued)

Depreciation and amortization of fixed assets recognized as profit or loss during the year was RMB95,801,181.44 (last year: RMB74,316,347.74).

Addition to fixed assets during the year includes transfer from work-in-progress of RMB105,126,743.55.

Loss from disposal of fixed assets during the year was RMB2,030,527.39.

(2) Buildings analyzed by location and age as follows:

Item	Amount at the end of year	Amount at the beginning of year
Within the PRC		
Medium lease (10-50 years)	<b>393,098,884.83</b>	296,425,157.30
Short-term lease (under 10 years)	<b>209,181.31</b>	1,184,500.32
<b>Total</b>	<b>393,308,066.14</b>	297,609,657.62

(3) As at the end of the year, the Company has no idled fixed assets.

(4) Fixed assets held under financial lease

Year end	Original book value	Accumulated depreciation	Impairment provision	Book value
Machineries and equipment	50,619,022.15	25,461,240.72	–	25,157,781.43
Transportation facilities	20,395,766.78	7,926,481.29	–	12,469,285.49
Total	71,014,788.93	33,387,722.01	–	37,627,066.92

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 RMB49,261,949.30 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 5.44%.

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 2014, the unamortised unrealised gain was RMB1,768,513.95.

The motor vehicles held under finance leases represent the motor vehicles held by Lik Shun Service under finance lease.

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

### 14. Fixed assets (Continued)

(5) As at the end of the year, the lease out fixed assets through operating lease by the company, please see note 14.

(6) *Fixed assets without property rights certificates*

The fixed assets included buildings with book value RMB 52,691,098.62 (Amount at the beginning of the year: RMB 42,072,000.00), their application of the property rights has not processed or is in process. In the light of the above assets are conducted according to related legal agreements, directors of the company believed that substantive legal obstacles do not exist in its transfer of property rights or affect the company's normal operation to those properties, no significant implications to the company's normal operations, and impairment provision of fixed assets is not necessary, with no additional costs will be generated.

Item	Book value	Reason of fixed assets without property rights certificates
Factory building of Jiangxi Kangtai	4,961,362.03	Unable to process property rights certificate with factory built on land granted by the government
Factory building of Nanchang New Champion	2,767,233.87	Unable to process property rights certificate with factory built on land granted by the government
Factory building of Hefei Xinguan	2,620,637.17	Unable to process property rights certificate with factory built on land granted by the government
Factory building of Chengdu Treatment Centre	966,885.04	The enterprise has been discontinued
Factory building of and staff quarter of Shaji Branch of the Company	24,007,600.00	Application in process
Certain yards of Shaji Branch of the Company	1,700,800.00	Unable to process property rights certificate with factory built on rented land
Factory building of Shaoguan Green Renewable Energy	1,864,800.00	Application in process
	2,954,300.00	Application in process
Factory building of Qingdao Dongjiang	1,349,012.56	Unable to process property rights certificate with factory built on land granted by the government
Factory building of Bao'an Dongjiang	9,498,467.95	Unable to process property rights certificate with factory built on land granted by the government

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

### 15. Construction in progress

(1) Breakdown of construction in progress

Item	Amount at the end of year			Amount at the beginning of year		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Green)	142,879,171.69	-	142,879,171.69	136,806,138.54	-	136,806,138.54
Property construction phase II (Xiamen Oasis)	133,656,510.93	-	133,656,510.93	-	-	-
Jiangmen project (Jiangmen Dongjiang)	88,048,559.65	-	88,048,559.65	3,904,749.28	-	3,904,749.28
Dismantling of waste household appliances project (Hubei Dongjiang)	56,042,915.39	-	56,042,915.39	3,546,980.00	-	3,546,980.00
Hazardous waste integrated demonstration centre project (Karamay Wosen Environmental)	48,689,140.62	-	48,689,140.62	-	-	-
Waste landfill project phase II (Hunan Dongjiang BOT)	33,705,656.13	-	33,705,656.13	18,121,768.89	-	18,121,768.89
Incineration plant (Shaoguan Green)	27,911,181.20	-	27,911,181.20	77,943.30	-	77,943.30
New factory in Dashun (Jiaying Deda)	27,545,555.01	-	27,545,555.01	8,154,882.74	-	8,154,882.74
Wastewater treatment project (Shaoguan Green)	21,939,483.69	-	21,939,483.69	19,605,310.08	-	19,605,310.08
Xiaping kitchen waste project (Headquarter)	21,595,856.15	-	21,595,856.15	4,842,850.00	-	4,842,850.00
Shaoguan Green hazardous waste landfill (Shaoguan Green)	19,186,942.78	-	19,186,942.78	17,402,640.89	-	17,402,640.89
Landfill deodorization improvement construction (Headquarter)	17,948,666.52	-	17,948,666.52	-	-	-
Reconstruction of plant (Huizhou Dongjiang)	16,312,637.24	-	16,312,637.24	13,065,213.86	-	13,065,213.86
Jiangxi Jingwang precision circuits Limited resource recycling treatment project (Headquarter)	8,843,122.01	-	8,843,122.01	1,200,000.00	-	1,200,000.00
Technical renovation project (Shajing Base)	8,156,685.39	-	8,156,685.39	8,855,216.60	-	8,855,216.60
Alkalized sludge (Longgang Dongjiang BOT)	3,903,514.19	-	3,903,514.19	-	-	-
New ammonia nitrogen wastewater distillery (Shajing Base)	3,796,393.76	-	3,796,393.76	-	-	-
Kitchen waste project (Renewable Energy)	3,090,041.00	-	3,090,041.00	3,090,041.00	-	3,090,041.00
Copper smelting project (Shaoguan Green)	2,885,896.23	-	2,885,896.23	-	-	-
Copper spent solution project (Shaoguan Green)	2,800,422.97	-	2,800,422.97	658,754.25	-	658,754.25
Plant and road construction project phase II (Coastal Solid Waste)	2,600,000.00	-	2,600,000.00	-	-	-
Jiangxi Dongjiang Fengcheng environmental protection base (Headquarter)	2,597,744.27	-	2,597,744.27	-	-	-
Sewage reservoir (Xiamen Oasis)	2,410,420.00	-	2,410,420.00	-	-	-
Landfill gas project (Hefei Xinguan)	2,310,568.52	-	2,310,568.52	-	-	-
Thinner and stripper recycling project (Xiamen Oasis)	2,285,469.97	-	2,285,469.97	-	-	-
Water granulated slag (Shaoguan Green)	2,252,984.23	-	2,252,984.23	2,252,984.23	-	2,252,984.23
Landfill project (Longgang Dongjiang BOT)	2,097,200.00	-	2,097,200.00	-	-	-
Other small projects in total	18,934,804.30	15,000.00	18,919,804.30	46,760,294.00	-	46,760,294.00
<b>Total</b>	<b>724,427,543.84</b>	<b>15,000.00</b>	<b>724,412,543.84</b>	<b>288,345,767.66</b>	<b>-</b>	<b>288,345,767.66</b>

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

### 15. Construction in progress (Continued)

(2) Movement of major construction in progress

Name	Amount at the beginning of year	Increase	Decrease		Amount at the end of year
			Transfer to fixed assets	Other decrease	
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Green)	136,806,138.54	6,073,033.15	-	-	<b>142,879,171.69</b>
Property construction phase II (Xiamen Oasis)	-	133,656,510.93	-	-	<b>133,656,510.93</b>
Jiangmen project (Jiangmen Dongjiang)	3,904,749.28	84,143,810.37	-	-	<b>88,048,559.65</b>
Dismantling of waste household appliances project (Hubei Dongjiang)	3,546,980.00	53,596,026.54	1,088,772.68	11,318.47	<b>56,042,915.39</b>
Hazardous waste integrated demonstration centre project (Karamay Wosen Environmental)	-	48,689,140.62	-	-	<b>48,689,140.62</b>
Waste landfill project phase II (Hunan Dongjiang BOT)	18,121,768.89	35,563,463.45	-	19,979,576.21	<b>33,705,656.13</b>
Incineration plant (Shaoguan Green)	77,943.30	27,833,237.90	-	-	<b>27,911,181.20</b>
New factory in Dashun (Jiaxing Deda)	8,154,882.74	19,390,672.27	-	-	<b>27,545,555.01</b>
Wastewater treatment project (Shaoguan Green)	19,605,310.08	2,334,173.61	-	-	<b>21,939,483.69</b>
Xiaping kitchen waste project (Headquarter)	4,842,850.00	16,753,006.15	-	-	<b>21,595,856.15</b>
Shaoguan Green hazardous waste landfill (Shaoguan Green BOT)	17,402,640.89	1,784,301.89	-	-	<b>19,186,942.78</b>
Landfill deodorization improvement construction (Headquarter)	-	17,948,666.52	-	-	<b>17,948,666.52</b>
Reconstruction of plant (Huizhou Dongjiang)	13,065,213.86	12,429,539.10	9,168,306.69	13,809.03	<b>16,312,637.24</b>
Jiangxi Jingwang precision circuits Limited resource recycling treatment project (Headquarter)	1,200,000.00	7,643,122.01	-	-	<b>8,843,122.01</b>
Technical renovation project (Shajing Base)	8,855,216.60	5,332,772.43	6,031,303.64	-	<b>8,156,685.39</b>
Sludge Project in Fuyong (Headquarter)	20,470,782.98	9,607,482.29	-	30,078,265.27	-
Office building construction (Huizhou Dongjiang)	7,445,242.30	480,289.91	7,925,532.21	-	-
<b>Total</b>	<b>263,499,719.46</b>	<b>483,259,249.14</b>	<b>24,213,915.22</b>	<b>50,082,968.98</b>	<b>672,462,084.40</b>

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

### 15. Construction in progress (Continued)

(2) Movement of major construction in progress (Continued)

Name	Budget	Proportion of expenditure injected to budget (%)	Progress (%)	Accumulated capitalised interest	Including: interest capitalised for the year	Interest capitalisation rate for the year (%)	Source of capital
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Green)	145,000,000.00	99.00	97.00	43,936,066.22	5,460,311.50	6.37	Borrowing
Property construction phase II (Xiamen Oasis)	148,000,000.00	90.00	90.00	5,007,314.58	2,056,838.28	7.75	Borrowing
Jiangmen project (Jiangmen Dongjiang)	300,000,000.00	29.00	29.00	2,681,116.67	2,681,116.67	6.30	Borrowing
Dismantling of waste household appliances project (Hubei Dongjiang)	170,000,000.00	33.00	32.00	1,104,950.00	1,104,950.00	6.30	Borrowing
Hazardous waste integrated demonstration centre project (Karamay Wosen Environmental)	120,000,000.00	40.00	40.00	243,250.00	243,250.00	6.30	Borrowing
Waste landfill project phase II (Hunan Dongjiang BOT)	20,955,000.00	253.00	98.00	746,554.12	746,554.12	6.30	Own funds
Incineration plant (Shaoguan Green)	60,000,000.00	44.00	44.00	-	-	-	Own funds
New factory in Dashun (Jiaying Deda)	80,000,000.00	34.00	34.00	-	-	-	Own funds
Wastewater treatment project (Shaoguan Green)	28,572,200.00	77.00	96.00	-	-	-	Own funds
Xiaping kitchen waste project (Headquarter)	91,000,000.00	24.00	24.00	-	-	-	Super raise fund, Own funds
Shaoguan Green hazardous waste landfill (Shaoguan Green BOT)	30,000,000.00	64.00	64.00	-	-	-	Own funds
Landfill deodorization improvement construction (Headquarter)	45,893,800.00	39.00	39.00	-	-	-	Own funds
Reconstruction of plant (Huizhou Dongjiang)	20,017,676.00	127.00	87.00	-	-	-	Own funds
Jiangxi Jingwang precision circuits Limited resource recycling treatment project (Headquarter)	10,000,000.00	88.00	88.00	-	-	-	Own funds
Technical renovation project (Shajing Base)	27,020,000.00	53.00	95.00	-	-	-	Own funds
Sludge Project in Fuyong (Headquarter)	70,000,000.00	71.23	100.00	-	-	-	Raise fund
Office building construction (Huizhou Dongjiang)	6,000,000.00	22.33	100.00	-	-	-	Own funds
<b>Total</b>	<b>1,372,458,676.00</b>			<b>53,719,251.59</b>	<b>12,293,020.57</b>		

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

### 16. Intangible assets

(1) Movement of intangible assets:

Item	Land use rights	Patent	Computer software technologies	BOT operating rights	Total
I. Original book value					
1. Balance at the beginning of year	149,561,006.05	786,125.10	507,123.20	325,008,961.15	475,863,215.50
2. Increase	70,663,743.82	-	8,618,834.47	75,344,375.52	154,626,953.81
(1) Acquisition	53,578,972.91	-	7,955,822.58	27,093,121.27	88,627,916.76
(2) Addition from business combination	17,084,770.91	-	663,011.89	27,008,902.97	44,756,685.77
(3) Others	-	-	-	21,242,351.28	21,242,351.28
3. Decrease	825,343.94	12,460.00	10,138.37	12,658,671.51	13,506,613.82
(1) Disposal	-	-	9,411.89	-	9,411.89
(2) Others	825,343.94	12,460.00	726.48	12,658,671.51	13,497,201.93
4. Balance at the end of year	219,399,405.93	773,665.10	9,115,819.30	387,694,665.16	616,983,555.49
II. Accumulated amortisation					
1. Balance at the beginning of year	11,420,573.92	474,682.48	275,658.63	24,652,376.37	36,823,291.40
2. Increase	5,450,018.61	141,012.47	553,644.85	42,627,803.28	48,772,479.21
(1) Withdrawal	4,142,265.66	141,012.47	447,097.61	30,149,009.91	34,879,385.65
(2) Addition from business combination	1,307,752.95	-	106,547.24	12,478,793.37	13,893,093.56
3. Decrease	-	90,416.47	10,138.37	10,675.96	111,230.80
(1) Disposal	-	-	9,411.89	-	9,411.89
(2) Others	-	90,416.47	726.48	10,675.96	101,818.91
4. Balance at the end of year	16,870,592.53	525,278.48	819,165.11	67,269,503.69	85,484,539.81
III. Impairment provision					
1. Balance at the beginning of year	-	-	-	-	-
2. Increase	-	-	-	27,532,216.34	27,532,216.34
(1) Withdrawal	-	-	-	27,532,216.34	27,532,216.34
3. Decrease	-	-	-	-	-
4. Balance at the end of year	-	-	-	27,532,216.34	27,532,216.34
IV. Book value					
1. Book value at the end of year	202,528,813.40	248,386.62	8,296,654.19	292,892,945.13	503,966,799.34
2. Book value at the beginning of year	138,140,432.13	311,442.62	231,464.57	300,356,584.78	439,039,924.10

Intangible assets are not formed by the company in-house research and development at the end of this year.

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

#### 16. Intangible assets (Continued)

(1) *Movement of intangible assets: (Continued)*

Land use rights analyzed by location and age as follows:

Items	Amount at the end of year	Amount of the beginning of year
Within the PRC		
Medium lease (10-50 years)	<b>202,528,813.40</b>	138,140,432.13
Total	<b>202,528,813.40</b>	138,140,432.13

Depreciation and amortization of intangible assets recognized as profit and loss during the year was RMB34,879,385.65 (Amount of last year: RMB17,677,963.10).

(2) *As at the end of the year, all land use rights has obtained proper legal property rights certifications.*

(3) *Impairment provision of intangible assets*

BOT operating rights	Balance at the beginning of year	Increase Provision	Decrease Disposal	Balance at the end of year
Longgang Dongjiang	–	20,436,468.85	–	20,436,468.85
Hunan Dongjiang	–	7,095,747.49	–	7,095,747.49
Total	–	27,532,216.34	–	27,532,216.34

Impairment of intangible assets withdrawn during the year RMB27,532,216.34 (Amount of last year: RMB0.00).

Longgang Dongjiang BOT operating rights refers to the hazardous waste landfill with a concession period of 22 years from February 2009 under the BOT agreement; Hunan Dongjiang refers to the household waste landfill with a concession period of 33 years from 1 January 2008 to 31 December 2038 under the BOT agreement. As the abovementioned hazardous waste and household waste filled up much faster than expected, such landfills will be saturated before expiration of the concession period. Therefore, with regard to the total volume handled by these two companies since establishment (i.e. completed landfill volume), the Group calculated the cost per unit based on the construction cost of the landfills and total landfill volume, and calculated the amortized BOT operating rights at the end of 2014, the excess of which when compare with the actual amortized amount (carrying value) results in the amortization cost. As at the end of 2014, the Directors are of the opinion that such excess of carrying value RMB27,532,216.34 should be fully provided for impairment. Once recognized, the impairment provision of intangible assets will not be reversed in future years.

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

### 17. Goodwill

(1) Original value of goodwill

Name of investee	Balance at the beginning of year	Increase during the year From business combination	Decrease during the year Disposal	Balance at the end of year
Shaoguan Green	30,831,658.44	–	–	30,831,658.44
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
Coastal Solid Waste	–	25,662,811.29	–	25,662,811.29
Nanchang Xinguan	–	20,271,219.13	–	20,271,219.13
Hefei Xinguan	–	6,873,379.12	–	6,873,379.12
Xiamen Oasis Environmental	–	180,159,548.44	–	180,159,548.44
Karamay Wosen Environmental	–	14,369,932.91	–	14,369,932.91
Jiangxi Kangtai	–	5,131,308.16	–	5,131,308.16
Total	135,462,994.81	252,468,199.05	–	387,931,193.86

(2) Impairment provision of goodwill

Name of investee	Balance at the beginning of year	Increase during the year Provision	Decrease during the year Disposal	Balance at the end of year
Shaoguan Green	30,831,658.44	–	–	30,831,658.44
Chengdu Treatment Centre	2,045,010.07	–	–	2,045,010.07
Lik Shun Services	3,052,019.14	–	–	3,052,019.14
Xiamen Oasis Environmental	–	6,600,000.00	–	6,600,000.00
Total	35,928,687.65	6,600,000.00	–	42,528,687.65

Impairment provision of goodwill provided during the year was RMB6,600,000.00 (amount of last year: RMB3,052,019.14).



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

### 17. Goodwill (Continued)

#### (2) Impairment provision of goodwill (Continued)

Analysis of impairment of goodwill is as follows:

Xiamen Oasis Environmental

The Company entered into the Xiamen Oasis Equity Acquisition Agreement with the relevant shareholders of Xiamen Oasis Environmental, Xiamen Chuanglian Investment Company Limited (廈門創聯投資有限公司) ("Xiamen Chuanglian") in June 2014, pursuant to which, the existing shareholders including Xiamen Chuanglian will guarantee to the Company that the 2014 and 2015 audited net profit (net of non-recurring profit and loss) of Xiamen Oasis will be no less than RMB35,000,000 and RMB50,000,000 respectively. If the operating results of target company does not reach the guaranteed results in 2014 and 2015, the shortfall would be compensated in proportion to the equity share of the Company in cash. In the second half year in 2014, waste appliances and electronic products dismantling industry underwent changes in market conditions, the acquisition cost of each appliance went up, in addition, national minimum wage and labour cost were on an upward trend, but the dismantling fund government subsidies were not adjusted according, resulting in a shortfall of RMB2,000,000 between the actual net profit of Xiamen Oasis in 2014 and the guaranteed result; based on the prevailing acquisition cost and estimated handling volume of 16,060,000 sets of waste appliances and electronics by Xiamen Oasis in 2015, the estimated net profit of 2015 is approximately RMB41,000,000, a shortfall of RMB9,000,000 to the guaranteed results. Therefore, the Company entered into the supplementary agreement cancelling such results guarantee with existing shareholders still holding the equity of Xiamen Oasis (including Xiamen Chuanglian) in January 2015. The Company holds 60% of the equity of Xiamen Oasis. According to the original agreement and the supplementary agreement, Xiamen Chuanglian should compensate RMB6,600,000 to the Company in respect to the shortfall of 2014 and 2015 results.

Pursuant to the requirements of Accounting Standard for Business Enterprises, for goodwill recognized in respect of business combination under common control, if the acquiree has not fulfill the results guarantee, in addition to the effect of business combination or recognition and measurement of considerations, provision of goodwill impairment should be provided, therefore, the Company has provided for the goodwill impairment of RMB6,600,000 in respect of the equity share of the Company of the results guarantee shortfall. Other than the goodwill impairment from the results guarantee shortfall, the Company has made an estimation using 15% discount rate against the profitability of Xiamen Oasis in the next 10 years, and has not noticed any signs of goodwill impairment.

Zhuhai Qingxin, Qingyuan Xinlv, Jiaying Deda, Dongguan Hengjian, Coastal Solid Waste, Nanchang Xinguan, Hefei Xinguan, Karamay Wosen Environmental, Jiangxi Kaitai

For the impairment test, goodwill has been allocated to respectively group of assets, i.e. the subsidiaries of the Company including Zhuhai Qingxin, Qingyuan Xinlv, Jiaying Deda, Dongguan Hengjian, Coastal Solid Waste, Nanchang Xinguan, Hefei Xinguan, Karamay Wosen Environmental, Jiangxi Kaitai. The recoverable amount of this group of assets is estimated based on the cash flow estimation prepared based on 10 year budget approved by the management and a discount rate of 15%, with reference to other significant assumptions concerning the inflow/outflow of cash (including the estimated sales volume and gross profit), based on the past performance and market expectation of the management. The management believes that any reasonable changes in such assumption would not result in the carrying value rising above the recovery amount. As at the end of the year, the Directors does not consider it necessary to provide for impairment.

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

### 18. Long-term amortized expenses

Item	Amount at the beginning of year	Increase during the year	Amortized during the year	Other decreases during the year	Amount at the end of year
Improvement	152,794.50	2,255,334.45	859,759.13	10,095.20	<b>1,538,274.62</b>
Others	1,729,872.93	230,479.16	1,356,701.80	563,061.62	<b>40,588.67</b>
Total	1,882,667.43	2,485,813.61	2,216,460.93	573,156.82	<b>1,578,863.29</b>

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

(1) *Deferred income tax assets not yet offset*

Item	Balance at the end of year		Balance at the beginning of year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	<b>37,571,067.68</b>	<b>7,804,222.67</b>	30,669,244.35	5,085,636.26
Difference of fixed assets depreciation	<b>4,371,298.99</b>	<b>614,738.18</b>	3,144,977.43	786,244.36
Changes in fair value of financial assets at fair value through profit and loss	<b>4,988,420.00</b>	<b>748,263.00</b>	5,590,240.00	838,536.00
Deferred income	<b>28,862,362.79</b>	<b>4,434,421.09</b>	22,942,032.27	3,441,304.84
Unrealised profit and loss on intra-group sales	<b>5,976,258.78</b>	<b>896,438.82</b>	2,945,422.95	441,813.44
Loss compensation	<b>1,238,445.67</b>	<b>154,805.71</b>	–	–
Share-based incentive	<b>18,766,129.13</b>	<b>2,814,919.37</b>	–	–
Total	<b>101,773,983.04</b>	<b>17,467,808.84</b>	65,291,917.00	10,593,534.90

(2) *Deferred income tax liabilities not yet offset*

Item	Balance at the end of year		Balance at the beginning of year	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Change in fair value of investment properties	<b>13,283,430.88</b>	<b>1,992,514.63</b>	11,478,133.33	1,721,720.00
Total	<b>13,283,430.88</b>	<b>1,992,514.63</b>	11,478,133.33	1,721,720.00

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

#### 19. Deferred income tax assets and deferred income tax liabilities (Continued)

(3) Breakdown of unrecognized deferred income tax assets

Item	Amount at the end of year	Amount at the beginning of year
Deductible temporary difference	<b>81,487,782.90</b>	29,396,342.72
Deductible losses	<b>107,520,064.49</b>	68,921,382.80
Total	<b>189,007,847.39</b>	98,317,725.52

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	Amount at the end of year	Amount at the beginning of year	Notes
2014	–	6,114,376.16	
2015	<b>11,082,024.53</b>	13,749,585.26	
2016	<b>14,098,064.43</b>	17,624,808.30	
2017	<b>22,129,955.54</b>	10,911,110.20	
2018	<b>27,412,124.08</b>	20,521,502.88	
2019	<b>32,797,895.91</b>	–	
Total	<b>107,520,064.49</b>	68,921,382.80	

#### 20. Other non-current assets

Item	Balance at the end of year	Balance at the beginning of year
Prepayment for construction or equipment	<b>104,265,197.84</b>	–
Total	<b>104,265,197.84</b>	–

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

### 21. Short-term borrowings

(1) *Category of short-term borrowings*

Category of borrowings	Balance at the end of year	Balance at the beginning of year
Secured borrowings	98,900,000.00	–
Pledged borrowings	58,910,000.00	–
Guaranteed borrowings	15,778,000.00	15,724,000.00
Credit borrowings	385,676,227.46	250,000,000.00
Total	559,264,227.46	265,724,000.00

Secured borrowings: as at the end of the year, short-term borrowing of RMB98,900,000.00 was secured by the bank promissory notes RMB108,000,000.00 of the Group.

Pledged borrowings: as at the end of the year, short-term borrowings of RMB15,910,000.00 was secured by pledge of land use rights of Xiamen Oasis Environmental of book value of RMB5,163,000.00 and work-in-progress of RMB23,673,400.00; short-term borrowings of RMB7,000,000.00 was secured by pledge of dormitory of Xiamen Oasis Environmental valued at RMB12,526,300.00 and dormitory valued at RMB22,044,200.00; and short-term borrowings of RMB36,000,000.00 was secured by pledge of property of Xiamen Oasis Environmental with present value of RMB43,524,200.00.

Guaranteed borrowings: short-term bank borrowing obtained by subsidiary Lik Shun Services was guaranteed by the Company with letter of guarantee.

As at 31 December 2014, weighted average rate of short-term borrowings was 6.12% per annum (31 December 2013: 4.07%).

(2) *The Group has no outstanding short-term borrowings overdue.*

### 22. Accounts payable

(1) *Accounts payable*

Item	Amount at the end of year	Amount at the beginning of year
Raw material	201,792,041.62	116,914,677.03
Construction	22,028,086.04	8,716,012.95
Treatment fee	12,824,825.15	2,323,852.05
Equipment	17,268,160.74	4,440,074.70
Others	36,820,025.88	25,532,291.82
Total	290,733,139.43	157,926,908.55

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

### 22. Accounts payable (Continued)

(2) Age analysis of accounts payable

As at 31 December 2014, age analysis of accounts payable by invoice date are as follows:

Item	Amount at the end of year	Amount at the beginning of year
0-90 days	<b>214,549,195.55</b>	121,189,350.35
91-180 days	<b>9,623,000.21</b>	13,161,233.71
181-365 days	<b>36,164,548.23</b>	3,437,137.15
1-2 years	<b>13,997,353.21</b>	13,843,922.44
2-3 years	<b>9,939,127.50</b>	5,840,057.47
Over 3 years	<b>6,459,914.73</b>	455,207.43
Total	<b>290,733,139.43</b>	157,926,908.55

(3) Significant accounts payable aged over 1 year

Name	Balance at the end of year	Reason for not yet settled or carried forward
Zhonsan Baodilong Water Treatment Facilities Co., Ltd.	<b>3,644,950.00</b>	Not yet due
Shenzhen Fengrun Environmental Technology Co., Ltd. (深圳市豐潤環保科技有限公司)	<b>2,886,200.00</b>	Not yet due
Fujian Zhuoyue Hongchang Construction Materials and Equipment Co., Ltd. (福建省卓越鴻昌建材裝備股份有限公司)	<b>2,010,000.00</b>	Not yet due
Shenzhen Futian Hongyan Construction Materials Company (深圳市福田區紅岩建材商行)	<b>1,734,390.27</b>	Not yet due
Total	<b>10,275,540.27</b>	—

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

### 23. Receipts in advance

(1) Receipts in advance

Item	Balance at the end of year	Balance at the beginning of year
Payments for goods	<b>13,575,604.80</b>	7,900,561.04
Treatment fees	<b>20,450,998.55</b>	29,810,983.74
Others	<b>810,854.66</b>	665,018.12
Total	<b>34,837,458.01</b>	38,376,562.90

(2) Significant receipts in advance aged over 1 year

Name	Balance at the end of year	Reason for not yet settled or carried forward
Shaoyang Urban Management Bureau	<b>3,571,603.47</b>	Not yet due
Total	<b>3,571,603.47</b>	—

### 24. Employee benefits payables

(1) Categories of employee benefits payables

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Short-term employee emolument	33,481,045.83	256,046,404.94	240,600,788.43	<b>48,926,662.34</b>
Post-employment benefit – defined contribution schemes	(2,490.03)	15,817,407.26	15,818,505.00	<b>(3,587.77)</b>
Termination benefits	—	921,813.07	929,213.07	<b>(7,400.00)</b>
Total	33,478,555.80	272,785,625.27	257,348,506.50	<b>48,915,674.57</b>

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

#### 24. Employee benefits payables (Continued)

(2) Short-term emolument

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Salaries, bonus, allowance and subsidies	32,587,285.90	227,031,778.56	211,183,349.65	<b>48,435,714.81</b>
Staff welfare	419,277.67	15,703,028.37	15,756,967.81	<b>365,338.23</b>
Social Insurance	(196.27)	4,778,710.62	4,778,710.62	<b>(196.27)</b>
Including: Medical insurance	(165.87)	3,742,058.68	3,742,058.68	<b>(165.87)</b>
Injury Insurance	(11.05)	707,299.84	707,299.84	<b>(11.05)</b>
Maternity insurance	(19.35)	329,352.10	329,352.10	<b>(19.35)</b>
Housing provident fund	(405.00)	5,092,517.13	5,092,517.13	<b>(405.00)</b>
Union operation cost and staff education cost	73,241.71	3,440,370.26	3,387,401.40	<b>126,210.57</b>
Short-term paid leave	401,841.82	–	401,841.82	<b>–</b>
<b>Total</b>	<b>33,481,045.83</b>	<b>256,046,404.94</b>	<b>240,600,788.43</b>	<b>48,926,662.34</b>

(3) Defined contribution schemes

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Basic pension	(2,462.38)	13,328,569.17	13,329,700.85	<b>(3,594.06)</b>
Unemployment insurance	(27.65)	864,346.40	864,312.46	<b>6.29</b>
Mandatory provident fund (MPF)	–	1,624,491.69	1,624,491.69	<b>–</b>
<b>Total</b>	<b>(2,490.03)</b>	<b>15,817,407.26</b>	<b>15,818,505.00</b>	<b>(3,587.77)</b>

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

### 25. Tax payable

Item	Amount at the end of year	Amount at the beginning of year
VAT	10,002,710.65	(18,445,213.58)
EIT	18,661,671.03	11,519,680.72
Business tax	3,878,527.69	3,673,976.25
Individual income tax	1,390,546.62	1,010,229.00
Urban maintenance and construction tax	897,455.05	779,964.79
Education surcharge	733,992.87	897,667.47
Land use tax	108,671.36	118,493.50
Property tax	133,714.94	324,447.60
Stamp duty	21,224.14	115.87
Others	14,490.01	10,737.36
Total	35,843,004.36	(109,901.02)

As at the end of the year, tax payable does not include Hong Kong Profit Tax.

### 26. Interest payable

Item	Balance at the end of year	Balance at the beginning of year
Interest payable on short-term borrowings	2,255,536.85	–
Total	2,255,536.85	–

### 27. Dividend payable

Item	Balance at the end of year	Balance at the beginning of year
Dividend of ordinary shares	1,593,150.00	–
Total	1,593,150.00	–



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

### 28. Other payables

(1) Other payables categorized by nature

Nature	Balance at the end of year	Balance at the beginning of year
Share-based payment for repurchases	122,701,500.00	–
Equity-based payment for acquisitions	14,337,500.00	–
Guaranteed deposits	11,682,556.86	21,304,906.25
Provisions	1,141,349.48	1,137,188.12
Receipts on behalf of third parties	360,762.16	1,176,373.33
Others	26,191,856.04	23,013,314.44
<b>Total</b>	<b>176,415,524.54</b>	<b>46,631,782.14</b>

(2) Significant other payables aged over 1 year

Name	Balance at the end of year	Reason for not yet settled or carried forward
Sichuan Xingli Wheel Company	4,400,000.00	The subsidiaries are inactive, whether payment will be made is uncertain.
Shanghai Power Equipment Research Institute	3,045,000.00	
The People's Government of Chengdu Qingbai Province	1,600,000.00	
<b>Total</b>	<b>9,045,000.00</b>	

### 29. Non-current liabilities due within 1 year

Item	Amount at the end of year	Amount at the beginning of year
Long-term borrowings due within 1 year (Note VI.31)	142,399,340.64	43,599,340.64
Long-term payables due within 1 year (Note VI.33)	15,503,370.27	14,019,747.97
<b>Total</b>	<b>157,902,710.91</b>	<b>57,619,088.61</b>

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

### 30. Other current liabilities

(1) Categories of other current liabilities

Item	Balance at the end of year	Balance at the beginning of year
Deferred income of government grants related to assets carry over within 1 year (Note VI.34)	<b>8,899,851.75</b>	5,315,509.67
Unrecognised gain on sale and lease-back transaction under finance lease due within 1 year (Note VI.35)	<b>757,934.52</b>	757,934.53
<b>Total</b>	<b>9,657,786.27</b>	6,073,444.20

(2) Government grants

Item	Balance at the beginning of year	Amount of			Balance at the end of year	Related to assets/income
		new subsidies during the year	non-operating income during the year	Other changes		
Subsidies of energy-saving and emission-reduction projects	80,000.00	-	80,000.00	80,000.00	<b>80,000.00</b>	Related to asset
Resource-saving and environmental protection project funds	849,999.96	-	849,999.96	849,999.96	<b>849,999.96</b>	Related to asset
Copper sludge projects	400,000.00	-	400,000.00	66,666.67	<b>66,666.67</b>	Related to asset
Wastewater treatment re-construction projects	1,750,800.00	-	1,750,800.00	1,750,800.00	<b>1,750,800.00</b>	Related to asset
Special construction funds from National Development and Reform Commission	900,000.00	-	900,000.00	900,000.00	<b>900,000.00</b>	Related to asset
Subsidies for industrial zone development	278,626.63	-	278,626.63	546,780.66	<b>546,780.66</b>	Related to asset
Special funds for environmental protection projects	356,083.08	-	356,083.08	356,083.08	<b>356,083.08</b>	Related to asset
Special Funds of Shenzhen						
Environmental Protection Project	400,000.00	-	400,000.00	400,000.00	<b>400,000.00</b>	Related to asset
Environmental special fund for Baoan Dongjiang	300,000.00	-	300,000.00	300,000.00	<b>300,000.00</b>	Related to asset
Resource-saving and environmental protection project funds for Qingyuan Dongjiang	-	-	-	2,000,000.04	<b>2,000,000.04</b>	Related to asset
Copper sludge projects for Hubei Dongjiang	-	-	-	159,782.50	<b>159,782.50</b>	Related to asset
Subsidies for clinical waste treatment	-	-	25,000.00	50,000.00	<b>25,000.00</b>	Related to asset
Waste electric recycle treatment plant reconstruct and expansion project	-	-	452,202.84	904,405.68	<b>452,202.84</b>	Related to asset
Resources recycling system building project	-	-	766,742.56	1,140,137.32	<b>373,394.76</b>	Related to asset
Clinical waste treatment plant project	-	-	530,062.62	1,035,203.86	<b>505,141.24</b>	Related to asset
Xiamen Xiang'an District Xinxu Twon subsidy	-	-	134,000.00	268,000.00	<b>134,000.00</b>	Related to asset
<b>Total</b>	5,315,509.67	-	7,223,517.69	10,807,859.77	<b>8,899,851.75</b>	

Other changes refer to reclassification of deferred income as described in note VI.34.

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

### 31. Long-term borrowings

Item	Amount at the end of year	Amount at the beginning of year
Long-term bank borrowings	<b>518,858,794.09</b>	168,312,619.07
Less: Amount repayable within one year and showed under non-current liabilities due within one year (Note VI.29)	<b>142,399,340.64</b>	43,599,340.64
Long-term borrowings repayable after one year	<b>376,459,453.45</b>	124,713,278.43

(1) *Categories of borrowings*

Categories of borrowings	Amount at the end of year	Amount at the beginning of year
Secured borrowings (Note 1)	<b>95,101,850.00</b>	62,169,762.00
Pledged borrowings (Note 2)	<b>50,000,000.00</b>	–
Guaranteed borrowings (Note 3)	<b>80,756,944.09</b>	71,142,857.07
Credit borrowings	<b>293,000,000.00</b>	35,000,000.00
Total	<b>518,858,794.09</b>	168,312,619.07

Interest rate for long-term bank borrowing was 5.40%-7.04%, with weighted average rate of 6.26% (2013: interest rate for long-term borrowings was 5.76%-6.72%, with weighted average rate of 6.21%).

Note 1: Secured borrowings were secured with 80% equity of Baoan Dongjiang and profits receivable of the CDM methane-to-energy power plants, the 40% equity of Shaoguan Green and 60% equity of Coastal Solid Waste, the 100% equity of Nanchang Xinguan and fees receivable of the renewable energy power held by the Company.

Note 2: Pledged borrowings were secured by pledge of the land use right of industrial land of 114,142.10 square meters with a term from 6 June 2014 to 9 December 2062 held by Jiangmen Dongjiang.

Note 3: Guaranteed borrowings were secured by the guarantee to the bank provided by the Company or Mr. Zhang Weiyang, the shareholder of the Company.

(2) *The maturities of the long-term borrowings are analyzed as follows:*

Item	Amount at the end of year	Amount at the beginning of year
Within 1 year	<b>142,399,340.64</b>	43,599,340.64
1-2 years	<b>292,329,572.20</b>	37,200,000.00
2-5 years	<b>84,129,881.25</b>	87,513,278.43
Total	<b>518,858,794.09</b>	168,312,619.07

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

### 32. Bond payables

(1) Categories of bond payables

Item	Balance at the end of year	Balance at the beginning of year
2014 Corporate Bond (first phrase) of Dongjiang Environmental Company Limited	355,632,555.15	–
Total	355,632,555.15	–

(2) Movement of bond payables (excluding other financial instruments such as preferential shares classified as financial liabilities and perpetual bonds)

Name	Total carrying amount	Issue date	Term of bond	Amount issued	Balance at the beginning of year	Issued during the year	Interest based on carrying amount	Premium/ discounts amortization	Value during the year	Payment of underwriting fee	Balance at the end of year
Corporate Bond	350,000,000.00	2014/8/1	5 years	350,000,000.00	–	350,000,000.00	9,773,312.09	–	–	4,140,756.94	355,632,555.15
Total	350,000,000.00			350,000,000.00	–	350,000,000.00	9,773,312.09	–	–	4,140,756.94	355,632,555.15

The Group issued 5 years bonds with carrying value of RMB350 million at the rate of 6.5% per annum, with interest payable on 1 August of each year, and principal repayable upon expiry along with last installment of interest. The actual net subscription payment received by the Group was approximately RMB346 million, with actual interest rate of 6.78%.

### 33. Long-term payables

Item	Balance at the end of year	Balance at the beginning of year
Financial lease payables	20,878,694.02	32,311,782.68
Less: amount due within 1 year (note VI.29)	15,503,370.27	14,019,747.97
Amount due after 1 year	5,375,323.75	18,292,034.71
Others	787,520.00	787,520.00
Total	6,162,843.75	19,079,554.71

Others include amount due to minority interests by Dongjiang Songzao in respect of trusted loan issued by China Construction Bank Qijiang Branch in the amount of RMB984,400, with a term from 31 December 2010 to 31 December 2021, and repayable at the end of each year from 31 December 2012 in the amount of RMB98,440.

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

#### 33. Long-term payables (Continued)

(1) Breakdown of financial lease payables

Financial lease payable is the minimum lease payment under financial lease, net of unrecognized financial fee, breakdown as follows:

Name	Balance at the end of year		Amount at the beginning of year	
	Foreign currency (HKD) (exchange rate: 0.7889)	Amount in RMB	Foreign currency (HKD) (exchange rate: 0.7862)	Amount in RMB
China Merchants Bank Financial Leasing Co., Ltd.	-	11,174,270.83	-	19,358,655.43
China Construction Bank (Asia) Corporation Limited	7,241,515.88	5,712,831.88	7,706,125.38	6,058,555.77
The Bank of East Asia, Limited	3,034,583.55	2,393,982.96	4,563,651.77	3,587,943.02
Wing Hang Bank Limited	2,025,108.82	1,597,608.35	3,463,016.58	2,722,623.64
Wing Lung Bank Ltd.	-	-	742,819.66	584,004.82
<b>Total</b>		<b>20,878,694.02</b>		<b>32,311,782.68</b>

(2) The Group subsequently calculate these long-term payables using the actual interest rate approach based on amortized costs.

(3) As at the end of the year, minimum lease payment under financial lease are as follows:

	Balance at the end of year	Amount at the beginning of year
Within 1 year	15,503,370.27	14,019,748.78
1-2 year	5,616,952.86	13,831,825.76
2-3 year	1,217,212.72	5,407,920.66
Over 3 years	923,601.48	1,164,063.56
Sub-total	23,261,137.33	34,423,558.76
Less: unrecognized finance cost	2,382,443.31	2,111,776.08
<b>Total</b>	<b>20,878,694.02</b>	<b>32,311,782.68</b>

The Group amortizes unrecognized finance cost over each period during lease term using the actual interest rate approach, which should base on borrowing cost policy.

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

### 34. Deferred income

(1) Categories of deferred income

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year	Reason
Government grant	60,922,912.24	36,014,749.95	13,877,696.23	<b>83,059,965.96</b>	
Total	60,922,912.24	36,014,749.95	13,877,696.23	<b>83,059,965.96</b>	—

(2) Government grant projects

Government grant projects	Balance at the beginning of year	Amount of new subsidies during the year	Amount of non-operating income during the year	Other changes	Balance at the end of year	Related to assets/income
Special funds for environmental protection projects	7,210,682.51	—	—	356,083.08	<b>6,854,599.43</b>	Related to asset
Shenzhen Fuyong river sludge treatment plant (phase 2)	5,000,000.00	—	—	—	<b>5,000,000.00</b>	Related to asset
Wastewater treatment re-construction projectsItem	3,291,800.01	—	—	2,373,703.32	<b>918,096.69</b>	Related to asset
Budgets for high & new technology	750,000.00	—	—	—	<b>750,000.00</b>	Related to asset
Industrialization of municipal sludge anaerobic digestion research	750,000.00	750,000.00	—	—	<b>1,500,000.00</b>	Related to asset
Efficient low consumption electronics industry wastewater denitrification and dephosphorization technology development and application	490,000.00	—	—	—	<b>490,000.00</b>	Related to asset
Luohu District Xia Ping kitchen waste treatment project	—	4,800,000.00	—	—	<b>4,800,000.00</b>	Related to asset
Other resource exploration electrical information (Xia Ping kitchen waste)	—	5,000,000.00	—	—	<b>5,000,000.00</b>	Related to asset
Guangdong province major Sci & Tech project (recycling of waste printed circuit board and integrated demonstration projects)	190,000.00	—	—	—	<b>190,000.00</b>	Related to asset
Copper sludge project	66,666.67	—	—	66,666.67	—	Related to asset
Shenzhen Environmental Protection Project	3,200,000.00	—	—	400,000.00	<b>2,800,000.00</b>	Related to asset
Subsidies of energy-saving and emission-reduction projects	640,000.00	—	—	80,000.00	<b>560,000.00</b>	Related to asset
Special construction funds from NDRC	6,675,000.00	—	—	900,000.00	<b>5,775,000.00</b>	Related to asset
Resource-saving and environmental protection project funds for Qingyuan Dongjiang	5,999,999.92	—	2,000,000.04	2,000,000.04	<b>1,999,999.84</b>	Related to asset
Resource-saving and environmental protection project funds	4,895,833.50	—	—	849,999.96	<b>4,045,833.54</b>	Related to asset
Subsidies for industrial zone development	8,490,922.47	13,377,873.00	134,227.85	546,780.66	<b>21,187,786.96</b>	Related to asset
Special subsidies for Northern Guangdong sewage treatment	5,000,000.00	—	—	—	<b>5,000,000.00</b>	Related to asset

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

#### 34. Deferred income (Continued)

##### (2) Government grant projects (Continued)

Government grant projects	Balance at the beginning of year	Amount of			Balance at the end of year	Related to assets/income
		new subsidies during the year	non-operating income during the year	Other changes		
Northern Guangdong project	4,636,000.00	-	-	-	<b>4,636,000.00</b>	Related to asset
Special funds for environmental protection projects for Baoan Dongjiang	1,825,000.00	-	-	300,000.00	<b>1,525,000.00</b>	Related to asset
Subsidies for purchasing environmental friendly vehicles from Hong Kong government	213,182.16	61,142.91	232,814.00	-	<b>41,511.07</b>	Related to asset
Copper sludge projects of Hubei Dongjiang	1,597,825.00	-	79,891.25	159,782.50	<b>1,358,151.25</b>	Related to asset
Subsidies for clinical waste treatment	-	175,000.00	-	50,000.00	<b>125,000.00</b>	Related to asset
Waste electric recycle treatment plant reconstruct and expansion project	-	3,320,067.77	-	904,405.68	<b>2,415,662.09</b>	Related to asset
Resources recycling system building project	-	4,000,000.00	-	1,140,137.32	<b>2,859,862.68</b>	Related to asset
Clinical waste treatment plant project	-	3,345,999.60	-	1,035,203.86	<b>2,310,795.74</b>	Related to asset
Xiamen Xiang'an District Xinu Twon subsidy	-	1,184,666.67	-	268,000.00	<b>916,666.67</b>	Related to asset
<b>Total</b>	<b>60,922,912.24</b>	<b>36,014,749.95</b>	<b>2,446,933.14</b>	<b>11,430,763.09</b>	<b>83,059,965.96</b>	

Other movement represents transfer to other current liabilities of RMB10,807,859.77 (Note VI.30) and a refund of RMB622,903.32 to the Finance Commission of Shenzhen Municipality in respect of the wastewater treatment reconstruction project.

#### 35. Other non-current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Unrealized gain on sale and lease-back transaction under finance lease	<b>1,768,513.95</b>	3,408,106.49
Less: carry forward within 1 year and listed under current liability (Note VI.30)	<b>757,934.52</b>	757,934.53
Unrealized gain on sale and lease-back transaction under finance lease carry forward after 1 year	<b>1,010,579.43</b>	2,650,171.96
863 Project	<b>2,309,000.00</b>	2,686,000.00
Compensation for demolition	<b>2,849,556.41</b>	-
<b>Total</b>	<b>6,169,135.84</b>	5,336,171.96

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

### 36. Share capital

The movement of statutory, issued and paid share capital of the Company is as follows. The carrying value of each ordinary share of the Company is RMB1.

#### During the Year

Item	Balance at the beginning of year	Issue of new shares	Movement during the year (+, -)			Sub-total	Balance at the end of year
			Grant of shares	Transfer of shares from reserve	Others		
Total amount of shares	225,714,561.40	6,340,000.00	-	115,782,280.00	-	122,122,280.00	347,836,841.40

#### During last year

Item	Balance at the beginning of year	Issue of new shares	Movement during the year (+, -)			Sub-total	Balance at the end of year
			Grant of shares	Transfer of shares from reserve	Others		
Total amount of shares	150,476,374.40	-	-	75,238,187.00	-	75,238,187.00	225,714,561.40

### 37. Capital reserve

#### During the year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Share premium	855,365,333.07	121,007,700.00	120,428,480.00	<b>855,944,553.07</b>
Other capital reserves	-	18,766,129.13	-	<b>18,766,129.13</b>
Total	855,365,333.07	139,773,829.13	120,428,480.00	<b>874,710,682.20</b>

During the Year, increase in share premium under capital reserve was attributable to the equity-based incentive premium, where decrease in share premium was attributable to increase in transfer of capital and repurchase and cancellation of restricted shares held by former incentive participants, and increase in other capital reserve was attributable to equity-based incentive fees.

#### During last year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Share premium	930,603,520.07	-	75,238,187.00	<b>855,365,333.07</b>
Total	930,603,520.07	-	75,238,187.00	<b>855,365,333.07</b>



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

#### 38. Treasury shares

During the year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Treasury shares	-	127,737,700.00	5,036,200.00	<b>122,701,500.00</b>
Total	-	127,737,700.00	5,036,200.00	<b>122,701,500.00</b>

Increase in treasury shares during the year was attributable to the repurchase obligation of restricted shares, where the decrease is attributable to fulfilling the repurchase obligation. No amount was incurred during last year.

#### 39. Other comprehensive income

Item	Balance at the beginning of year	Incurred during the year, before income tax	Incurred during the year				Balance at the end of year
			Less: amount previously recognized in other comprehensive income and transferred to profit and loss during the period	Less: income tax expense	Attributable to parent company after tax	Attributable to minority interests after tax	
I. Other comprehensive income that cannot be reclassified to profit and loss when qualified in future accounting period	-	-	-	-	-	-	-
II. Other comprehensive income that will be reclassified to profit and loss when qualified in future accounting	(327,356.22)	(410,955.88)	-	-	(410,955.88)	-	(738,312.10)
Including: exchange difference on translation of financial statement in foreign currency	(327,356.22)	(410,955.88)	-	-	(410,955.88)	-	(738,312.10)
Total	(327,356.22)	(410,955.88)	-	-	(410,955.88)	-	(738,312.10)

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

### 40. Surplus reserve

#### During the Year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Statutory surplus reserve	110,735,300.43	22,496,612.58	–	<b>133,231,913.01</b>
Total	110,735,300.43	22,496,612.58	–	<b>133,231,913.01</b>

#### During last Year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Statutory surplus reserve	93,173,237.74	17,562,062.69	–	<b>110,735,300.43</b>
Total	93,173,237.74	17,562,062.69	–	<b>110,735,300.43</b>

According to Chinese law and regulation, as well as the articles of the Company, each subsidiary of the Group have to transfer 10% of after tax income to statutory surplus reserve, until such balance equals 50% of the registered capital. Surplus reserves can be used to offset any future losses as well as increase in share capital. Any uses other than to reduce losses must not result in surplus reserves lower than 25% of the registered capital.

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

### 41. Unallocated profit

#### During the year

Item	Amount	Percentage of withdrawal or allocation (%)
Amount at the end of last year	1,050,279,781.79	
Add: unallocated profit adjustment at the beginning of year	–	
Amount at the beginning of the year	1,050,279,781.79	
Add: net profit attributable to shareholders of the parent company during the year	251,610,695.08	
Less: withdrawal of statutory surplus reserve	22,496,612.58	10
Dividend payable of ordinary shares	69,395,268.30	
Amount at the end of the year	1,209,998,595.99	

#### During last year

Item	Amount	Percentage of withdrawal or allocation (%)
Amount at the end of last year	919,750,287.90	
Add: unallocated profit adjustment at the beginning of year	–	
Amount at the beginning of the year	919,750,287.90	
Add: net profit attributable to shareholders of the parent company during the year	208,282,106.18	
Less: withdrawal of statutory surplus reserve	17,562,062.69	10
Dividend payable of ordinary shares	60,190,549.60	
Amount at the end of the year	1,050,279,781.79	

Statutory surplus reserve of the year was provided based on 10% of net profit.

At the 2013 Annual General Meeting held on 10 June 2014, the second A shareholders class meeting of 2014 and the second H shareholders class meeting of 2014, a resolution was passed in relation to the dividend to all shareholders of RMB3.00 per 10 shares (tax inclusive), a total of RMB69,469,368.30 calculated based on the total share capital of 231,564,561 shares. Dividends for restricted shares held by incentive participants who had left office as at December 2014 were RMB78,000.00, after the national individual income tax on former incentive participants of RMB3,900.00, the actual reversal would be RMB74,100.00 (2013: RMB4.00 per 10 shares).

Surplus reserve attributable to the parent company withdrawn during the year was RMB6,753,397.13 (2013: RMB6,384,631.81).

As at 31 December 2014, undistributed profit attributable to the Company includes withdrawal of surplus reserve of RMB51,569,056.34 (2013: RMB34,273,150.56) by the subsidiaries.

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

### 42. Minority interests

Minority interests attributable to minority shareholders of each subsidiary

Name of subsidiary	Proportion of minority interest (%)	Amount at the end of year	Amount at the beginning of year
Dongjiang Heritage	38.00	18,203,909.86	15,941,268.17
Longgang Dongjiang	46.00	84,569,822.44	83,673,326.00
Qingdeng Wastes Treatment	49.00	37,563,885.99	31,024,744.03
Kunshan Kunpeng	49.00	9,626,102.41	8,460,207.87
Hunan Dongjiang	5.00	631,265.66	736,715.74
Dongjiang Songzao	6.14	(650,197.91)	719,061.71
Zhuhai Qingxin	25.00	1,641,987.65	1,656,810.20
Qingyuan Xinv	37.50	37,265,989.17	38,300,291.03
Jiaxin Deda	49.00	23,836,306.35	22,783,448.55
Dongjiang Shangtian	49.00	4,595,376.60	4,900,000.00
Coastal Solid Waste	40.00	18,569,064.81	–
Xiamen Oasis Environmental	40.00	136,323,263.23	–
Karamay Wosen Environmental	17.18	7,854,813.52	–
Dongjiang Lvlvda	40.00	3,986,140.67	–
Shaoxing Dongjiang	48.00	480,000.00	–
Jiangxi Kangtai	49.00	11,739,997.68	–
Total		396,237,728.13	208,195,873.30

### 43. Net current assets

Item	Amount at the end of year	Amount at the beginning of year
Current assets	2,241,015,235.43	1,626,681,933.25
Less: current liabilities	1,317,418,212.40	605,720,441.18
Net current assets	923,597,023.03	1,020,961,492.07

### 44. Total assets less current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Total assets	4,985,470,629.81	3,267,457,572.29
Less: current liabilities	1,317,418,212.40	605,720,441.18
Total assets less current liabilities	3,668,052,417.41	2,661,737,131.11

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

### 45. Borrowings

Borrowings of the Group is summarized as follows:

Item	Amount at the end of year	Amount at the beginning of year
Short-term bank borrowings	<b>559,264,227.46</b>	265,724,000.00
Long-term borrowings	<b>518,858,794.09</b>	168,312,619.07
Bonds payable	<b>355,632,555.15</b>	–
Obligations under finance lease	<b>20,878,694.02</b>	32,311,782.68
<b>Total</b>	<b>1,454,634,270.72</b>	466,348,401.75

(1) Breakdown of borrowings

Item	Amount at the end of year	Amount at the beginning of year
Bank borrowings		
– repayable within 1 year	<b>701,663,568.10</b>	309,323,340.64
– repayable after 1 year	<b>376,459,453.45</b>	124,713,278.43
<b>Sub-total</b>	<b>1,078,123,021.55</b>	434,036,619.07
Other borrowings		
– repayable within 1 year	<b>15,503,370.27</b>	14,019,747.97
– repayable after 1 year	<b>361,007,878.90</b>	18,292,034.71
<b>Sub-total</b>	<b>376,511,249.17</b>	32,311,782.68
<b>Total</b>	<b>1,454,634,270.72</b>	466,348,401.75

Other borrowings represents the total amount of short-term bank borrowings, long-term borrowings, bonds payable, obligations under finance lease under table 1, excluding bank borrowings (borrowings from financial institutes).

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

### 45. Borrowings (Continued)

(2) Analysis of maturity of borrowings

Bank borrowings:

Item	Amount at the end of year	Amount at the beginning of year
On demand or within 1 year	<b>701,663,568.10</b>	309,323,340.64
1-2 years	<b>292,329,572.20</b>	37,200,000.00
2-5 years	<b>84,129,881.25</b>	87,513,278.43
Total	<b>1,078,123,021.55</b>	434,036,619.07

Other borrowings:

Item	Amount at the end of year	Amount at the beginning of year
On demand or within 1 year	<b>15,503,370.27</b>	14,019,747.97
1-2 years	<b>4,069,658.41</b>	12,807,442.16
2-5 years	<b>356,938,220.49</b>	5,484,592.55
Total	<b>376,511,249.17</b>	32,311,782.68

### 46. Operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	<b>2,047,511,528.29</b>	<b>1,382,201,109.45</b>	1,582,936,364.20	1,100,398,704.00
Other businesses	-	-	-	-
Total	<b>2,047,511,528.29</b>	<b>1,382,201,109.45</b>	1,582,936,364.20	1,100,398,704.00

Revenue from main businesses (turnover of the Group) 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.

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

### 46. Operating revenue and operating costs (Continued)

(1) Main businesses – by business categories

Product	Amount of the year		Amount of last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Industrial waste recycling	937,570,254.75	654,471,765.71	962,591,583.95	706,348,309.65
Industrial waste treatment and disposal	395,563,293.89	167,161,472.18	243,497,232.44	103,675,613.81
Municipal waste treatment and disposal	209,173,851.16	175,391,525.27	135,163,624.22	117,617,521.62
Renewable energy utilization	63,865,183.74	45,842,159.97	65,476,857.26	44,059,227.09
Environmental engineering and services	159,335,570.43	120,067,452.38	95,850,397.86	73,220,217.40
Trading and others	60,798,194.45	33,707,253.53	39,201,978.32	22,132,575.83
Dismantling household appliances	221,205,179.87	185,559,480.41	41,154,690.15	33,345,238.60
Total	2,047,511,528.29	1,382,201,109.45	1,582,936,364.20	1,100,398,704.00

(2) Percentage of purchase from the largest supplier is 4.98%, where percentage of purchase from the five largest suppliers is 15.73%;

Percentage of turnover or sales of the largest customers is 8.02%, where percentage of turnover or sales of the five largest customers is 24.85%.

### 47. Gross profit

Item	Amount of the year	Amount of last year
Operating revenue	2,047,511,528.29	1,582,936,364.20
Less: operating costs	1,382,201,109.45	1,100,398,704.00
Gross profit	665,310,418.84	482,537,660.20

### 48. Sales tax and levies

Item	Amount of the year	Amount of last year
Business tax	1,580,529.71	1,221,295.61
Urban maintenance and construction tax	4,506,466.59	4,619,046.19
Education surcharge	3,508,785.10	3,568,649.95
Others	1,029.60	12,702.65
Total	9,596,811.00	9,421,694.40

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

### 49. Selling expenses

Item	Amount of the year	Amount of last year
Total	<b>32,464,521.51</b>	38,287,887.95
Including:		
Salaries	<b>12,688,503.08</b>	12,766,255.04
Transportation fee	<b>3,857,779.31</b>	7,157,760.21
Vehicle costs	<b>3,191,156.54</b>	4,331,016.09
Promotion and marketing fee	<b>2,469,339.30</b>	1,527,844.80
Traveling expenses	<b>2,083,751.98</b>	1,378,737.70
Rents	<b>2,017,234.04</b>	1,520,733.08

### 50. Administrative expenses

Item	Amount of the year	Amount of last year
Total	<b>284,962,606.10</b>	221,405,603.84
Including:		
Salaries	<b>83,768,475.75</b>	71,361,022.06
Research and development expenses	<b>38,316,548.22</b>	30,195,956.50
Depreciation expenses	<b>23,837,960.58</b>	17,704,697.27
Share-based payment	<b>18,766,129.13</b>	–
Entertainment expenses	<b>12,450,297.57</b>	10,093,495.41
Staff welfare	<b>10,503,921.10</b>	9,485,440.10
Social insurance expenses	<b>8,573,485.70</b>	8,219,069.71
Vehicle costs	<b>8,147,639.66</b>	8,440,887.51

### 51. Finance costs

(1) Breakdown of finance costs

Item	Amount of the year	Amount of last year
Interest expenses	<b>37,668,628.87</b>	17,934,737.84
Less: interest income	<b>18,271,966.22</b>	17,564,930.12
Add: exchange losses	<b>104,132.00</b>	(11,970.86)
Add: other expenses	<b>4,704,156.73</b>	1,111,392.63
Total	<b>24,204,951.38</b>	1,469,229.49



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

#### 51. Finance costs (Continued)

(2) Breakdown of interest expenses

Item	Amount of the year	Amount of last year
Interests on bank borrowings and overdrafts	<b>38,017,872.51</b>	23,710,992.73
Bond interests calculated based on actual interest rates	<b>10,549,434.31</b>	–
Finance lease charge	<b>1,432,534.71</b>	2,102,472.93
Sub-total	<b>49,999,841.53</b>	25,813,465.66
Less: capitalized interests	<b>12,331,212.66</b>	7,878,727.82
Total	<b>37,668,628.87</b>	17,934,737.84

General borrowing cost capitalized during the year is calculated by applying a capitalization rate of 6.55% (last year: 6.40%).

(3) Breakdown of interest income

Item	Amount of the year	Amount of last year
Interest income from bank deposits	<b>18,271,966.22</b>	17,564,930.12
Total	<b>18,271,966.22</b>	17,564,930.12

#### 52. Impairment loss of assets

Item	Amount of the year	Amount of last year
Provisions for bad debts	<b>(2,212,624.85)</b>	1,222,929.13
Impairment loss on inventories	<b>(3,496,565.20)</b>	3,653,694.97
Impairment loss on fixed assets	<b>18,724,861.91</b>	–
Impairment loss on intangible assets	<b>27,532,216.34</b>	–
Impairment loss on goodwill	<b>6,600,000.00</b>	3,052,019.14
Impairment loss on long-term deferred expenses	<b>573,156.82</b>	–
Total	<b>47,721,045.02</b>	7,928,643.24

#### 53. Gain/loss on changes in fair value

Item	Amount of the year	Amount of last year
Financial assets at fair value through profit and loss of the year	<b>473,250.00</b>	(1,049,660.00)
Investment properties at fair value	<b>239,900.00</b>	–
Total	<b>713,150.00</b>	(1,049,660.00)

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

### 54. Investment income

Item	Amount of the year	Amount of last year
Income from long-term equity investments under equity approach	<b>32,105,728.07</b>	22,427,932.85
Investment income from disposal of long-term equity investments	–	11,944,590.23
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the year	<b>93,773.00</b>	101,380.00
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period	<b>222,805.23</b>	60,791.63
Investment income from disposal of financial assets available-for-sale	<b>1,004,820.69</b>	–
Investment income from financial products	<b>2,738,394.78</b>	1,341,234.48
<b>Total</b>	<b>36,165,521.77</b>	35,875,929.19

Investment income generated from listed and unlisted investments during the year amounted to RMB316,578.23 and RMB35,848,943.54 respectively.

### 55. Non-operating income

(1) Breakdown of non-operating income

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Gain on disposal of non-current assets	<b>326,537.55</b>	556,188.45	326,537.55
Including: Gain on disposal of fixed assets	<b>326,537.55</b>	556,188.45	326,537.55
Donations	<b>16,800.00</b>	–	16,800.00
Government grants	<b>19,704,246.42</b>	36,714,829.11	14,547,107.91
Inventory profit	<b>181,301.61</b>	–	181,301.61
Guaranteed performance compensation	<b>6,600,000.00</b>	–	6,600,000.00
Others	<b>2,321,562.61</b>	837,138.79	2,321,562.61
<b>Total</b>	<b>29,150,448.19</b>	38,108,156.35	23,993,309.68

Amount charged to non-recurring profit or loss during the year was RMB23,993,309.68 (last year: RMB33,423,901.18).

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

### 55. Non-operating income (Continued)

#### (2) Breakdown of government grants

Item	Amount of the year	Amount of last year	Origins and evidents	Related to assets/income
Shenzhen high & new technology industry special subsidy funds	3,194,900.00	–	ShenFu [2008] No.200	Related to income
Refund of VAT	4,648,152.38	4,684,255.17	CaiShui [2008] No.156	Related to income
Resource-saving and environmental protection project funds for Qingyuan Dongjiang	2,000,000.04	2,000,000.04	National Development and Reform Commission (FaGaiBanHuanZi) [2011] No.1191	Related to assets
Wastewater treatment re-construction projects	1,750,800.00	1,750,800.00	Shenzhen Environmental Protection Bureau, ShenFu [2006] No.196	Related to assets
Special construction funds from NDRC	900,000.00	900,000.00	Responsibility Statement for the Use of Special Funds of Wuhua District 2012022	Related to assets
Funds for resources conservation and environment protection projects	849,999.96	849,999.96	National Development and Reform Commission (FaGaiTouZi) [2010] No.451, Shenzhen Development and Reform Commission (ShenFaGai) [2010] No.582	Related to assets
Resource Recycling Scheme	766,742.56	–	CaiBanJian [2012] No.53 [CaiJian] 2012 [No.176] XiaShangWuLiuTong [2012] No.455	Related to assets
Medical waste treatment plant	530,062.62	–	XiaFaGaiTouZi (2007) No.649	Related to assets
Funds for Sci-Tech cooperation project	500,000.00	–	2014 Shenzhen Baoan District industrialization scheme of Scientific and Technological achievements, proposal of innovative idea by small & medium sized Sci & Tech enterprises	Related to income
Special funds for prevention and control of heavy metal pollution projects from Guangdong Environmental Protection Bureau	500,000.00	–	YueHuan (2014) No.84	Related to income
VAT refund income	494,004.68	–	State Taxation Bureau of Nanchang Economic and Technological Development Zone (HongJingGuoShuiFa) (2013) No.28, about the approval of waste incineration VAT exemption of Nanchang Xinguan Energy Development Co.,Ltd	Related to income
Waste electric recycle treatment plant reconstruct and expansion project	452,202.84	–	FaGaiBanHuanZi (2011) No.2934, XiaFaGaiChanYe (2012) No.12	Related to assets
Industrial park development subsidy funds	412,854.48	9,414,303.90	Shaoguan Municipal Finance Bureau (ShaoCaiGong [2011] No. 154 about the fund arrangement for 2009 ecological civilization construction project	Related to assets
Copper sludge project Shenzhen	400,000.00	400,000.00	Shenzhen Environmental Protection Bureau, CaiJian [2006] No.318	Related to assets
Special funds for Shenzhen Environmental Protection Project	400,000.00	400,000.00	ShenFaGai [2013] No.547, ShenCaiJian [2012] No.220	Related to assets
Central Special funds for environmental protection projects (showcase)	356,083.08	356,083.09	China National Environmental Protection Agency (CaiJian [2005] No.767)	Related to assets
Special fund for Sci & Tech and industrial development	300,000.00	–	Shenzhen Baoan District 2014 Industrial Technology Innovation Alliance Project etc., proposal of 3 technological projects	Related to income

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

### 55. Non-operating income (Continued)

#### (2) Breakdown of government grants (Continued)

Item	Amount of the year	Amount of last year	Origins and evidents	Related to assets/income
Subsidies for environmental protection	300,000.00	300,000.00	Shenzhen environmental protection project fund management solutions	Related to assets
Subsidies for vehicle import duty	232,814.00	177,685.51	Hong Kong Environmental Protection Department "Ex-gratia Payment Scheme of Phasing Out Pre-Euro and Euro I Diesel Commercial Vehicles"	Related to assets
Subsidies for air quality improvement	150,000.00	-	ShenRenHuan (2013) No.410	Related to income
Xiang'an District Xinxu Town subsidy	134,000.00	-		Related to assets
Financial fund for 2013 Sci & Tech innovation	120,000.00	-	JiaKeGao [2014] No.82	Related to income
Other government grants (under RMB100,000)	311,629.78	604,566.44		
Environmental emergency response equipment and supplies allowances	-	340,000.00	Shenzhen Environmental Protection Bureau, ShenFu [2006] No.196	Related to assets
Subsidies for industrial zone development	-	4,140,000.00	People's Government of Guangdong Wengyuan County 【Industrial park support fund】	Related to income
Interest subsidy for integrated use of natural resources	-	3,000,000.00	ShenCaiKe [2013] No.53	Related to income
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	Shenzhen Economic & Trade Information for Small & Medium Sized Enterprise [2013] No. 85	Related to income
2009 Shenzhen high & new technology industry special subsidy funds (5th batch under new policy)	-	1,884,635.00	ShenCaiKe [2012] No.138	Related to income
Scientific research subsidy	-	1,200,000.00	Shenzhen Technology Innovative Committee	Related to income
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	Shenzhen Economic & Trade Information for Small & Medium Sized Enterprise [2013] No.50	Related to income
Environmental emergency supplies and equipment reserve project	-	500,000.00	Application of Special Fund Contract for Environment Protection	Related to income
Interest subsidy	-	380,000.00	WengCaiGong [2013] No.35	Related to income
Special fund for industrialization of scientific and technological achievements	-	300,000.00	Shenzhen Baoan District Bureau of Technological Innovation (Industrialization of Scientific and Technological Achievements Project)	Related to income
Qideng financial subsidy fund for key pollution prevention program	-	173,000.00	KunCaiZi [2012] No.264, KunHuan [2011] No.134	Related to income
Subsidy fund for Kunshan environment prevention program	-	159,500.00	KunCaiZi [2013] No.213, KunHuan [2013] No.138	Related to income
<b>Total</b>	<b>19,704,246.42</b>	<b>36,714,829.11</b>		

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

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

#### 56. Non-operating expenses

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Total loss on disposal of non-current assets	<b>2,357,064.94</b>	2,442,601.41	2,357,064.94
Including: loss on disposal of fixed assets	<b>2,357,064.94</b>	2,442,601.41	2,357,064.94
Donations	<b>4,700,639.00</b>	2,264,799.20	4,700,639.00
Inventory loss	<b>603,611.07</b>	–	603,611.07
Others	<b>3,215,436.03</b>	774,318.87	3,215,436.03
<b>Total</b>	<b>10,876,751.04</b>	5,481,719.48	10,876,751.04

The amount charged to non-recurring profit or loss during the year was RMB10,876,751.04 (last year: RMB5,481,719.48).

#### 57. Income tax expenses

(1) *Income tax expenses*

Item	Amount of the year	Amount of last year
Current income tax – EIT of the PRC	<b>43,850,767.92</b>	29,273,137.79
1. The PRC	<b>43,522,928.92</b>	29,150,768.36
2. Hong Kong	<b>173,547.20</b>	391,359.89
3. Overprovision (underprovision) in the previous year	<b>154,291.80</b>	(268,990.46)
Deferred income tax	<b>(4,805,443.71)</b>	(1,434,041.84)
<b>Total</b>	<b>39,045,324.21</b>	27,839,095.95

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1 January 2014 to 31 December 2014

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

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

### 57. Income tax expenses (Continued)

(2) Adjustment to income tax expenses and total profit

Income tax calculated using on applicable tax rates based on total profit under the combined income statement is adjusted as income tax expenses as follows:

Item	Amount of the year	Amount of last year
Total profit of the year	<b>321,512,852.75</b>	271,477,307.34
Income tax expenses calculated at statutory/applicable tax rates	<b>48,226,927.91</b>	40,721,596.10
Effect of different tax rate applicable to subsidiaries	<b>2,790,600.37</b>	7,643,687.02
Effect of adjustment to income tax of previous period	<b>154,291.80</b>	(268,990.46)
Effect of non-taxable income	<b>(14,233,319.23)</b>	(13,162,864.97)
Effect of non-deductible costs, expenses and losses	<b>(475,815.50)</b>	2,743,576.34
Effect of utilization of unrecognized deductible losses of deferred income tax assets	<b>(1,535,949.64)</b>	(127,796.71)
Effect of deductible temporary difference or deductible loss of unrecognized deferred income tax assets of the year	<b>22,526,085.87</b>	3,045,475.86
Effect of additional research and development expenditure deduction	<b>(1,843,865.81)</b>	(1,148,362.33)
Effect of special tax exemption	<b>(16,676,630.14)</b>	(11,016,931.78)
Changes of balance of deferred income tax asset/liability caused by tax rate changed	–	(590,293.12)
Other adjustments	<b>112,998.58</b>	–
Income tax expenses	<b>39,045,324.21</b>	27,839,095.95

### 58. Audit fee

Audit fee of the year was RMB1,050,000.00 (last year: RMB800,000.00).

### 59. Depreciation and amortization

Depreciation/amortization recognized under the income statement of the year was RMB132,897,028.02 (last year: RMB93,319,825.45).

### 60. Operating lease expenses

Operating lease expenses of the year was RMB11,449,703.46 (last year: RMB9,812,404.93), including rental expenses of industrial equipment and machineries of RMB1,883,449.32 (last year: RMB278,300.00).

# NOTES TO FINANCIAL STATEMENTS

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

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

### 61. Rental income

The rental income of land and building (excluding land rent, land rates and other expense) of the year was RMB9,370,982.52 (last year: RMB8,668,019.26).

### 62. Earnings per share

#### (1) Basic earnings per share

Basic earnings per share was calculated based on consolidated net profit attributable to ordinary shareholders of the parent company divided by weighted average number of issued ordinary shares of the parent company.

Item	The Year	Last year
Consolidated net profit attributable to ordinary shareholders of the parent company	<b>251,610,695.08</b>	208,282,106.18
Consolidated net profit attributable to ordinary shareholders of the parent company (net of non-recurring profit or loss)	<b>238,784,094.96</b>	177,256,440.28
Weighted average number of issued ordinary shares of the parent company	<b>341,496,841.00</b>	341,496,841.00
Basic earnings per share (RMB/share)	<b>0.74</b>	0.61
Basic earnings per share (RMB/share) (net of non-recurring profit or loss)	<b>0.70</b>	0.52

The weighted average number of ordinary shares was calculated as follows:

Item	The Year	Last year
Number of issued ordinary shares at the beginning of year	<b>225,714,561.00</b>	150,476,374.00
Increase of capital adjustment transferred from reserve	<b>115,782,280.00</b>	191,020,467.00
Number of issued ordinary shares at the end of year	<b>341,496,841.00</b>	341,496,841.00

In June 2014, the Company granted an additional 5 shares to every 10 shares held by shareholders out of the capital reserve, total transferred capital was RMB115,782,280 shares. Number of shares in 2013 used in the calculation of earnings per share was restated to reflect such transfer of shares.

#### (2) Diluted earnings per share

Basic earnings per share was same as the diluted earnings per share for the two years ended 31 December 2014 as there were no diluting events during both years.

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

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

### 63. Other comprehensive income

Item	Amount of the year	Amount of last year
Exchange difference on translation of financial statements in foreign currency	<b>(410,955.88)</b>	(346,913.01)
Less: net amount of disposal of overseas operations charged to profit or loss of the period	-	-
<b>Total</b>	<b>(410,955.88)</b>	(346,913.01)

### 64. Dividend

Dividend of the year is as follows:

Item	Amount of the year	Amount of last year
Interim dividend declared and distributed of RMB0 per share (2013: RMB0)	-	-
Final dividend proposed after the balance sheet date of RMB0.15 per share (2013: 0.30)	<b>52,171,026.15</b>	69,469,368.30
<b>Total</b>	<b>52,171,026.15</b>	69,469,368.30

The Board recommends the payment of a final dividend of RMB0.15 per share of the Company (inclusive of tax) (2013: RMB0.3) to all shareholders of the Company based on the total number of shares of 347,806,841 shares (note) of the Company, with the total amount of dividend to be paid be RMB52,171,026.15, subject to approval by the shareholders of the Company at the year 2014 annual general meeting to be convened and held. In addition, the Board proposes to offer to all shareholders of the Company 15 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 521,710,261 shares (including 120,082,500 H shares and 401,627,761 A shares) based on the total number of 347,806,841 shares of the Company at present.

Following the aforesaid conversion of capital reserve, the Company shall have a total of 869,517,102 shares (including 200,137,500 H shares and 669,379,602 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 669,379,602 H shares to be issued on the Main Board of the Stock Exchange.

Note: As Wu Xuzhong, a participant of the restricted share incentive scheme recently resigned, according to the requirements of "2013 Restricted Shares Incentive Scheme of Dongjiang Environmental Company Limited (amended)", Wu Xuzhong is no longer qualifies as a participant to the share incentive scheme, and the Company proposed to repurchase and cancel 30,000 restricted shares granted to him. Accordingly, pursuant to relevant requirements, these shares will not be entitled to profit distribution. Therefore, the number of shares under the profit distribution proposal is based on the total share capital of 347,836,841 shares less the abovementioned shares, i.e. based on share capital of 347,806,841 shares. If changes in share capital of the Company due to conversion of capital or repurchase of shares occurred before such profit distribution, the Company would recalculate the distribution basis according to latest share capital amount based on the same principal in respect of "total cash distribution and total amount of capital reserve to share capital" approved on the general meeting.



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1 January 2014 to 31 December 2014

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

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

### 65. Notes on items under the cash flow statement

(1) Cash received/paid in relation to other operating/investment/financing activities

1) Other cash receipts relating to operating activities

Item	Amount of the year	Amount of last year
Government grant	<b>31,753,571.39</b>	38,163,820.13
Interest income	<b>18,271,966.22</b>	17,564,930.12
Current accounts with other companies and individuals	<b>7,763,820.78</b>	38,148,808.46
<b>Total</b>	<b>57,789,358.39</b>	93,877,558.71

2) Other cash payments relating to operating activities

Item	Amount of the year	Amount of last year
Current accounts with other companies and individuals	<b>87,985,709.54</b>	9,616,601.88
Other expenses	<b>30,674,934.04</b>	23,456,357.07
Research and development expenses	<b>21,552,173.23</b>	10,537,241.56
Transportation expenses	<b>18,904,665.91</b>	22,247,481.86
Entertainment expenses	<b>13,204,117.32</b>	10,757,134.04
Office expenses	<b>7,920,787.23</b>	6,604,678.82
Rent	<b>5,566,595.53</b>	6,465,294.66
Traveling expenses	<b>5,017,984.22</b>	4,049,050.33
Securities service fees	<b>4,183,921.37</b>	3,658,192.08
Intermediate brokerage fee	<b>4,158,396.79</b>	4,776,126.68
Utilities	<b>4,042,378.05</b>	3,214,606.87
Consultation fee	<b>3,460,889.98</b>	4,046,526.06
Promotion and marketing expenses	<b>2,469,339.30</b>	1,527,844.80
Maintenance fee	<b>2,048,338.58</b>	1,458,377.00
<b>Total</b>	<b>211,190,231.09</b>	112,415,513.71

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1 January 2014 to 31 December 2014

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

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

### 65. Notes on items under the cash flow statement (Continued)

(1) Cash received/paid in relation to other operating/investment/financing activities (Continued)

3) Other cash payments relating to investing activities

Item	Amount of the year	Amount of last year
Deposits for equity transfer	18,000,000.00	–
Consideration for equity transfer	10,780,000.00	–
Negative amount of net cash received upon disposal of subsidiaries and other operating companies	–	21,563,258.78
<b>Total</b>	<b>28,780,000.00</b>	21,563,258.78

4) Other cash receipts relating to financing activities

Item	Amount of the year	Amount of last year
Guaranteed deposits	8,560,000.00	6,593,250.00
<b>Total</b>	<b>8,560,000.00</b>	6,593,250.00

5) Other cash payments relating financing activities

Item	Amount of the year	Amount of last year
Payment in relation to finance lease	13,349,099.11	15,092,249.48
Issuance of corporate bonds and other intermediary brokerage fees	7,815,869.12	–
Guarantee deposits	–	11,640,000.00
<b>Total</b>	<b>21,164,968.23</b>	26,732,249.48

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1 January 2014 to 31 December 2014

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

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

### 65. Notes on items under the cash flow statement (Continued)

(2) Supplementary information of consolidated cash flow statement

Item	Amount of the year	Amount of last year
<b>1. Net profit adjusted as cash flow of operating activities:</b>		
Net Profit	<b>282,467,528.54</b>	243,638,211.39
Add: Impairment loss for assets	<b>47,721,045.02</b>	7,928,643.24
Depreciation of fixed assets	<b>95,801,181.44</b>	74,316,347.74
Consumption of oil and gas assets	-	-
Depreciation of productive biological assets	-	-
Amortization of intangible assets	<b>34,879,385.65</b>	17,677,963.10
Amortization of long-term deferred expenses	<b>2,216,460.93</b>	1,325,514.61
Amortization of deferred expenses	-	-
Accrued expenses	-	-
Loss from disposal of fixed assets, intangible expenses and other long term assets (gain represented in "-" sign)	<b>2,030,527.39</b>	1,886,412.96
Loss on written off of disposal fixed assets (gain represented in "-" sign)	-	-
Gain/loss of changes in fair value (gain represented in "-" sign)	<b>(713,150.00)</b>	1,049,660.00
Finance costs (gain represented in "-" sign)	<b>37,668,628.87</b>	17,934,737.84
Investment loss (gain represented in "-" sign)	<b>(36,165,521.77)</b>	(35,875,929.19)
Decrease in deferred income tax assets (increase represented in "-" sign)	<b>(4,282,301.68)</b>	(1,150,090.83)
Increase in deferred income tax liabilities (decrease represented in "-" sign)	<b>213,045.27</b>	(149,175.79)
Decrease in inventories (increase represented in "-" sign)	<b>(26,177,716.27)</b>	(34,877,370.31)
Decrease in operating receivables (increase represented in "-" sign)	<b>(180,827,309.50)</b>	11,848,027.12
Increase in operating payables (decrease represented in "-" sign)	<b>(89,294,398.54)</b>	38,433,106.15
Others	-	-
Net cash flow generated from operating activities	<b>165,537,405.35</b>	343,986,058.03
<b>2. Significant non-cash investing and financing transactions</b>		
Debts transferred to capital	-	-
Convertible corporate bonds due within 1 year	-	-
Fixed assets under finance lease	<b>1,049,237.00</b>	1,871,156.00
<b>3. Net changes in cash and cash equivalents</b>		
Cash balance at the end of the period	<b>1,024,299,018.53</b>	934,877,455.89
Less: cash balance at the beginning of the year	<b>934,877,455.89</b>	1,016,889,376.48
Add: balance of cash equivalents at the end of the year	-	-
Less: balance of cash equivalents at the beginning of the year	-	-
Net increase in cash and cash equivalents	<b>89,421,562.64</b>	(82,011,920.59)

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

### 65. Notes on items under the cash flow statement (Continued)

(3) Information of acquisition of or disposal of subsidiaries or other operating units

Item	Amount of the year	Amount during the year
Information of acquisition of subsidiaries and other operating units		
1. Consideration of acquisition of subsidiaries and other operating units	<b>570,104,171.86</b>	81,183,404.82
2. Cash and cash equivalents paid for acquisition of subsidiaries and other operating units	<b>539,472,771.86</b>	70,403,404.82
Less: cash and cash equivalents held by subsidiaries and other operating units	<b>176,905,061.54</b>	10,166,751.19
3. Net cash paid for acquisition of subsidiaries and other operating units	<b>362,567,710.32</b>	60,236,653.63
4. Net assets of subsidiaries acquired	<b>483,847,206.57</b>	26,286,793.71
Current assets	<b>403,575,106.62</b>	11,075,141.89
Non-current assets	<b>405,152,847.37</b>	16,580,495.13
Current liabilities	<b>312,797,264.02</b>	1,368,843.31
Non-current liabilities	<b>12,083,483.40</b>	–
Information of disposal of subsidiaries and other operating units		
1. Consideration of disposal of subsidiaries	<b>2,804,820.69</b>	3,300,000.00
2. Cash and cash equivalents received upon disposal of subsidiaries and other operating units	–	3,300,000.00
Less: cash and cash equivalents held by subsidiaries and other operating units	–	24,863,258.78
3. Net cash received upon disposal of subsidiaries and other operating units	–	(21,563,258.78)
4. Net assets of subsidiaries disposed of	–	(15,717,436.81)
Current assets	–	134,690,700.53
Non-current assets	–	1,621,821.43
Current liabilities	–	152,029,958.77
Non-current liabilities	–	–

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

#### 65. Notes on items under the cash flow statement (Continued)

(4) Cash and cash equivalents

Item	Balance at the end of year	Balance at the beginning of year
Cash	<b>1,024,299,018.53</b>	934,877,455.89
Including: Cash on hand	<b>342,085.99</b>	241,276.35
Bank deposits readily available for payments	<b>723,956,747.44</b>	934,534,531.69
Monetary fund readily available for payments	<b>300,000,185.10</b>	101,647.85
Central bank deposits readily available for payments	-	-
Deposits in other banks	-	-
Call loans to banks	-	-
Cash equivalents	-	-
Including: bond investments due within 3 months	-	-
Balance of cash and cash equivalents at the end of the year	<b>1,024,299,018.53</b>	934,877,455.89
Including: restricted cash and cash equivalents used by the parent company and members of the Group	-	-

(5) Non-cash expenses of the period in relation to significant investment and financing activities

The Group has no non-cash expenses of the period in relation to significant investment and financing activities other than the abovementioned fixed assets under finance lease.

#### 66. Restricted assets in respect of ownership or use rights

Item	Book value at the end of year	Reason for restriction
Bank balances and cash	<b>3,451,118.87</b>	Fulfillment and lease guarantee deposit
Fixed assets	<b>38,452,620.88</b>	Pledged borrowings of Xiamen Oasis
Intangible assets	<b>41,807,474.90</b>	Pledged borrowings of Xiamen Oasis and headquarters

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

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

#### 67. Items denominated in foreign currencies

Item	Balance at the end of year in foreign currencies	Exchange rate	Balance at the end of year in RMB
Bank balances and cash			3,465,404.11
Including: Hong Kong Dollars (“HKD”)	4,376,380.15	0.7889	3,452,526.31
US dollars (“USD”)	2,104.56	6.1190	12,877.80
Accounts receivable – HKD	7,352,806.10	0.7889	5,800,628.73
Other receivables – HKD	12,899,616.39	0.7889	10,176,507.37
Short-term borrowings – HKD	20,000,000.00	0.7889	15,778,000.00
Accounts payable – HKD	1,365,312.88	0.7889	1,077,095.33
Tax payable – HKD	(345,105.31)	0.7889	(272,253.58)
Other payables – HKD	2,854,566.55	0.7889	2,251,967.55
Non-current liabilities due within 1 year – HKD	6,758,439.74	0.7889	5,331,733.11
Long-term payables – HKD	5,542,768.51	0.7889	4,372,690.08

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## VII. CHANGES IN CONSOLIDATION SCOPE

### 1. Business combination not under common control

(1) *Business combination not under common control during the year*

Name of acquiree	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquired (%)	Method of equity acquisition	Date of purchase	Recognition basis as at the date of purchase	Income of acquiree from the date of acquisition to the end of year	Net profit of acquiree from the date of acquisition to the end of year
Costal Solid Waste	26 May 2014	51,382,865.12	60.00	Equity transfer and capital injection	26 May 2014	Transfer of control	11,945,391.00	3,555,905.64
Hefei Xinguan	27 May 2014	30,557,421.86	100.00	Equity transfer	27 May 2014	Transfer of control	7,506,749.51	1,353,083.01
Nanchang Xinguan	10 June 2014	40,478,850.00	100.00	Equity transfer	10 June 2014	Transfer of control	9,552,329.37	1,896,522.95
Xiamen Oasis	25 July 2014	375,000,000.00	60.00	Equity transfer and capital injection	25 July 2014	Transfer of control	97,877,379.27	14,269,926.52
Jiangxi Kangtai	1 September 2014	17,693,900.00	51.00	Equity transfer and capital injection	1 September 2014	Transfer of control	6,062,177.31	(673,354.08)
Karamay Wosen Environmental	10 October 2014	53,174,000.00	82.82	Equity transfer and capital injection	10 October 2014	Transfer of control	-	(1,132,813.98)

(2) *Combination costs and goodwill*

Item	Coastal Solid Waste	Hefei Xinguan	Nanchang Xinguan	Xiamen Oasis	Jiangxi Kangtai	Karamay Wosen Environmental
Cash	51,382,865.12	30,557,421.86	40,478,850.00	360,000,000.00	2,062,500.00	53,174,000.00
Fair value of non-cash assets	-	-	-	-	-	-
Fair value of debts issued or assumed	-	-	-	15,000,000.00	15,631,400.00	-
Fair value of equity securities issued	-	-	-	-	-	-
Fair value of contingent considerations	-	-	-	-	-	-
Fair value of equity held before acquisition as at the acquisition date	-	-	-	-	-	-
Total combination costs	51,382,865.12	30,557,421.86	40,478,850.00	375,000,000.00	17,693,900.00	53,174,000.00
Less: share of fair value of identifiable assets acquired	25,720,053.83	23,684,042.74	20,207,630.87	194,840,451.56	12,562,591.84	38,804,067.09
Goodwill	25,662,811.29	6,873,379.12	20,271,219.13	180,159,548.44	5,131,308.16	14,369,932.91

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## VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

### 1. Business combination not under common control (Continued)

(3) Identifiable assets and liabilities of the acquire as at the acquisition date

Unit RMB'0,000

Item	Coastal Solid Waste		Hefei Xinguan		Nanchang Xinguan		Xiamen Oasis		Jiangxi Kangtai		Karamay Wosen Environmental	
	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value
	as at	as at	as at	as at	as at	as at	as at	as at	as at	as at	as at	as at
	acquisition	acquisition	acquisition	acquisition	acquisition	acquisition	acquisition	acquisition	acquisition	acquisition	acquisition	acquisition
	date	date	date	date	date	date	date	date	date	date	date	date
<b>Assets:</b>												
Bank balances and cash	2,834.16	2,834.16	364.13	364.13	335.28	335.28	7,251.95	7,251.95	40.58	40.58	314.40	314.40
Financial assets												
held-for-trading	-	-	-	-	-	-	-	-	-	-	1,000.00	1,000.00
Notes receivable	2.50	2.50	-	-	-	-	10.00	10.00	22.60	22.60	-	-
Accounts receivable	92.20	92.20	238.39	238.39	246.39	246.39	12,597.99	12,597.99	703.59	703.59	-	-
Prepayment	829.00	829.00	10.26	10.26	40.84	40.84	1,062.16	1,062.16	874.16	874.16	474.33	474.33
Other receivable	332.50	332.50	1.69	1.69	15.47	15.47	315.46	315.46	974.01	974.01	135.02	135.02
Inventories	1.98	1.98	181.16	181.16	169.76	169.76	2,265.66	2,265.66	-	-	-	-
Fixed assets	1,085.80	1,085.80	2,600.74	2,600.74	2,719.20	2,719.20	11,727.73	11,727.73	1,030.02	1,030.02	46.70	46.70
Work-in-progress	-	-	211.16	211.16	48.51	48.51	13,829.47	13,829.47	-	-	2,457.73	2,457.73
Intangible assets	226.70	226.70	-	-	0.25	0.25	2,860.13	2,860.13	-	-	1,352.85	1,352.85
Long-term deferred expenses	-	-	-	-	-	-	59.10	59.10	-	-	-	-
Deferred income tax assets	-	-	-	-	51.38	51.38	259.20	259.20	-	-	-	-
<b>Liabilities:</b>												
Short-term borrowings	-	-	-	-	-	-	7,851.00	7,851.00	-	-	-	-
Accounts payable	83.65	83.65	20.63	20.63	218.54	218.54	6,517.64	6,517.64	-	-	70.01	70.01
Accounts receivables	185.23	185.23	-	-	-	-	944.66	944.66	72.87	72.87	2.00	2.00
Employee benefits payables	14.88	14.88	8.02	8.02	9.72	9.72	62.28	62.28	43.33	43.33	11.32	11.32
Tax payables	34.40	34.40	13.65	13.65	7.64	7.64	(79.17)	(79.17)	0.12	0.12	(0.04)	(0.04)
Dividends payable	800.00	800.00	-	-	-	-	-	-	-	-	-	-
Other payables	-	-	1,191.06	1,191.06	1,370.40	1,370.40	3,197.92	3,197.92	1,065.37	1,065.37	1,012.40	1,012.40
Deferred income tax liabilities	-	-	5.77	5.77	-	-	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-	1,202.57	1,202.57	-	-	-	-
Net assets	4,286.68	4,286.68	2,368.40	2,368.40	2,020.76	2,020.76	32,541.94	32,541.94	2,463.25	2,463.25	4,685.35	4,685.35
Less: minority interests	1,714.67	1,714.67	-	-	-	-	13,057.89	13,057.89	1,206.99	1,206.99	804.94	804.94
Net assets acquired	2,572.01	2,572.01	2,368.40	2,368.40	2,020.76	2,020.76	19,484.05	19,484.05	1,256.26	1,256.26	3,880.41	3,880.41



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## VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

### 2. Changes in scope of combination due to other reasons

Name	Acquisition method	Date of equity acquisition	Capital injection	Proportion of capital injection
Dongjiang Kaida	Newly established subsidiary	28 May 2014	1,000,000.00	100%
Jiangmen Dongjiang Lvlvda	Newly established subsidiary	22 Augusst 2014	6,000,000.00	60%
Shaoxing Dongjiang	Newly established subsidiary	29 October 2014	520,000.00	52%
Jiangxi Dongjiang	Newly established subsidiary	3 November 2014	10,000,000.00	100%

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

(1) Structure of corporate group

Name of subsidiaries	Company type	Legal person	Organisation code	Major place of operation	Place of registration	Business nature	Proportion of share holding (%)		Acquisition method
							Direct	Indirect	
Resource Recycling	LLC	Chen Shu Sheng	755694530	Shenzhen	Shenzhen	Industrial	100.00	-	Wholly-owned
Dongjiang Heritage	LLC	Li Yong Peng	75567280-9	Shenzhen	Shenzhen	Industrial	62.00	-	Wholly-owned
Longgang Dongjiang	LLC	Liao Ruo An	75049839-7	Shenzhen	Shenzhen	Industrial	54.00	-	Wholly-owned
Yunnan Dongjiang	LLC	Xie Heng Hua	56005844-6	Kunming	Kunming	Industrial	100.00	-	Wholly-owned
Huizhou Dongjiang	LLC	Li Yong Peng	73859440-7	Huizhou	Huizhou	Industrial	100.00	-	Wholly-owned
Qiangdang Wastes Treatment	LLC	Zou Hong Tu	762827004	Kunshan	Kunshan	Industrial	51.00	-	Wholly-owned
Kunshan Kumpeng	LLC	Zou Hong Tu	725182702	Kunshan	Kunshan	Industrial	51.00	-	Wholly-owned
Huabao Technology	LLC	Yao Qiong	78392629-8	Shenzhen	Shenzhen	Services	100.00	-	Combination not under common control
Qingyuan Dongjiang	LLC	Huang Bo	66496036-2	Qingyuan	Qingyuan	Industrial	100.00	-	Wholly-owned
Qingdao Dongjiang	LLC	Xie Heng Hua	675268718	Qingdao	Qingdao	Industrial	100.00	-	Wholly-owned
Hunan Dongjiang	LLC	Jia Zi Liang	66858504-5	Zhaoyang	Zhaoyang	Industrial	95.00	-	Wholly-owned
Chengdu Treatment Centre	LLC	Li Yong Peng	72808589-5	Chengdu	Chengdu	Industrial	100.00	-	Wholly-owned
Renewable Energy	LLC	Jia Zi Liang	78666040-4	Shenzhen	Shenzhen	Industrial	100.00	-	Wholly-owned
Shaoguan Dongjiang	LLC	Chen Shu Sheng	78202574-6	Shaoguan	Shaoguan	Industrial	100.00	-	Wholly-owned
Shaoguan Green	LLC	Chen Shu Sheng	79299871-X	Shaoguan	Shaoguan	Industrial	100.00	-	Combination not under common control
Dongjiang Property Service	LLC	Lan Yong Hui	69908618-5	Shenzhen	Shenzhen	Services	100.00	-	Wholly-owned
Baoan Dongjiang	LLC	Jia Zi Liang	674839742	Shenzhen	Shenzhen	Industrial	100.00	-	Wholly-owned
Dongjiang HK	LLC	Not Available	Not Available	Hong Kong	Hong Kong	Services	100.00	-	Wholly-owned
Lik Shun Services	LLC	Not Available	Not Available	Hong Kong	Hong Kong	Services	-	100.00	Combination not under common control

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

(1) Structure of corporate group (Continued)

Name of subsidiaries	Company type	Legal person	Organisation code	Major place of operation	Place of registration	Business nature	Proportion of share holding (%)		Acquisition method
							Direct	Indirect	
Dongjiang Transport Products Trading	LLC	Li Yong Peng	68863638-0	Huizhou	Huizhou	Services	100.00	-	Wholly-owned
Dongjiang Songzao	LLC	Xie Heng Hua	696596868	Chongqin	Chongqin	Industrial	-	93.86	Combination not under common control
Zhuhai Qingxin	LLC	Diao Wei Hua	73217958-7	Zhuhai	Zhuhai	Industrial	75.00	-	Combination not under common control
Hubei Dongjiang	LLC	Chen Shu Sheng	58824921-X	Hubei Xiaochang County	Hubei Xiaochang County	Industrial	100.00	-	Wholly-owned
Qingyuan Xinlv	LLC	Chen Shu Sheng	76841734-8	Qingyuan	Qingyuan	Industrial	62.50	-	Combination not under common control
Jiaying Deda	LLC	Zou Hong Tu	254836027	Jiashan County	Jiashan County	Industrial	51.00	-	Combination not under common control
Jiangmen Dongjiang	LLC	Li Yong Peng	05683160-4	Jiangmen	Jiangmen	Industrial	100.00	-	Wholly-owned
Dongguang Hengjian	LLC	Li Yong Peng	782964540	Dongguang	Dongguang	Industrial	100.00	-	Combination not under common control
Dongjiang Shangtian	LLC	Chen Shu Sheng	08864094-1	Shenzhen	Shenzhen	Services	51.00	-	Wholly-owned
Dongjiang Kaida	LLC	Li Yong Peng	30616405-9	Shenzhen	Shenzhen	Services	100.00	-	Wholly-owned
Coastal Solid Waste	LLC	Liu Bin	75000021-0	Yancheng	Yancheng	Industrial	60.00	-	Combination not under common control
Nanchang Xinguan	LLC	Jia Zi Liang	78145281-8	Nanchang	Nanchang	Industrial	-	100.00	Combination not under common control
Hefei Xinguan	LLC	Jia Zi Liang	79642059-5	Hefei	Hefei	Industrial	-	100.00	Combination not under common control
Xiamen Oasis	Other company limited by shares	Chen Shu Sheng	70545987-4	Xiamen	Xiamen	Industrial	60.00	-	Combination not under common control
Fujian Oasis Solid Waste Disposal	LLC	Ji Ren Wang	59174042-1	Nanping	Nanping	Industrial	-	60.00	Indirectly owned
Sanming Oasis Resources Recycling	LLC	Ji Ren Wang	59345331-1	Sanming	Sanming	Industrial	-	60.00	Indirectly owned
Xiamen Oasis Environmental Technology	LLC	Ji Ren Wang	73786142-x	Xiamen	Xiamen	Industrial	-	60.00	Indirectly owned
Longyan Oasis Environmental Technology	LLC	Huang Chen Dong	77754889-2	Longyan	Longyan	Industrial	-	60.00	Indirectly owned
Nanping Oasis Environmental Technology	LLC	Huang Chen Dong	77750687-9	Nanping	Nanping	Industrial	-	60.00	Indirectly owned

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## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1) Structure of corporate group (Continued)

Name of subsidiaries	Company type	Legal person	Organisation code	Major place of operation	Place of registration	Business nature	Proportion of share holding (%)		Acquisition method
							Direct	Indirect	
Sanming Oasis Environmental Technology	LLC	Hong Jian Kang	76615233-1	Sanming	Sanming	Industrial	-	54.00	Indirectly owned
Karamay Wosen Environmental Technology	LLC	Li Yong Peng	05772559-8	Xinjiang Kelayayi	Xinjiang Kelayayi	Industrial	82.82	-	Combination not under common control
Jiangmen Dongjiang Lvlvda	LLC	Li Yong Peng	31483896-5	Jiangmen	Jiangmen	Industrial	-	60.00	Wholly-owned
Jiangxi Dongjiang	LLC	Xie Heng Hua	31471074-2	Fungcheng	Fungcheng	Industrial	100.00	-	Wholly-owned
Shaoxing Dongjiang	Other LLC	Zhou Yao Ming	30772819-4	Shaoxing	Shaoxing	Industrial	52.00	-	Wholly-owned
Jiangxi Kangtai	LLC	Xie Heng Hua	66200918-6	Jiujiang	Jiujiang	Industrial	51.00	-	Combination not under common control
Kangtai Environmental	LLC	Zhou Bei Fa	66975991-6	Jiujiang	Jiujiang	Industrial	-	51.00	Indirectly owned

#### 1) 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 2014, the equity interests in Resource Recycling was wholly owned by the Company.

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) *Structure of corporate group (Continued)*

##### 2) 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 2014, the equity interests of Dongjiang Heritage of 62% and 38% were owned by the Company and Heritage Technologies Asia, LLC respectively.

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.

##### 3) 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. Liao Ruoan. 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 2014, 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 Limin respectively.

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1) Structure of corporate group (Continued)

##### 4) 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 17 August 2010 with registration no. 530102000007511. Its registered capital was RMB10,000,000. The legal representative was Mr. Xie Henghua. As at 31 December 2014, the Company owned 100% equity interests in equity interests in Yunnan Dongjiang.

##### 5) 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. 441300000146996. Its registered capital was RMB5,000,000. The legal representative is Mr. Li Yong Peng. As at 31 December 2014, the equity interests in Huizhou Dongjiang was wholly owned by the Company.

##### 6) 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 2014, the equity interests of Qiandeng Wastes Treatment as to 51%, 19%, 10%, 10% and 10% were owned by the Company, Qingdeng Datang Economic Cooperative, Chen Deming, Gu Yingying and Ren Peiyang respectively.

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 56% voting rights in Qiandeng Wastes Treatment.

##### 7) 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. Zou Hong Tu. As at 31 December 2014, 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.

# NOTES TO FINANCIAL STATEMENTS

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## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### *(1) Structure of corporate group (Continued)*

#### 8) 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. Yao Qiong. 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 2014, the Company owns 100% equity interests in Huabao Technology.

#### 9) 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 Qingyuan Dongjiang from Qingyuan Fogang Yifeng Recycled Resources Co., Limited respectively. The legal representative was Mr. Huang Bo.

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 RMB153,669,500 to Qingyuan Dongjiang. After the capital increment, the register capital of Qingyuan Dongjiang became RMB172,469,500. As at 31 December 2014, the equity interests in Qingyuan Dongjiang was wholly owned by the Company.

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## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1) Structure of corporate group (Continued)

##### 10) 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. Xie Heng Hua. As at 31 December 2014, the equity interests of Qingdao Dongjiang was wholly owned by the Company.

##### 11) 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 2014, the equity interests in Hunan Dongjiang as to 95% and 5% were owned by the Company and Yuan Yu respectively.

##### 12) 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 2014, the equity interests in Chengdu Treatment Centre was wholly owned by the Company.

##### 13) 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. Jia Zi Liang.

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 2014, the equity interests in Renewable Energy was wholly owned by the Company.

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## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) *Structure of corporate group (Continued)*

##### 14) 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 2014, the equity interests in Shaoguan Dongjiang was wholly owned by the Company.

##### 15) 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.

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.



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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) Structure of corporate group *(Continued)*

##### 15) Shaoguan Green *(Continued)*

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.

In June 2014, Shaoguan Green increased its registered capital by RMB48,733,500, with contribution from the Company of RMB48,733,500, the registered capital increased from RMB160,000,000 to RMB208,733,500, with change in industrial and commercial registration completed on 26 June 2014. As at 31 December 2014, the Company owns 100% equity interests in Shaoguan Green.

##### 16) 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 2014, the Company owns 100% equity interests in Dongjiang Property Service.

##### 17) 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. Jia Zi Liang. As at 31 December 2014, the equity interests in Baoan Dongjiang was wholly owned by the Company.

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) *Structure of corporate group (Continued)*

#### 18) 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 2014, the Company owned 100% equity interests in Dongjiang HK.

#### 19) 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 1998 with issued and fully paid share capital of HK\$10,000. On 19 December 2008, Dongjiang HK acquired 100% shareholding from an independent third party at a consideration of RMB3,600,000 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 2014, the equity interests in Lik shun Services was indirectly wholly owned by the Company.

#### 20) 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 441300000073398 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 2014, the Company owned 100% equity interests in Dongjiang Transport.

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) *Structure of corporate group (Continued)*

##### 21) 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 2014, the Company owned 100% equity interests in Products Trading.

##### 22) 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 Chongqing Songzao Coal and electricity Co. Limited in Chongqing, with registration no. 500000400046128 on 20 January 2010. 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 Chongqing Songzao Coal and electricity Co. Limited respectively. The legal representative was Mr. Xie Heng Hua. The main business scope includes VAM project construction, management, and operation.

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 2014, 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 Chongqing Songzao Coal and electricity Co. Limited. Accordingly, the Group has 80% voting rights in Dongjiang Songzao.

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## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) Structure of corporate group *(Continued)*

#### 23) 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 2014, 75% equity interests in Zhuhai Qingxin was owned by the Company.

#### 24) 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 2014, the equity interests in Hubei Dongjiang was wholly owned by the Company.

#### 25) 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. Chen Shusheng.

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.

# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) Structure of corporate group *(Continued)*

##### 25) Qingyuan Xinlv *(Continued)*

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, Fang Ya Fei, 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 2014, 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%, Xie Jiang Ming 10% and Zhang Yong 2.5%.

##### 26) 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.

In May 2013, the Jiaxing Deda 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 2014, 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

1 January 2014 to 31 December 2014

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) *Structure of corporate group (Continued)*

##### 27) 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 2014, the equity interests in Hubei Dongjiang was wholly owned by the Company.

##### 28) Dongguan Hengjian

Full name: Dongguan Hengjian 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 2014, the registered capital of Dongguan Hengjian was RMB39,000,000, and Dongguan Hengjian was wholly owned by the Company.

##### 29) Dongjiang Shangtian

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

Dongjiang Shangtian acquired the license of the business corporation with registration no. 440301108657158. on 9 January 2014. Its registered capital was RMB10,000,000. The legal representative was Mr. Chen Shusheng. As at 31 December 2014, 51% equity interests in Dongjiang Shangtian was wholly owned by the Company, and 49% by Jiangsu Dongjiang Shangtian Environmental Restoration Limited (江蘇上田上田環境修復有限公司).

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) *Structure of corporate group (Continued)*

##### 30) Dongjiang Kaida

Full name: Shenzhen Dongjiang Kaida Transport Co., Ltd

Dongjiang Kaida was established on 28 May 2014 with approval from Industry and Commerce Bureau of Shenzhen with registration no. 440306109455973. Its registered capital was RMB1,000,000. The legal representative was Mr. Li Yongpeng. As at 31 December 2014, the Company holds 100% of its equity interest.

##### 31) Coastal Solid Waste

Full name: Yancheng Coastal Solid Waste Disposal Co., Ltd.

Coastal Solid Waste was established on 14 November 2002 with the approval from Yancheng Binhai Industry and Commerce Bureau with registration no. 320922000014362. The legal representative was Mr. Liu Bin. In March 2014, the Company entered into an acquisition and capital increase agreement with Zhejiang Xindonghai Medicine Company Limited (浙江新東海藥業有限公司) to acquire the 40% equity of Coastal Solid Waste held by it at a consideration of RMB23,200,000, and at the same time inject RMB28,000,000 to Coastal Solid Waste. After the equity transfer and capital increase, the registered capital of Coastal Solid Waste increased to RMB8,700,000 and the Company held 60% of its equity interest. On 26 May 2014, change of ownership for industrial and commercial registration was completed and the Company thus acquired the controlling interest in Coastal Solid Waste and its accounts were consolidated into the Group. Coastal Solid Waste is owned as to 60% by the Company and 40% by Zhejiang Xindonghai Medicine Company Limited.

##### 32) Nanchang Xinguan

Full name: Nanchang Xinguan Energy Development Co., Ltd

Nanchang Xinguan was established on 14 October 2005 with the approval from Nanchang Industry and Commerce Bureau with registration no. 360100219301691. The legal representative was Mr. Jia Zilian. In April 2014, the Company entered into an equity transfer agreement with Wuhan Xinguan Environmental Resources Development Company Limited (武漢新冠億碳環境資源開發股份有限公司) to acquire the 100% equity of Nanchang Xinguan held by it at a consideration of RMB40,478,850.00, the commercial registration was completed on 10 June 2014. Upon which, the Company holds indirect interests in 100% equity of Nanchang Xinguan, and has control over the company which is consolidated into the Group. As at 31 December 2014, the registered capital of Nanchang Xinguan was RMB10,000,000, and the Company indirectly holds 100% equity through Renewable Energy.

# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1) Structure of corporate group (Continued)

#### 33) Hefei Xinguan

Full name: Hefei Xinguan Energy Development Co., Ltd

Nanchang Xinguan was established on 14 December 2006 with the approval from Feidong Industry and Commerce Bureau with registration no. 34010000053884. The legal representative was Mr. Jia Ziliang. In April 2014, the wholly owned subsidiary of the Company Renewable Energy entered into an equity transfer agreement with Wuhan Xinguanyitan Environmental Resources Development Company Limited (武漢新冠億碳環境資源開發股份有限公司) to acquire the 100% equity of Nanchang Xinguan held by it at a consideration of RMB30,557,421.86, the commercial registration was completed on 27 May 2014. Upon which, the Company holds indirect interests in 100% equity of Hefei Xinguan, and has control over the company which is consolidated into the Group. As at 31 December 2014, the registered capital of Hefei Xinguan was RMB10,000,000, and the Company indirectly holds 100% equity through Renewable Energy.

#### 34) Xiamen Oasis Environmental

Full name: Xiamen Oasis Environmental Industrial Company Limited

Xiamen Oasis Environmental was established on 13 December 2000 with the approval from Xiamen Industry and Commerce Bureau with registration no. 350200100010762. The legal representative was Mr. Chen Shusheng. In June 2014, the Company Renewable Energy entered into an capital increase and equity transfer agreement with the shareholders of Xiamen Oasis Environmental to acquire 20% equity of Xiamen Oasis Environmental through capital increase of RMB125,000,000, and at the same time purchased 40% equity of Xiamen Oasis Environmental at consideration of RMB250,000,000, upon which the registered capital of Xiamen Oasis Environmental was RMB45,000,000, the Company holding 60% equity interest, the industrial nad commercial registration was completed on 25 July 2014. Upon which, the Company holds 60% equity interest of Xiamen Oasis Environmental, and has control over the company which is consolidated into the Group. As at 31 December 2014, the registered capital of Xiamen Oasis Environmental was RMB45,000,000, and the Company holds 60% equity interest.

#### 35) Fujian Oasis Solid Waste

Full name: Fujian Oasis Solid Waste Treatment Company Limited (福建綠洲固體廢物處置有限公司)

Fujian Oasis Solid Waste was established in March 2012 with approval from Fujian Nanping Industry and Commerce Administration, registration no. 350700100038138, legal representative: Ji Renwang. Its registered capital was RMB20,000,000, Xiamen Oasis Environmental holds 100% of the shares. As of 31 December 2014, the Company indirectly holds 60% equity interest in Fujian Oasis Solid Waste through Xiamen Oasis Environmental.



# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (1) Structure of corporate group *(Continued)*

##### 36) Sanming Oasis Resources

Full Name: Sanming Oasis Resources Circult Recycling Company Limited ( 三明綠洲資源迴圈再生有限公司 )

Sanming Oasis Resources was established in March 2012 with approval from Sanming Industry and Commerce Administration, registration no. 350400100041188, legal representative: Ji Renwang. Its registered capital was RMB2,000,000, Xiamen Oasis Environmental holds 100% of the shares. As of 31 December 2014, the Company indirectly holds 100% equity interest in Sanming Oasis Resources through Xiamen Oasis Environmental.

##### 37) Xiamen Oasis Environmental Technology

Full name: Xiamen Oasis Environmental Technology Company Limited

Xiamen Oasis Environmental Technology was established in August 2002 with approval from Xiamen Xiangan Industry and Commerce Administration, registration no. 350213200007814, legal representative: Ji Renwang. Its registered capital was RMB1,200,000, Xiamen Oasis Environmental holds 100% of the shares. As of 31 December 2014, the Company indirectly holds 60% equity interest in Xiamen Oasis Environmental through Xiamen Oasis Environmental.

##### 38) Longyan Oasis Environmental

Full Name: Longyan Oasis Environmental Technology Company Limited ( 龍岩綠洲環境科技有限公司 )

Longyan Oasis Environmental was established in 2005 with approval from Longyan Industry and Commerce Administration, registration no. 350800100026609, legal representative: Huang Chendong. Its registered capital was RMB3,000,000, Xiamen Oasis Environmental holds 100% of the shares. As of 31 December 2014, the Company indirectly holds 60% equity interest in Longyan Oasis Environmental through Xiamen Oasis Environmental.

##### 39) Nanping Oasis Environmental

Full Name: Nanping Oasis Environmental Technology Company Limited ( 南平綠洲環境科技有限公司 )

Nanping Oasis Environmental was established in July 2005 with approval from Nanping Industry and Commerce Administration, registration no. 350700100021180, legal representative: Huang Chendong. Its registered capital was RMB5,000,000, Xiamen Oasis Environmental holds 100% of the shares. As of 31 December 2014, the Company indirectly holds 60% equity interest in Nanping Oasis Environmental Technology through Xiamen Oasis Environmental.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1) Structure of corporate group (Continued)

#### 40) Sanming Oasis Environmental

Full Name: Sanming Oasis Environmental Technology Company Limited ( 三明綠洲環境科技有限公司)

Nanping Oasis Environmental was established in August 2004 with approval from Sanming Industry and Commerce Administration, registration no. 350400100013371, legal representative: Hong Jiankang. Its registered capital was RMB4,000,000, with capital injection of RMB3,600,000 from Xiamen Oasis Environmental, which holds 90% of the shares; and capital injection of RMB400,000 from Zhang Yang, who holds 10% of the shares. As of 31 December 2014, the Company indirectly holds 54% equity interest in Sanming Oasis Environmental through Xiamen Oasis Environmental.

#### 41) Karamay Wosen Environmental

Full Name: Karamay Wosen Environmental Technology Co., Ltd. ( 克拉瑪依沃森環保科技有限公司)

Karamay Wosen Environmental was established On 20 December 2012 with approval from Karamay Baijiantan Industry and Commerce Administration, registration no. 650200050021633, legal representative: Li Yong Peng. In August 2014, the Company and the shareholders of Karamay Wosen Environmental entered into an capital increase and equity transfer agreement to acquire 24% equity of Karamay Wosen Environmental through capital increase of RMB12,000,000, and at the same time purchased 58.82% equity of Karamay Wosen Environmental at consideration of RMB41,174,000, upon which the registered capital of Karamay Wosen Environmental was RMB50,000,000, the Company holding 82.82% equity interest, the industrial nad commercial registration was completed on 10 October 2014. Upon which, the Company has control over Karamay Wosen Environmental which is consolidated into the Group. As at 31 December 2014, the registered capital of Karamay Wosen Environmental was RMB50,000,000, and the Company holds 82.82% equity interest.

#### 42) Jiangmen Dongjiang Lvlvda

Full name: Jiangmen Dongjiang Lvlvda Fine Chemical Co., Ltd. ( 江門東江綠達精細化工有限公司)

Jiangmen Dongjiang Lvlvda was established on 22 August 2014 with approval from Heshan Industry and Commerce Administration, registration no. 440784000059356, legal representative: Li Yong Peng. Its registered capital was RMB10,000,000, with capital injection of RMB6,000,000 from Jiangmen Dongjiang, a wholly-owned subsidiary of the Company, which holds 60% of the shares; and capital injection of RMB4,000,000 from Shenzhen Lvlvda Environmental Company Limited ( 深圳市綠達環保有限公司), who holds 40% of the shares. As of 31 December 2014, registered capital of Jiangmen Dongjiang Lvlvda was RMB10,000,000, and the Company holds 60% of its shares.

# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### *(1) Structure of corporate group (Continued)*

#### 43) Jiangxi Dongjiang

Full name: Jiangxi Dongjiang Environmental Technology Co., Ltd. (江西東江環保技術有限公司)

Jiangxi Dongjiang was established on 3 November 2014 with approval from Fengcheng Industry and Commerce Administration, registration no. 360981110003135. Its registered capital was RMB50,000,000, legal representative: Xie Henghua. As of 31 December 2014, the Company holds 100% of its equity interest.

#### 44) Shaoxing Dongjiang

Full name: Shaoxing Dongjiang Environmental Engineering Co., Ltd. (紹興東江環保工程有限公司)

Shaoxing Dongjiang was established on 29 October 2014 with approval from Shaoxing Industry and Commerce Administration, registration no. 330600000195565, legal representative: Zhou Yao Ming. Its registered capital was RMB1,000,000, with contribution from the Company of RMB520,000, holding 52% of shares; and RMB480,000 from Zhejiang Qingyuan Environmental Company Limited (浙江清源環保技術有限公司), holding 48% of shares. As of 31 December 2014, the registered capital of Shaoxing Dongjiang was RMB1,000,000, the Company holds 52% of its equity interest.

#### 45) Jiangxi Kangtai

Full name: Jiangxi Kangtai Environmental Co., Ltd. (江西康泰環保股份有限公司)

Jiangxi Kangtai was established on 18 May 2007 with approval from Gongqing Industry and Commerce Administration, registration no. 360425210000401, legal representative: Gui Jianping. On 31 July 2014, the Company and the shareholders of Jiangxi Kangtai entered into an capital increase and equity transfer agreement to acquire 32% equity of Jiangxi Kangtai at the consideration of RMB8,000,000, and at the same time subscribe for increase in its capital of RMB9,693,900, including RMB5,816,300 credited to its registered capital, and RMB3,877,600 credited to its capital reserve, upon which the Company holds 51% equity interest. From 1 September 2014, Dongjiang Environmental Company (東江環保公司) shares the profit and costs of the target company based on its 51% shareholdings with the existing shareholders of Jiangxi Kangtai, and has control over the Company which is included in the consolidation of the Group. Its industrial and commercial registration was completed on 4 March 2015, with registered capital of RMB20,816,300, legal representative: Xie Henghua. The Company holds 51% of its shares.

# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1) Structure of corporate group (Continued)

##### 46) Kangtai Environmental

Full name: Jiangxi Kangtai Environmental Construction Technology Company Limited (江西康泰環境工程技術有限公司)

Kangtai Environmental was established on 17 December 2007 with approval from Nanchang Industry and Commerce Administration, registration no. 360100110002079, legal representative: Zhou Beifa. Its registered capital was RMB2,000,000, Jiangxi Kangtai holds 100% of the shares. As of 31 December 2014, the Company indirectly holds 51% equity interest in Kangtai Environmental through Jiangxi Kangtai.

#### (2) Significant non-wholly owned subsidiaries

Name of subsidiaries	Shareholdings of minority interest	Profit or loss of the year attributable to minority interest	Dividend declared to minority interest	Balance of equity of minority interest
Dongjiang Heritage	38%	2,262,641.69	–	18,203,909.87
Longgang Dongjiang	46%	10,096,496.44	9,200,000.00	84,569,822.44
Qiandeng Three Wastes	49%	8,989,141.96	2,450,000.00	37,563,885.99
Qingyuan Xinv	37.50%	1,965,698.15	3,000,000.00	37,265,989.17
Xiamen Oasis Environmental	40%	5,744,316.55	–	136,323,263.23

#### (3) Key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Balance at the end of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongjiang Heritage	144,304,478.10	3,521,920.47	147,826,398.57	99,921,372.59	–	99,921,372.59
Longgang Dongjiang	71,666,447.11	124,599,713.30	196,266,160.41	9,058,720.32	3,360,000.00	12,418,720.32
Qiandeng Wastes Treatment	76,254,339.26	27,710,437.37	103,964,776.63	27,303,784.81	–	27,303,784.81
Qingyuan Xinv	91,845,387.80	27,551,257.98	119,396,645.78	20,020,674.63	–	20,020,674.63
Xiamen Oasis Environmental	172,928,088.22	287,882,865.45	460,810,953.67	112,493,641.73	8,627,987.18	121,121,628.91

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

(3) Key financial information of significant non-wholly owned subsidiaries (Continued)

Name of subsidiaries	Amount at the beginning of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongjiang Heritage	115,735,437.85	3,891,262.63	119,626,700.48	77,675,994.75	–	77,675,994.75
Longgang Dongjiang	47,021,408.70	145,343,085.25	192,364,493.95	6,625,959.17	3,840,000.00	10,465,959.17
Qiangdeng Wastes Treatment	64,901,870.03	23,275,427.04	88,177,297.07	24,861,492.93	–	24,861,492.93
Qingyuan Xinlv	91,996,281.00	27,735,103.45	119,731,384.45	17,597,275.02	–	17,597,275.02
Xiamen Oasis Environmental	–	–	–	–	–	–

Name of subsidiaries	Occurred during the year				Occurred last year			
	Operating income	Net profit	Total consolidated income	Cash flow from operating activities	Operating income	Net profit	Total consolidated income	Cash flow from operating activities
Dongjiang Heritage	96,609,450.60	5,954,320.25	5,954,320.25	1,477,091.38	97,803,462.09	9,465,000.24	9,465,000.24	49,406,964.38
Longgang Dongjiang	103,188,857.59	21,948,905.31	21,948,905.31	45,664,349.56	74,055,461.89	37,992,444.78	37,992,444.78	39,194,495.81
Qiangdeng Wastes Treatment	212,882,352.74	18,345,187.68	18,345,187.68	20,855,088.28	242,539,324.76	11,882,412.42	11,882,412.42	10,136,384.10
Qingyuan Xinlv	228,046,666.08	5,241,861.72	5,241,861.72	(29,384,412.92)	201,331,584.03	16,859,577.58	16,859,577.58	13,285,082.08
Xiamen Oasis Environmental	97,877,379.27	14,269,926.52	14,269,926.52	4,760,270.74	–	–	–	–

#### (4) Significant restrictions on use of asset and settlement of debts of corporate group

There was no significant restrictions on use of asset and settlement of debts of corporate group.

### 2. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Name of joint ventures or associates	Principi place of domain	Place of registration	Nature of business	Shareholding proportino (%)		Accounting method of investments in joint venture+
				Direct	Indirect	
Dongjiang Veolia	Huizhou	Huizhou	Industrial	51	–	Equity approach
Shenzhen Resource	Shenzhen	Shenzhen	Industrial	49	–	Equity approach
Shenzhen Micronutrients	Shenzhen	Shenzhen	Service	38	–	Equity approach

Joint venture and associates of the Group are companies with limited liabilities

# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 2. Interests in joint ventures or associates *(Continued)*

#### (1) Significant joint ventures or associates *(Continued)*

##### 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 of 7 directors. In January 2011, the procedures of share transfer and changes in industrial and commercial registration were completed. As at 31 December 2014, the Company owned 49% equity interests and 42.86% voting rights.

##### 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 (excluding State-managed goods, and the application procedures of products involved in quota license management will be handled in accordance with relevant regulations of PRC).

# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 2. Interests in joint ventures or associates (Continued)

(2) Key financial information of significant joint ventures

Item	Balance at the end of year/incurred during the year Dongjiang Veolia	Balance at the beginning of year/incurred during last year Dongjiang Veolia
Current assets:	<b>74,458,554.18</b>	75,334,022.87
Including: cash and cash equivalent	<b>42,153,999.58</b>	51,239,903.07
Non-current assets	<b>168,923,872.10</b>	162,794,580.00
<b>Total assets</b>	<b>243,382,426.28</b>	238,128,602.87
Current liabilities	<b>85,172,163.30</b>	69,232,467.95
Non-current liabilities	<b>34,295,773.33</b>	33,956,004.25
<b>Total liabilities</b>	<b>119,467,936.63</b>	103,188,472.20
Minority interests	–	–
Equity interests attributable to shareholders of the parent company	<b>123,914,489.65</b>	134,940,130.67
Share of net profit based on shareholdings	<b>63,196,389.72</b>	68,819,466.64
Adjustments		
– Goodwill	–	–
– Unrealized profit from intra-group transactions	–	–
– Others	–	–
Book value of investments in interest of joint venture	<b>62,983,778.13</b>	68,606,855.05
Fair value of investments in interest in joint venture with open market quotations	–	–
Operating revenue	<b>235,013,793.93</b>	141,815,326.44
Financial costs	<b>(1,863,846.43)</b>	1,133,373.77
Income tax expenses	<b>7,699,802.07</b>	14,161,120.31
Net profit	<b>56,220,496.58</b>	40,828,666.91
Net profit from discontinued operations	–	–
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>56,220,496.58</b>	40,828,666.91
Dividends received from joint venture during the year	<b>34,295,530.18</b>	–

# NOTES TO FINANCIAL STATEMENTS

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

## VIII. INTERESTS IN OTHER ENTITIES (Continued)

### 2. Interests in joint ventures or associates (Continued)

(3) Key financial information of significant associates

Item	Balance at the end of year/incurred during the year		Balance at the beginning of year/incurred during last year	
	Shenzhen Resource	Shenzhen Micronutrients	Shenzhen Resource	Shenzhen Micronutrients
Current assets:	<b>33,189,454.61</b>	<b>41,663,194.64</b>	24,451,298.19	35,419,473.57
Including: cash and cash equivalent	<b>16,676,333.81</b>	<b>16,640,986.63</b>	14,691,233.21	7,567,225.37
Non-current assets	<b>41,216,640.23</b>	<b>92,820.93</b>	41,707,514.10	49,531.75
Total assets	<b>74,406,094.84</b>	<b>41,756,015.57</b>	66,158,812.29	35,469,005.32
Current liabilities	<b>9,376,797.07</b>	<b>29,768,396.92</b>	4,395,645.95	27,996,942.44
Non-current liabilities	-	-	-	-
Total liabilities	<b>9,376,797.07</b>	<b>29,768,396.92</b>	4,395,645.95	27,996,942.44
Minority interests	-	-	-	-
Equity interests attributable to shareholders of the parent company	<b>65,029,297.77</b>	<b>11,987,618.65</b>	61,763,166.34	7,472,062.88
Share of net profit based on shareholdings	<b>31,864,355.91</b>	<b>4,555,295.09</b>	30,263,951.51	2,839,383.89
Adjustments				
- Goodwill	-	-	-	-
- Unrealized profit from intra-group transactions	-	-	-	-
- Others	-	-	-	-
Book value of investments in interest of associates	<b>32,064,000.86</b>	<b>4,433,340.87</b>	30,432,025.45	2,717,429.68
Fair value of investments in interest in associates with open market quotations	-	-	-	-
Operating income	<b>66,304,414.13</b>	<b>111,870,812.28</b>	49,080,270.86	133,080,752.75
Financial costs	<b>(233,162.70)</b>	<b>44,261.20</b>	(220,937.00)	279,762.79
Income tax expenses	<b>842,937.96</b>	<b>1,518,439.48</b>	935,317.66	951,768.69
Net profit	<b>3,330,562.06</b>	<b>4,515,555.76</b>	1,006,911.32	2,926,121.54
Net profit from discontinued operations	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	<b>3,330,562.06</b>	<b>4,515,555.76</b>	1,006,911.32	2,926,121.54
Dividends received from associates during the year	-	-	-	-



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## VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

### 2. Interests in joint ventures or associates *(Continued)*

(4) *Summarized financial information of insignificant joint ventures and associates*

Item	Balance at the end of year/incurred during the year	Balance at the beginning of year/incurred during last year
<b>Associates:</b>		
Total book value of investements	1,902,523.09	–
Total amounts based on shareholding		
– Net profit	(97,476.91)	–
– Other comprehensive income	–	–
– Total comprehensive income	(97,476.91)	–

(5) *Significant restrictions on transfer of funds from joint ventures or associates to the Company*

There was no significant restrictions on transfer of funds from joint ventures or associates to the Company.

(6) *Excess loss incurred by joint ventures or associates*

There was no excess loss incurred by joint ventures or associates.

(7) *Unrecognized guarantee in relation to investments in joint ventures*

There was no unrecognized guarantee in relation to investments in joint ventures.

(8) *Contingent liabilities in relation to investments in joint ventures or associates*

There were no contingent liabilities in relation to investments in joint ventures or associates.

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include monetary fund, financial assets at fair value through profit or loss of the period, notes receivables, accounts receivable, other receivables, borrowings, 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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 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.

#### (1) Market risks

##### 1) Foreign exchange risk

The Group is mainly exposed to foreign exchange risks in connection with USD and HKD; except for certain subsidiaries of the Company which effect purchases and sales in USD and HKD, all the business activities of the remaining principal operations of the Group are settled with RMB. On 31 December 2014, except for the HKD and USD balances in assets and liabilities, 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 USD and HKD balances may affect the operating results of the Group.

Item	Amount at the end of year	Amount at the beginning of year
Bank balances and cash – USD	2,104.56	37.87
Bank balances and cash – HKD	4,376,380.15	4,692,376.22
Account receivables – HKD	7,352,806.10	7,310,292.90
Prepayment – HKD	1,922,585.59	14,036,736.39
Other receivables – HKD	12,899,616.39	8,082,111.93
Inventories – HKD	89,732.23	58,029.50
Long-term equity investments – HKD	13,638,198.00	13,638,198.00
Fixed assets – HKD	22,288,704.26	25,689,868.35
Lon-term deferred expenses – HKD	–	42,979.92
Short-term borrowings – HKD	20,000,000.00	20,000,000.00
Account payable – HKD	1,365,312.88	4,235,033.86
Employee benefits payables – HKD	–	446,094.34
Tax payable – HKD	(345,105.31)	–
Other payable – HKD	2,854,566.55	3,083,759.35
Non-current liabilities due within 1 year – HKD	6,758,439.74	6,164,843.00
Long-term payable – HKD	5,542,768.51	10,310,770.39
Other non-current liabilities – HKD	52,618.92	271,155.13

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.

# NOTES TO FINANCIAL STATEMENTS

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

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

### 1. Objective and policies of risk management *(Continued)*

#### *(1) Market risks (Continued)*

##### 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. 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.

#### *(2) Credit risk*

On 31 December 2014, 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 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.

Top five account receivables in total: RMB312,352,663.73.

# NOTES TO FINANCIAL STATEMENTS

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## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Objective and policies of risk management (Continued)

#### (3) Liquidity risk

The liquidity risk is the Group's impossibility to perform its financial obligations after the maturity date. In the management of the liquidity risk, the Group monitors and maintains a level of working capital deemed adequate by the management to perform the Group's obligations, thus will not cause loss or damage to the reputation of the Group. Moreover, the Group analyses its debt structure and deadline regularly and maintain sufficient fund. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. In the meanwhile, the management keeps in touch with financial institutions and make consultations on financing issues, to maintain enough credit limits and mitigate liquidity risk.

The Group's main capital source is from bank borrowing. As at 31 December 2014, the unused credit facilities of bank loan of the Group was RMB1.340 billion, (31 December 2013: RMB385 million), including utilized short-term bank borrowings facilities of RMB837 million (31 December 2013: RMB100 million).

The following table demonstrates the financial assets and financial liabilities the Group held according to the maturity of undiscounted remaining contractual obligations:

Amount as at 31 December 2014:

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
<b>Financial assets</b>					
Bank balances and cash	1,027,750,137.40	-	-	-	1,027,750,137.40
Financial assets held for trading	2,054,460.00	-	-	-	2,054,460.00
Notes receivable	78,904,823.06	-	-	-	78,904,823.06
Account receivables	487,508,311.81	-	-	-	487,508,311.81
Other receivables	82,045,549.57	5,357,001.35	4,511,681.23	-	91,914,232.15
Non-current liabilities due within 1 year	28,680,000.00	-	-	-	28,680,000.00
Long-term receivables	-	8,320,000.00	93,778,599.96	-	102,098,599.96
<b>Financial liabilities</b>					
Short-term borrowings	559,264,227.46	-	-	-	559,264,227.46
Account payable	290,733,139.43	-	-	-	290,733,139.43
Other payables	176,415,524.54	-	-	-	176,415,524.54
Dividend payable	1,593,150.00	-	-	-	1,593,150.00
Interest payable	2,255,536.85	-	-	-	2,255,536.85
Employee benefits payables	48,915,674.57	-	-	-	48,915,674.57
Non-current liabilities due within 1 year	157,902,710.91	-	-	-	157,902,710.91
Long-term borrowings	-	281,885,366.64	84,174,086.81	10,400,000.00	376,459,453.45
Bonds payable	-	-	355,632,555.15	-	355,632,555.15
Long-term payables	-	4,598,781.80	1,564,061.95	-	6,162,843.75

# NOTES TO FINANCIAL STATEMENTS

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## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 2. Sensitivity analysis

The Group applies sensitivity to analyze the rationality of technical risk variables and the effect of possible changes on profit and loss or owner's equity. As any risk variable seldom varies, and correlation among variables will play a major role in the ultimate amount of a special risk variable. Therefore, the followings are carrying out on the assumed condition that each variable changes independently.

#### (1) Sensitivity analysis of foreign exchange

Foreign exchange risk sensibility analysis hypothesis: all the foreign operations and investments and cash flows are highly effective.

The influence after tax of reasonable movements of exchange rates on the current profit and loss and equity based on the above assumptions with other variables holding constant is as follows:

Item	Change in exchange rate	During the year		During last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Increase 5% against RMB	547.31	547.31	9.81	9.81
USD	decrease 5% against RMB	(547.31)	(547.31)	(9.81)	(9.81)
HKD	Increase 5% against RMB	(855,329.18)	(855,329.18)	361,902.47	361,902.47
HKD	decrease 5% against RMB	855,329.18	855,329.18	(361,902.47)	(361,902.47)

#### (2) Sensitivity analysis of interest rate

The sensitivity analysis of interest rate is based on the following assumptions:

The fluctuation of market interest rate will have impact on interest income or expense of variable interest rate financial instrument;

For the fixed interest-rate financial instrument measured at fair value, the changes of market interest rate can only affect its interest income or expense;

The market interest rate at the balance sheet date shows the changes of derivative financial instrument calculated on discounted cash flow method and fair value of other financial assets and liabilities.

Based on the above-mentioned assumptions, under the prerequisite that other variables have no change, reasonable changes that might happen in interest rate have impact on the current profit/loss and equity after tax.

Item	Change in exchange rate	During the year		During last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Borrowings with floating interest rate	Increase 1%	(4,453,179.93)	(4,453,179.93)	(1,591,193.17)	(1,591,193.17)
Borrowings with floating interest rate	Decrease 1%	4,453,179.93	4,453,179.93	1,591,193.17	1,591,193.17

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## X. DISCLOSURE OF FAIR VALUE

### 1. Amounts of assets and liabilities measured at fair value at the end of year and levels of fair value measurement

Item	Fair value at the end of year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
<b>I. Continuing fair value measurement</b>	–	–	–	–
(1) Financial assets at fair value through profit and loss				
Financial assets held for trading-equity instrument investments	2,054,460.00	–	–	2,054,460.00
(2) Investment properties				
Leased buildings	–	53,870,800.00	–	53,870,800.00
Total amount of continuing fair value measurement of financial assets	2,054,460.00	53,870,800.00	–	55,925,260.00

### 2. Determination basis of market prices of continuing and discontinued level 1 fair value measurement items

The Group's investments in equity instruments under financial assets held for trading are equity investments in the secondary market, the Department of equity investments, the fair value measure determined by reference to quoted market closing price.

### 3. Determination basis of valuation method and significant input quantifying and qualifying data of continuing and discontinued level 2 fair value measurement items

The fair value measurement at fair value of investment property is based on the valuation made by Shenzhen Pengxin Assets Appraisal and Valuation Co., Limited (independent party with no connection to the Group). The valuation was determined based on the recent market prices of similar properties at the same location and use with net rental income capitalised (as appropriate).

# NOTES TO FINANCIAL STATEMENTS

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## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS

### 1. Relationships of related parties

(1) *Controlling shareholder and ultimate controlling shareholder*

1) Controlling shareholder and ultimate controlling shareholder

The controlling shareholder and ultimate controlling shareholder of the Company was Mr. Zhang Wei Yang.

2) The shareholdings or interest of controlling shareholder and the movement

Controlling shareholder	Shareholding		Shareholding proportion (%)	
	Amount at the end of year	Amount at the beginning of year	At the end of year	At the beginning of year
Zhang Wei Yang	97,107,669.00	64,738,446.00	27.92	28.68

(2) *Subsidiaries*

Details of subsidiaries of the Group are set out in “Structure of Corporate Group” under Note VIII.1 (1).

(3) *Joint ventures and associates*

Details of significant joint ventures and associates of the Company was set out under “Significant joint ventures or associates” under note VIII.2(1). Related parties transaction with the Company or previous balance of related parties transactions with the Company and joint ventures or associates are as follows:

Name of joint ventures and associates	Relations with the Company
Dongjiang Veolia	Joint venture
Shenzhen Micronutrients	Associate
Shenzhen Resource	Associate
Tricycle Information Technology	Associate

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 2. Related party transactions

(1) *Related parties transactions in respect of purchasing goods or receiving services and sales of goods and providing services*

1) Purchasing goods or receiving services

Related Party	Related parties transactions	Occurred during the year	Occurred during last year
Dongjiang Veolia	Receiving services	<b>15,743,275.28</b>	14,323,877.10
Shenzhen Resource	Receiving services	<b>3,247,648.66</b>	
Shenzhen Resource	Purchasing goods	<b>6,935,037.23</b>	14,856,929.75
<b>Total</b>		<b>25,925,961.17</b>	29,180,806.85

2) Sales of products and providing services

Related Party	Related parties transactions	Occurred during the year	Occurred during last year
Dongjiang Veolia	Providing services	<b>58,027,416.21</b>	5,988,990.64
Dongjiang Veolia	Sales of goods	<b>151,414.42</b>	139,432.32
Shenzhen Micronutrients	Sales of goods	<b>97,761,226.41</b>	110,154,373.70
Shenzhen Resource	Sales of goods	<b>146,718.80</b>	63,675.22
<b>Total</b>		<b>156,086,775.84</b>	116,346,471.88

(2) *Related parties leasing*

1) Leasing

Leasor	Lessee	Leased assets	Recognised rental income of the year	Recognised rental income of last year
The Company	Shenzhen Micronutrients	Buildings	<b>118,798.42</b>	112,107.64
The Company	Tricycle Information Technology	Buildings	<b>40,109.03</b>	–



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

(3) *Guarantee with related parties*

Guarantor	Secured party	Amount guaranteed	Date of commencement	Date of termination	Whether the guarantee was completed
The Company, Zhang Wei Yang	Shaoguan Green	90,000,000.00	2012-6-27	2017-6-27	No
Zhang Wei Yang	Lik Shun Hong Kong	6,003,529.00	2011-6-20	2017-5-16	No
Dongjiang HK	Lik Shun Hong Kong	11,691,498.00	2011-2-1	2019-1-27	No

### 3. Related parties transactions with the parent company

(1) *Related parties transactions in respect of purchasing goods or receiving services and sales of goods and providing services*

1) Purchasing goods or receiving services

Related Party	Related parties transactions	Occurred during the year	Occurred during last year
Dongjiang Veolia	Receiving services	<b>12,932,974.05</b>	6,996,806.75
<b>Total</b>		<b>12,932,974.05</b>	6,996,806.75

2) Sales of goods and providing services

Related Party	Related parties transactions	Occurred during the year	Occurred during last year
Shenzhen Micronutrients	Sales of goods	<b>3,270,358.96</b>	12,817,748.66
Dongjiang Veolia	Providing services	<b>50,594,393.50</b>	3,528,978.41
<b>Total</b>		<b>53,864,752.46</b>	16,346,727.07

# NOTES TO FINANCIAL STATEMENTS

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 3. Related parties transactions with the parent company (Continued)

(2) Related parties leasing

1) Leasing

Leasor	Lessee	Leased assets	Recognised rental income of the year	Recognised rental income of last year
The Company	Shenzhen Micronutrients	Buildings	<b>118,798.42</b>	112,107.64
The Company	Tricycle Information Technology	Buildings	<b>40,109.03</b>	–

(3) Guarantee with related parties

Guarantor	Secured party	Amount guaranteed	Date of commencement	Date of termination	Whether the guarantee was completed
The Company, Zhang Wei Yang	Shaoguan Green	90,000,000.00	2012-6-27	2017-6-27	No
the Company	Baoan Dongjiang	35,000,000.00	2010-4-30	2015-4-30	No
the Company	Renewable Energy	60,000,000.00	2011-6-2	2016-6-2	No
the Company	Renewable Energy	40,000,000.00	2011-1-4	2016-1-4	No
the Company	Renewable Energy	32,560,000.00	2014-10-31	2019-10-31	No
the Company	Jiaxing Deda	45,000,000.00	2014-6-12	2019-6-7	No
the Company	Huizhou Dongjiang	30,000,000.00	2014-5-29	2015-5-29	No
the Company	Qingyuan Xinlv	78,000,000.00	2014-5-29	2015-5-29	No
the Company	Karamay Wosen Environmental	30,000,000.00	2014-12-25	2020-12-11	No
the Company	Lik Shun Hong Kong	7,862,000.00	2011-6-14	2014-6-29	Yes
the Company	Lik Shun Hong Kong	7,862,000.00	2012-2-4	2014-11-23	Yes
the Company	Lik Shun Hong Kong	2,098,474.00	2014-1-27	2019-1-27	No
the Company	Lik Shun Hong Kong	867,790.00	2012-3-26	2016-3-26	No
the Company	Lik Shun Hong Kong	8,500,000.00	2014-6-12	2015-6-12	No
the Company	Lik Shun Hong Kong	8,500,000.00	2014-11-17	2015-11-17	No

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 4. Consolidation and parent company

#### Emoluments of key management

(1) *Emoluments of Directors and Supervisors*

Emoluments of Directors and Supervisors during the year are as follows:

Name	Emoluments of Directors and Supervisors	Salaries and allowances	Retirement benefits scheme contributions	Total
Executive Directors				
Zhang Wei Yang	-	1,557,157.25	53,529.38	1,610,686.63
Chen Shu Sheng	-	1,065,296.19	53,529.38	1,118,825.57
Li Yong Peng	-	789,755.00	53,303.93	843,058.93
<b>Sub-total</b>	<b>-</b>	<b>3,412,208.44</b>	<b>160,362.69</b>	<b>3,572,571.13</b>
Non-executive Directors				
Feng Tao	-	-	-	-
Wu Shui Qing	-	-	-	-
Sun Ji Ping	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Independent non-executive directors				
Wong Hin Wing	71,551.72	-	-	71,551.72
Qu Yong Hui	71,551.72	-	-	71,551.72
Hao Ji Ming	69,540.23	-	-	69,540.23
Wang Ji De	140,571.43	-	-	140,571.43
<b>Sub-total</b>	<b>353,215.10</b>	<b>-</b>	<b>-</b>	<b>353,215.10</b>
Supervisors				
Yuan Wei	-	-	-	-
Cai Wen Sheng	-	-	-	-
Liu An	-	347,002.41	39,181.08	386,183.49
<b>Sub-total</b>	<b>-</b>	<b>347,002.41</b>	<b>39,181.08</b>	<b>386,183.49</b>
<b>Total</b>	<b>353,215.10</b>	<b>3,759,210.85</b>	<b>199,543.77</b>	<b>4,311,969.72</b>

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 4. Consolidation and parent company (Continued)

#### Emoluments of key management (Continued)

(1) Emoluments of Directors and Supervisors (Continued)

Emoluments of directors and supervisors for last year were as follows:

Name	Emoluments of Directors and Supervisors	Salaries and allowances	Retirement benefits scheme contributions	Total
Executive Directors				
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
<b>Sub-total</b>	<b>–</b>	<b>2,446,933.80</b>	<b>111,072.48</b>	<b>2,558,006.28</b>
Non-executive Directors				
Feng Tao	–	–	–	–
Wu Shui Qing	–	–	–	–
Sun Ji Ping	–	–	–	–
<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Independent non-executive directors				
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
<b>Sub-total</b>	<b>385,000.00</b>	<b>–</b>	<b>–</b>	<b>385,000.00</b>
Supervisors				
Yuan Wei	–	–	–	–
Cai Wen Sheng	–	–	–	–
Liu An	–	219,669.20	30,618.96	250,288.16
<b>Sub-total</b>	<b>–</b>	<b>219,669.20</b>	<b>30,618.96</b>	<b>250,288.16</b>
<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>

On 10 June 2014, non-executive director Mr. Feng Bo, independent non-executive directors Mr. YE Ru Tang and Mr. HAO Ji Ming resigned as directors; on the same day, Mr. Qu Yong Hui and Mr. Wong Hin Wing were appointed as independent non-executive directors.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 4. Consolidation and parent company (Continued)

#### (2) Top five employees with highest emoluments

During the year, top five employees with highest emoluments include three (last year: three) directors, and the other two (last year: two) employees with the highest emolument were as follows:

Item	Amount of the year	Amount of last year
Salaries and allowance	<b>1,523,359.00</b>	1,086,616.55
Retirement benefits scheme contribution	<b>107,058.76</b>	74,048.32
<b>Total</b>	<b>1,630,417.76</b>	1,160,664.87

Individuals with the highest emolument are categories based on band of emolument as follows (number of person):

Item	During the year	During last year
Nil – RMB788,900 (HKD1,000,000)	<b>2</b>	4
RMB788,900.79 – RMB1,577,800 (HKD1,000,001 – HKD2,000,000)	<b>3</b>	1
<b>Total</b>	<b>5</b>	5

### 5. Related Party Balance

#### (1) Consolidated

##### 1) Related Party receivable Item

Item	Related Party	Balance at the end of year		Balance at the beginning of year	
		Book value	Bad debt provision	Book value	Bad debt provision
Account receivable	Shenzhen Micronutrients	<b>26,175,524.71</b>	-	27,104,025.78	-
Account receivable	Dongjiang Veolia	<b>152,210.62</b>	-	327,770.00	-
Account receivable	Shenzhen Resource	<b>87,606.50</b>	-	600.00	-
Account receivable	Tricycle Information Technology	<b>5,124.00</b>	-	-	-
Notes receivable	Shenzhen Micronutrients	-	-	5,778,580.00	-
Other receivable	Dongjiang Veolia	<b>80,956.91</b>	-	96,382.17	-
Other receivable	Tricycle Information Technology	<b>4,437.09</b>	-	-	-

# NOTES TO FINANCIAL STATEMENTS

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 5. Related Party Balance (Continued)

(1) Consolidated (Continued)

2) Related Party payable items

Item	Related Party	Balance at the end of year	Balance at the beginning of year
Account payable	Dongjiang Veolia	<b>937,782.38</b>	1,409,102.54
Account payable	Shenzhen Resource	–	1,300,465.90
Other payables	Tricycle Information Technology	<b>355,192.36</b>	–
Other payables	Shenzhen Resource	<b>18,289.88</b>	122,842.01
Other payables	Shenzhen Micronutrients	<b>14,675.30</b>	14,675.30

(2) Parent Company

1) Related Party receivable items

Item	Related Party	Balance at the end of year		Balance at the beginning of year	
		Book value	Bad debt provision	Book value	Bad debt provision
Account receivable	Dongguan Hengjiang	<b>30,774,865.04</b>	–	2,719,547.61	–
Account receivable	Dongjiang Heritage	<b>16,644,765.50</b>	–	23,665,940.43	–
Account receivable	Qingyuan Xinlv	<b>4,421,011.14</b>	–	2,077,420.95	–
Account receivable	Renewable Energy	<b>3,202,170.50</b>	–	–	–
Account receivable	Huizhou Dongjiang	<b>3,154,598.50</b>	–	–	–
Account receivable	Jiaxing Deda	<b>3,098,264.38</b>	–	956,000.00	–
Account receivable	Longgang Dongjiang	<b>2,388,578.44</b>	–	–	–
Account receivable	Dongjiang Shangtian	<b>4,922.05</b>	–	–	–
Account receivable	Products Trading	<b>1,520.00</b>	–	25,236.80	–
Account receivable	Shaoguan Green	–	–	819,422.50	–
Account receivable	Qingyuan Dongjiang	–	–	277,163.96	–
Account receivable	Shenzhen Micronutrients	–	–	1,618,310.00	–
Notes receivable	Qingyuan Xinlv	<b>17,995,940.90</b>	–	–	–
Notes receivable	Huizhou Dongjiang	<b>13,891,739.25</b>	–	–	–
Notes receivable	Shenzhen Micronutrients	–	–	5,778,580.00	–
Other receivable	Shaoguan Green	<b>325,984,840.54</b>	–	256,400,000.00	–
Other receivable	Hunan Dongjiang	<b>118,438,100.54</b>	–	78,640,738.04	–
Other receivable	Jiangmen Dongjiang	<b>113,794,567.54</b>	–	6,113,450.87	–
Other receivable	Dongjiang Heritage	<b>80,980,420.97</b>	–	50,488,235.58	–
Other receivable	Qingyuan Dongjiang	<b>75,950,004.04</b>	–	70,000.00	–

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 5. Related Party Balance (Continued)

#### (2) Parent Company (Continued)

##### 1) Related Party receivable items (Continued)

Item	Related Party	Balance at the end of year		Balance at the beginning of year	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivable	Hubei Dongjiang	52,570,784.18	-	6,918,087.33	-
Other receivable	Yunnan Dongjiang	22,341,707.63	-	21,786,509.50	-
Other receivable	Karamay Wosen Environmental	20,000,000.00	-	-	-
Other receivable	Baoan Dongjiang	19,789,947.88	-	13,714,370.10	-
Other receivable	Shaoguan Dongjiang	14,579,600.86	14,579,600.86	-	-
Other receivable	Qingdao Dongjiang	14,000,000.00	-	20,000,000.00	-
Other receivable	Dongjiang HK	11,139,422.34	-	15,094,922.34	-
Other receivable	Dongguan Hengjiang	10,932,654.81	-	5,141,653.50	-
Other receivable	Dongjiang Songzao	9,536,792.00	9,536,792.00	-	-
Other receivable	Chengdu Treatment Centre	9,128,300.00	-	8,973,300.00	-
Other receivable	Products Trading	5,936,270.74	-	4,235,034.64	-
Other receivable	Renewable Energy	1,102,999.81	-	37,051,473.90	-
Other receivable	Qiandeng Wastes Treatment	370,756.41	-	-	-
Other receivable	Huizhou Dongjiang	209,111.16	-	50,936,930.07	-
Other receivable	Dongjiang Veolia	80,956.91	-	96,382.17	-
Other receivable	Dongjiang Shangtian	14,220.02	-	-	-
Other receivable	Nanchang Xinguan	10,136.40	-	-	-
Other receivable	Shaoxing Dongjiang	8,737.41	-	-	-
Other receivable	Tricycle Information Technology	4,437.09	-	-	-
Other receivable	Jiangmen Dongjiang Lvlvda	3,742.90	-	-	-
Other receivable	Longgang Dongjiang	637.09	-	160,725.11	-
Other receivable	Huabao Technology	418.84	-	-	-
Other receivable	Qingyuan Xinlv	-	-	408,787.93	-
Other receivable	Huizhou Transport	-	-	234,383.24	-
Prepayment	Qingyuan Dongjiang	-	-	12,000.00	-
Prepayment	Renewable Energy	69,742,240.70	-	1,214,303.36	-
Prepayment	Huizhou Dongjiang	66,616,472.85	-	-	-
Prepayment	Products Trading	472,521.21	-	295,009.51	-

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XI. RELATED PARTY AND RELATED PARTIES TRANSACTIONS (Continued)

### 5. Related Party Balance (Continued)

(2) Parent Company (Continued)

2) Related Party payable items

Item	Related Party	Balance at the end of year	Balance at the beginning of year
Account payable	Dongguan Hengjiang	<b>10,232,309.19</b>	2,658,501.82
Account payable	Transportation Company	<b>2,170,440.89</b>	5,892,553.65
Account payable	Longgang Dongjiang	<b>1,877,287.04</b>	3,534,294.93
Account payable	Zhuhai Qingxin	<b>1,134,200.00</b>	508,800.00
Account payable	Products Trading	<b>488,526.98</b>	1,388,699.72
Account payable	Huizhou Dongjiang	<b>341,461.45</b>	515,706.55
Account payable	Dongjiang Veolia	–	699,035.84
Other payables	Renewable Energy	<b>117,316,491.68</b>	99,998,200.22
Other payables	Renewable Energy	<b>39,329,824.82</b>	38,923,846.49
Other payables	Qingyuan Xinlv	<b>29,440,000.00</b>	14,440,000.00
Other payables	Huizhou Dongjiang	<b>27,214,726.30</b>	–
Other payables	Longgang Dongjiang	<b>15,311,437.00</b>	–
Other payables	Jiangxi Kangtai	<b>9,693,900.00</b>	–
Other payables	Huabao Technology	<b>4,857,382.55</b>	4,289,071.65
Other payables	Transportation Company	<b>4,175,511.04</b>	–
Other payables	Qiandeng Wastes Treatment	<b>503,061.08</b>	303,627.63
Other payables	Tricycle Information Technology	<b>335,192.36</b>	–
Other payables	Dongjiang Property Service	<b>96,325.64</b>	38,522.52
Other payables	Dongjiang Shangtian	<b>21,326.50</b>	–
Other payables	Shenzhen Micronutrients	<b>14,675.30</b>	14,675.30
Other payables	Zhuhai Qingxin	–	5,865.00
Receipt in advance	Renewable Energy	<b>11,237,410.31</b>	–
Receipt in advance	Huizhou Dongjiang	<b>5,061,552.64</b>	1,815,972.35
Receipt in advance	Huabao Technology	<b>418.84</b>	–



# NOTES TO FINANCIAL STATEMENTS

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## XII. SHARE-BASED PAYMENT

### 1. Details of share-based payment

Item	Details
Total amount of equity instruments granted during the year	9,655,000
Total amount of equity instruments exercised during the year	–
Total amount of equity instruments lapsed during the year	390,000
Scope of exercise prices of share options issued at the end of year and remaining term of contract	
Scope of exercise prices of other equity instruments at the end of year and remaining term of contract	

Breakdown of share-based payment:

(1) *First time awarded restricted shares*

According to “Dongjiang Environmental Company Limited in 2013 restricted shares incentive plan (revised draft)” and the first extraordinary general meeting in 2014, first H Shares Class Meeting in 2014 and first H shares class meeting in 2014, the Company was authorised to award for the first time 5,850,000 restricted shares to several directors, senior managements and core staff members (104 persons in total) at RMB19.37 per share, on 23 January 2014 as the date of grant. First time awarded restricted shares were listed on 14 February 2014. Subsequently, the Company implemented the 2013 profit distribution plan, and the abovementioned restricted shares were adjusted to 8,775,000 shares.

(2) *Repurchase of restricted shares granted to participants of post-employment equity incentive scheme*

The 4 original participants Su Shiyong, Chen Jinfang, Xue Chengbing and Chen Shi were granted 260,000 restricted shares on 23 January 2014, and the subscription fee was fully paid. Subsequently, the Company implemented the 2013 profit distribution plan, and the abovementioned restricted shares were adjusted to 390,000 shares. The above participants had resigned due to personal matters, and relevant resignation processes were completed. Therefore, the restricted shares granted to them of 390,000 shares in total were repurchased and cancelled at the price of approximately RMB12.91 per share.

(3) *Partly reserved restricted shares granted*

According to “Dongjiang Environmental Company Limited in 2013 restricted shares incentive plan (revised draft)” and the 13th meeting of the fifth Board of Directors and the 14th meeting of the fifth Board of Directors which approved the “Resolution in relation to adjustment on the partly reserved restricted shares granted” and the “Resolution in relation to partly reserved restricted shares granted to incentive schemes participants” the Board granted 880,000 shares of partly reserved restricted shares to 66 participants of incentive schemes on 21 November 2014 as the date of grant of the partly reserved restricted shares at the price of RMB16.39 per share. The partly reserved restricted shares were listed on 29 December 2014.

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## XII. SHARE-BASED PAYMENT (Continued)

### 2. Payment of equity-settled share-based payment

Item	Details
Determination basis of fair value of equity instruments as at the date of grant	Select Black-Scholes option pricing model to the fair value of stock options calculated on the fair value of the restricted share calculation method: fair value of each restricted share = $CPX * ((1 + R)^N - 1)$ . Where: C is the value of a call option; P is the value of a put option; X is restricted share grant price; R is the rate of capital gains; N is the investment period of purchase fund of restricted shares
Determination basis of number of exercisable equity instruments	Determined based on the results estimation of each release period
Reason for significant difference between estimation made during the year and estimation during last year	Nil
Accumulated amount of equity-settled share-based payment in capital reserve	18,766,129.13
Total expenses of equity-settled share-based payment recognized during the year	18,766,129.13

No equity instruments were exercised during the year (last year: nil).

## XIII. CONTINGENT MATTERS

### Combination and parent company

- (1) 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.
- (2) Other than as disclosed above, the Group and the Company had no significant contingent liabilities at 31 December 2014.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XIV. COMMITMENTS

### 1. The Group

(1) Significant commitments of capital expenditures

1) Commitments of capital expenditures of the Group at the end of year

Capital expenditure commitments contracted but not yet recognized in the financial statements

Item	Amount at the end of year	Amount at the beginning of year
External investments	87,071,400.00	–
Work-in-progress	219,636,663.88	100,715,550.52
Purchase of equipment and machineries	30,187,750.00	8,382,100.00
<b>Total</b>	<b>336,895,813.88</b>	109,097,650.52

At the end of the year, the Group has significant external investment commitments contracted but not yet paid in the amount of RMB87,071,400.00, details of which are set out as follows:

Name of investment	Contracted investment amount	Investment amount paid	Investment amount unpaid	Estimate investment period	Notes
Qingyuan Xinlv	55,000,000.00	40,560,000.00	14,440,000.00	2015	
Xiamen Oasis Environmental	375,000,000.00	360,000,000.00	15,000,000.00	2015	
Jiangxi Dongjiang	50,000,000.00	10,000,000.00	40,000,000.00	2015	
Tricycle Information Technology	4,000,000.00	2,000,000.00	2,000,000.00	2015	
Jiangxi Kangtai	17,693,900.00	2,062,500.00	15,631,400.00	2015	
<b>Total</b>	<b>501,693,900.00</b>	<b>414,622,500.00</b>	<b>87,071,400.00</b>		

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XIV. COMMITMENTS (Continued)

### 1. Combination (Continued)

(1) Significant commitments of capital expenditures (Continued)

2) Significant contracts contracted and undergo or in preparation

At the end of the year, the Group has significant contracts contracted and undergo or in preparation totalling RMB219,636,663.88, details of which are as follows:

Item	Contracted amount	Paid	Unpaid	Estimated investment period	Note
Land use right and property transfer of phase 1 & 2 at No. 599, Xinxia Road South, Xinxu Twon, Xiang'an District, Xiamen	148,000,000.00	133,000,000.00	15,000,000.00	2015	
Construction work of Shenzhen Fuyong river sludge treatment plant phase II (supplementary equipment)	105,181,525.00	85,186,004.23	19,995,520.77	2015	
Heavy metal sludge multi-usage plant	72,070,000.00	10,725,000.00	61,345,000.00	2015	
Phase I construction project	51,800,000.00	45,647,326.06	6,152,673.94	2015	
Dismantling of waste household appliances project	50,180,000.00	35,823,700.00	14,356,300.00	2015	
Phase II construction project	41,000,000.00	27,508,107.99	13,491,892.01	2015	
Incineration plant	32,150,000.00	24,112,500.00	8,037,500.00	2015	
Jiaying Deda new factory construction	28,518,458.00	16,676,259.80	11,842,198.20	2015	
Multi-purpose office	23,253,000.00	856,716.00	22,396,284.00	2015	
Waste landfill project phase II (Hunan Dongjiang)	20,693,672.75	12,980,549.45	7,713,123.30	2015	
NQZ type force loop evaporator	14,800,000.00	4,440,000.00	10,360,000.00	2015	
Incineration warehouse	11,411,000.00	7,000,000.00	4,411,000.00	2015	
Dongjiang research and development building	11,313,409.00	10,803,565.35	509,843.65	2015	

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XIV. COMMITMENTS (Continued)

### 1. Combination (Continued)

(1) Significant commitments of capital expenditures (Continued)

2) Significant contracts contracted and undergo or in preparation (Continued)

Item	Contracted amount	Paid	Unpaid	Estimated investment period	Note
Ammonium chloride waste water evaporation and concentration system	9,100,000.00	4,095,000.00	5,460,000.00	2015	
Waste water physico-chemical treatment plant/ Cu-Ni-Cr plant	8,970,000.00	1,094,700.00	7,875,300.00	2015	
Temporary store	6,625,133.00	4,899,835.00	1,725,298.00	2015	
Phase III project	6,230,000.00	2,854,000.00	3,376,000.00	2015	
Landfill site	5,870,000.00	2,687,760.00	3,182,240.00	2015	
Reconstruction of plant (Huizhou Dongjiang)	3,957,990.01	3,837,659.96	120,330.05	2015	
Decoration of 12th-13th floor in Dongjiang building	3,454,956.00	3,292,796.04	162,159.96	2015	
Fire service installation of phase II Dongjiang Environmental (Jiangmen) industrial waste treatment and disposal project	2,420,000.00	1,452,000.00	968,000.00	2015	
Design of Dongjiang Environmental (Jiangmen) industrial waste treatment construction project	1,700,000.00	850,000.00	850,000.00	2015	
Evaporation and concentration system of evaporation amount 1t/h MVR	1,530,000.00	1,224,000.00	306,000.00	2015	
<b>Total</b>	<b>660,229,143.76</b>	<b>441,047,479.88</b>	<b>219,636,663.88</b>		

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XIV. COMMITMENTS (Continued)

### 1. Combination (Continued)

(1) Significant commitments of capital expenditures (Continued)

3) Significant procurement contracts contracted and undergoing or in preparation

As at the end of the year, the Group has significant procurement contracts contracted and undergoing or in preparation totalling RMB30,187,750.00, details of which are as follows:

Item	Contracted amount	Paid	Unpaid	Estimated investment period	Note
Distilling apparatus	8,200,000.00	6,560,000.00	1,640,000.00	2015	
Jiangmen Dongjiang-Triple-effect evaporation system	5,900,000.00		5,900,000.00	2015	
Equipment for dismantling of waste electronic devices	4,980,000.00	4,233,000.00	747,000.00	2015	
Equipment for waste water treatment	4,780,000.00	1,434,000.00	3,346,000.00	2015	
Equipment installation	4,500,000.00	1,350,000.00	3,150,000.00	2015	
Resource utilization of high-ammonia wastewater monitoring system	4,490,000.00	1,347,000.00	3,143,000.00	2015	
10# factory-waste tank procurement	4,365,000.00	1,309,500.00	3,055,500.00	2015	
Stainless steel tank procurement contract	2,698,000.00	809,400.00	1,888,600.00	2015	
Jiangmen Dongjiang – 1# sludge reduction	1,950,000.00		1,950,000.00	2015	
Electric material equipment	1,900,000.00	570,000.00	1,330,000.00	2015	
Laboratory – large power punch	1,835,000.00	1,743,250.00	91,750.00	2015	
Pressure filter	1,773,000.00	1,062,600.00	710,400.00	2015	
Cleansing equipment	1,745,000.00	1,483,250.00	261,750.00	2015	
Equipment upgrading	1,600,000.00	1,360,000.00	240,000.00	2015	
Jiangmen Dongjiang–Ni extraction equipment procurement	1,600,000.00	480,000.00	1,120,000.00	2015	
4# factory – PCB Circuit board equipment	1,350,000.00	675,000.00	675,000.00	2015	
PE tank	1,255,000.00	1,192,250.00	62,750.00	2015	
3# factory – Fiberglass tank procurement	1,180,000.00	708,000.00	472,000.00	2015	
Reaction kettle	1,010,000.00	606,000.00	404,000.00	2015	
<b>Total</b>	<b>57,111,000.00</b>	<b>26,923,250.00</b>	<b>30,187,750.00</b>		

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XIV. COMMITMENTS (Continued)

### 1. Combination (Continued)

(1) Significant commitments of capital expenditures (Continued)

4) Leases contracted for and undergoing or in preparation and financial effects

As at the end of the year, the Group as lessee had minimum future lease payment under non-cancellable operating leases in respect of office and plants and transportation equipments leased properties summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	<b>5,775,931.87</b>	6,264,462.24
1-2 years	<b>5,875,335.89</b>	5,293,854.24
2-3 years	<b>2,229,565.34</b>	2,322,524.24
Over 3 years	<b>2,618,112.24</b>	7,781,678.58
Total	<b>16,498,945.34</b>	21,662,519.30

As at the end of the year, the Group as lessor had minimum future lease payment under non-cancellable operating leases in respect of office and plants leased properties summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	<b>9,479,784.29</b>	9,037,902.29
1-2 years	<b>7,663,392.37</b>	3,181,121.88
2-3 years	<b>5,710,390.50</b>	2,609,588.65
Over 3 years	<b>14,003,542.68</b>	14,476,962.39
Total	<b>36,857,109.84</b>	29,305,575.21

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XIV. COMMITMENTS (Continued)

### 1. Combination (Continued)

(1) Significant commitments of capital expenditures (Continued)

4) Leases contracted for and undergoing or in preparation and financial effects (Continued)

As at the end of the year, the Group as lessee had minimum future lease payment under non-cancellable operating leases in respect of transportation equipments summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	<b>15,503,370.27</b>	14,019,748.78
1-2 years	<b>5,616,952.86</b>	13,831,825.76
2-3 years	<b>1,217,212.72</b>	5,407,920.66
Over 3 years	<b>923,601.48</b>	1,164,063.56
Total	<b>23,261,137.33</b>	34,423,558.76

(2) Other than the abovementioned commitments, the Group has no significant commitments as at 31 December 2014.

### 2. The Company

(1) Significant commitments

1) Capital expenditure commitments of the Group as at the end of year

Capital expenditure commitments contracted but not yet provided in the financial statements

Item	Amount at the end of year	Amount at the beginning of year
External investment	<b>87,071,400.00</b>	–
Work-in-progress	<b>36,793,524.38</b>	8,980,337.65
Purchase of machineries and equipment	<b>91,750.00</b>	2,417,100.00
Total	<b>123,956,674.38</b>	11,397,437.65



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XIV. COMMITMENTS (Continued)

### 2. The Company (Continued)

#### (1) Significant commitments (Continued)

##### 1) Capital expenditure commitments of the Group as at the end of year (Continued)

As at the end of the year, the Company has significant external investments contracted and undergoing or in preparation with total expenses of RMB87,071,400.00 as follows:

Item	Contracted amount	Paid	Unpaid	Estimate investment period	Note
Qingyuan Xinlv	55,000,000.00	40,560,000.00	14,440,000.00	2015	
Xiamen Oasis Environmental	375,000,000.00	360,000,000.00	15,000,000.00	2015	
Jiangxi Dongjiang	50,000,000.00	10,000,000.00	40,000,000.00	2015	
Tricycle Information Technology	4,000,000.00	2,000,000.00	2,000,000.00	2015	
Jiangxi Kangtai	17,693,900.00	2,062,500.00	15,631,400.00	2015	
<b>Total</b>	<b>501,693,900.00</b>	<b>414,622,500.00</b>	<b>87,071,400.00</b>		

##### 2) Significant sub-contracts contracted and undergoing or in preparation and the financial effects

As at the end of the year, the Company has significant sub-contracts contracted and undergoing or in preparation with total expenses of RMB36,793,524.38 as follows:

Item	Contracted amount	Paid	Unpaid	Estimated investment period	Note
Construction work of Shenzhen Fuyong river sludge Treatment plant phase II (supplementary equipment)	105,181,525.00	85,186,004.23	19,995,520.77	2015	
NQZ type force loop evaporator	14,800,000.00	4,440,000.00	10,360,000.00	2015	
Dongjiang research and development building	11,313,409.00	10,803,565.35	509,843.65	2015	
Ammonium chloride waste water evaporation and concentration system	9,100,000.00	4,095,000.00	5,460,000.00	2015	
Decoration of 12th-13th floor in Dongjiang building	3,454,956.00	3,292,796.04	162,159.96	2015	
Evaporation and concentration system of evaporation amount 1t/h MVR	1,530,000.00	1,224,000.00	306,000.00	2015	
<b>Total</b>	<b>145,379,890.00</b>	<b>109,041,365.62</b>	<b>36,793,524.38</b>		

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XIV. COMMITMENTS (Continued)

### 2. The Company (Continued)

#### (1) Significant commitments (Continued)

- 3) Significant equipment procurement contracts contracted and undergoing or in preparation and the financial effects

As at the end of the year, the Company has significant equipment procurement contracts contracted and undergoing or in preparation with total expenses of RMB91,750.00 as follows:

Item	Contracted		Unpaid	Estimated investment period	Note
	amount	Paid			
Laboratory – large power punch	1,835,000.00	1,743,250.00	91,750.00	2015	
<b>Total</b>	<b>1,835,000.00</b>	<b>1,743,250.00</b>	<b>91,750.00</b>		

Leases contracted and undergoing or in preparation and the financial effects

As at the end of the year, the Company as lessee had minimum future lease payment under non-cancellable operating leases in respect of office and plants and transportation vehicles leased items summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	<b>2,960,510.20</b>	3,785,826.00
1-2 years	<b>2,025,140.00</b>	3,834,930.00
2-3 years	–	1,368,000.00
<b>Total</b>	<b>4,985,650.20</b>	8,988,756.00

As at the end of the year, the Group as lessor had minimum future lease payment under non-cancellable operating leases in respect of office and plants leased properties summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	<b>9,479,784.29</b>	9,037,902.29
1-2 years	<b>7,663,392.37</b>	3,181,121.88
2-3 years	<b>5,710,390.50</b>	2,609,588.65
Over 3 years	<b>14,003,542.68</b>	14,476,962.39
<b>Total</b>	<b>36,857,109.84</b>	29,305,575.21

- (2) Other than the abovementioned commitments, the Company has no significant commitments as at 31 December 2014.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XV. POST-BALANCE DATE EVENTS

### 1. Material non-adjustment events

- (1) *Proposed acquisition of Shenzhen Hengjian Tongda Investment Management Company Limited (深圳市恒建通達投資管理有限公司)*

On 5 February 2015, on the 18th meeting of the fifth Board of Directors, the “Resolution in relation to the acquisition of Shenzhen Hengjian Tongda Investment Management Company Limited (深圳市恒建通達投資管理有限公司)” was passed, pursuant to which the Company proposed to acquire the 100% equity interest in Shenzhen Hengjian Tongda Investment Management Company Limited (hereinafter as “Hengjian Tongda”) held by Hengjian Energy Environmental Group Company Limited (恒建能源環保集團有限公司) with its own funding of RMB147,000,000. At the same time, the Company would assume the obligation to settle the account payable of RMB65,000,000 on behalf of the target company. Upon completion of the equity transfer, the Company will directly holds 100% equity interest of Hengjian Tongda, which will become a wholly-owned subsidiary of the Company. As at the date of the financial report, the acquisition was completed.

- (2) *Proposed issuance of short-term financial bonds*

On 28 January 2015, on the 17th meeting of the fifth Board of Directors, the “Resolution in relation to application of short-term financial bonds issuance” was passed. In order to widen the financing channels, improve financial structure, lower financial costs and satisfy the funding requirement of the Company under rapid development, the Company proposed to apply for short-term financial bonds issuance allowance with registered amount of no more than RMB1.1 billion to the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) according to the requirement of “the Management Methods of Inter-bank Bond Market Non-financial Company Bond Financial Instruments 《銀行間債券市場非金融企業債務融資工具管理辦法》” and the “Guidelines for Inter-bank Bond Market Non-financial Corporate Short-term Bonds Business 《銀行間債券市場非金融企業短期融資券業務指引》” Issued by the People’s Bank of China. The resolution is subject to discussion on general meetings. The issuance of short-term bonds is subject to registration to the National Association of Financial Market Institutional Investors, and will be implemented upon the acceptance of registration. As at the date of the financial report, the Company has not yet commenced the issuance of these short-term financial bonds.

- (3) *Proposed acquisition and capital increase of Hubei Tianyin Circult Economic Development Company Limited (湖北天銀迴圈經濟發展有限公司)*

On 26 March 2015, on the 19th meeting of the fifth Board of Directors, the “Resolution in relation to the acquisition of Hubei Tianyin Circult Economic Development Company Limited (湖北天銀迴圈經濟發展有限公司)” was passed, pursuant to which the Company proposed to acquire the 60% equity interest in Hubei Tianyin Circult Economic Development Company Limited (hereinafter as “Hubei Tianyin” or “target company”) at RMB73,500,000 and contribute to its capital increase, where the Company would acquire 51% equity interest of Hubei Tianyin at RMB51,000,000, and inject RMB22,500,000 to Hubei Tianyin, including RMB8,955,000 as registered capital and RMB13,545,000 credited to its capital reserve, to acquire 9% equity interest of Hubei Tianyin through capital increase. Upon the completion of acquisition and capital increase, the Company will holds 60% equity interest in Hubei Tianyin, and Xu Zhitao will hold 40% equity interest of Hubei Tianyin. As at the date of the financial report, such acquisition and capital increase has not yet commenced.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XV. POST-BALANCE DATE EVENTS (Continued)

### 2. Profit distribution

Item	details
Proposed distribution of profit or dividends	Based on share capital of 347,806,841 shares to pay a cash dividend of RMB1.50 (tax included) for every 10 shares held by all shareholders, total cash dividend would be RMB52,171,026.15. Remaining balance of distributable profit would be carried forward to subsequent periods. At the same time, based on share capital of 347,806,841 shares, 15 shares would be distributed out of the capital reserve for every 10 shares held by the shareholders, total transfer of capital would be 521,710,261 shares, upon which the total number of shares of the Company would be 869,517,102 shares.

3. Other than the above disclosure, the Group had no material post-balance date events.

## XVI. OTHER SIGNIFICANT EVENTS

1. There were no significant previous miscalculation during the year.

2. There were no debts restructuring during the year.

### 3. Lease

- (1) *Fixed assets leased under finance leases (as lease)*

As at the end of year, breakdown of fixed assets leased under finance leases are set out in note VI.14.

- (2) *Minimum lease payment (lessee of finance lease)*

As at the end of year, the minimum lease payments under finance leases are set out in note VI.33.

As at 31 December 2014, the financial costs unrecognized by the Group was RMB2,382,443.31.

- (3) *Operating lease assets (lessor of operating lease)*

Assets leased out under operating leases of the Group as at the end of year is as follows:

Assets leased under operating lease	Amount at the end of year	Amount at the beginning of year
Investment properties	53,870,800.00	53,630,900.00
Total	53,870,800.00	53,630,900.00

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVI. OTHER SIGNIFICANT EVENTS *(Continued)*

### 3. Lease *(Continued)*

(4) *Significant minimum lease payment under operating lease (leasee of operating lease)*

<b>Residual lease term</b>	<b>Amount at the end of year</b>	Amount at the beginning of year
Within 1 year	<b>5,775,931.87</b>	6,264,462.24
1-2 years	<b>5,875,335.89</b>	5,293,854.24
2-3 years	<b>2,229,565.34</b>	2,322,524.24
Over 3 years	<b>2,618,112.24</b>	7,781,678.58
Total	<b>16,498,945.34</b>	21,662,519.30

4. The Group has no material assets changes during the year.

5. The Group has no annuity schemes.

6. The Group has no discontinued operations during the year.

### 7. Segment information

The reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. The Group has 7 reportable segments based on operating businesses, determined based on internal organization structure, management requirements, internal report system basis. The management of the Group reviews the operating results of these reportable segments regularly to decide on resources allocation and evaluate its results. Major products and services provided by each reportable segment of the Group includes industrial waste recycling, industrial waste treatment and disposal, municipal waste treatment and disposal, renewable energy utilization, environmental engineering and services, trading and others, as well as household appliances dismantling.

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.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVI. OTHER SIGNIFICANT EVENTS (Continued)

### 7. Segment information (Continued)

#### 2014 Reporting Segments

Unit: RMB'0,000

Item	Industrial		Municipal waste treatment	Renewable Energy utilization	Environmental engineering and services	Trading	Household appliance dismantling	Unallocated amounts	Elimination	Total
	Industrial waste recycling	waste treatment and disposal								
Operating revenue	100,431.47	42,221.38	22,525.86	6,386.52	17,374.92	7,853.57	22,120.52	-	(14,163.08)	204,751.15
Including: Revenue from external transactions	93,757.03	39,556.33	20,917.39	6,386.52	15,933.56	6,079.82	22,120.52	-	-	204,751.15
Revenue from intra-segment transactions	6,674.44	2,665.05	1,608.48	-	1,441.37	1,773.75	-	-	(14,163.08)	-
Operating costs	70,304.01	21,316.07	18,563.64	4,670.41	13,626.13	5,094.13	18,567.98	-	(12,962.58)	139,179.79
Expenses of the period	15,609.11	3,249.13	2,588.49	1,177.42	736.03	1,699.18	2,167.15	7,390.17	(453.48)	34,163.21
Segment total profit (total loss)	15,034.14	15,844.47	801.01	1,190.39	3,090.89	961.89	1,841.85	(3,329.33)	(3,284.02)	32,151.29
Total assets	331,944.74	53,702.00	76,568.34	29,235.03	21,228.51	11,491.82	67,667.51	175,995.15	(269,286.03)	498,547.06
Including: single asset amount with significant impairment loss	-	2,030.96	709.57	-	-	-	-	1,899.19	-	4,639.72
Total liabilities	37,746.45	8,576.39	12,651.62	12,063.06	8,340.88	13,864.04	26,009.94	235,794.76	(140,357.66)	214,689.47
Supplementary information										
Capital expenditure	30,259.46	6,910.91	6,560.59	1,352.96	121.33	795.75	7,581.16	-	-	53,582.17
Impairment loss recognized during the period	(258.97)	1,979.75	709.37	(8.85)	(78.66)	13.06	(133.80)	1,899.19	651.00	4,772.10
Including: amortization of goodwill impairment	-	-	-	-	-	-	660.00	-	-	660.00
Depreciation and amortization expenses	4,329.91	2,613.60	2,230.23	2,707.62	80.39	235.35	1,092.60	-	-	13,289.70
Non-cash expenses excluding impairment losses, depreciation and amortization	72.76	50.86	-	-	-	3.54	74.64	108.62	-	310.42

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVI. OTHER SIGNIFICANT EVENTS (Continued)

### 7. Segment information (Continued)

2013

Unit: RMB'0,000

Item	Industrial		Municipal waste treatment	Renewable Energy utilization	Environmental engineering and services	Trading	Household appliance dismantling	Unallocated amounts	Elimination	Total
	Industrial waste recycling	waste treatment and disposal								
Operating revenue	105,641.94	24,349.72	13,648.87	6,547.69	9,916.78	5,696.19	4,115.47	-	(11,623.03)	158,293.64
Including: Revenue from external transactions	96,259.16	24,349.72	13,516.36	6,547.69	9,585.04	3,920.20	4,115.47	-	-	158,293.64
Revenue from intra-segment transactions	9,382.79	-	132.51	-	331.74	1,775.99	-	-	(11,623.03)	-
Operating costs	74,037.41	15,871.26	11,767.71	4,498.79	7,643.18	3,507.07	3,334.52	-	(9,677.90)	110,982.04
Expenses of the period	13,250.83	4,663.68	4,664.60	1,072.69	540.36	1,423.93	645.35	(328.62)	183.44	26,116.27
Segment total profit (total loss)	19,898.22	3,474.25	(2,763.39)	1,855.11	1,851.90	1,309.31	286.72	5,491.91	(4,256.30)	27,147.73
Total assets	263,049.86	53,401.93	74,510.22	23,581.22	10,507.84	8,539.61	19,915.93	62,028.18	(188,789.04)	326,745.76
Including: single asset amount with significant impairment loss	-	-	-	-	-	-	-	-	-	-
Total liabilities	34,086.28	3,896.71	8,609.74	6,707.10	2,103.93	1,899.06	1,761.36	116,945.46	(94,260.24)	81,749.41
Supplementary information										
Capital expenditure	19,755.61	5,281.08	5,127.68	573.67	45.53	96.12	1,712.38	-	-	32,592.06
Impairment loss recognized during the period	13.67	426.45	92.19	1.87	(109.61)	13.55	49.54	-	305.20	792.86
Including: amortization of goodwill impairment	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization expenses	3,662.24	2,076.03	1,179.66	1,855.34	54.20	114.33	390.17	-	-	9,331.98
Non-cash expenses excluding impairment losses, depreciation and amortization	305.30	50.86	-	-	-	-	14.89	-	-	371.05

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVI. OTHER SIGNIFICANT EVENTS (Continued)

### 7. Segment information (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:

<b>Income from external transactions</b>	<b>Incurred during the year</b>	Incurred last year
Within the PRC (excluding Hong Kong)	<b>2,016,192,090.02</b>	1,547,979,193.02
Hong Kong	<b>31,319,438.27</b>	34,957,171.18
<b>Total</b>	<b>2,047,511,528.29</b>	1,582,936,364.20

<b>Total non-current assets</b>	<b>Amount at the end of year</b>	Amount at the beginning of year
Within the PRC (excluding Hong Kong)	<b>2,607,305,426.79</b>	1,450,097,830.27
Hong Kong	<b>17,583,558.79</b>	20,217,963.69
<b>Total</b>	<b>2,624,888,985.58</b>	1,470,315,793.96



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY

### 1. Bank balances and cash

Item	Balance at the end of year	Balance at the beginning of year
Cash	4,160.69	20,083.00
Bank deposit	418,392,123.10	539,119,064.23
Other bank balances and cash	300,500,185.10	9,161,647.85
<b>Total</b>	<b>718,896,468.89</b>	<b>548,300,795.08</b>
Including: total overseas deposits	-	-

As the end of the year, the restricted bank balances and cash of the Group were RMB500,000.00 (last year: RMB9,060,000.00) which mainly includes guarantee deposits in other bank balances and cash. Other bank balances and cash mainly includes an investment amount of RMB300 million designated to micro-credit companies by the parent company.

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

(1) *Types of financial assets held for trading*

Item	Balance at the end of year	Balance at the beginning of year
Financial assets held for trading	2,054,460.00	2,007,400.00
Including: equity instrument investments	2,054,460.00	2,007,400.00
<b>Total</b>	<b>2,054,460.00</b>	<b>2,007,400.00</b>

(2) *Financial assets held for trading analysis as follows:*

Item	Fair value at the end of year	Fair value at the beginning of year
Listed		
The PRC (exclude Hong Kong)	2,054,460.00	2,007,400.00
<b>Total</b>	<b>2,054,460.00</b>	<b>2,007,400.00</b>

At the end of the year, the market value of listed investment was RMB2,054,460.00 (last year: RMB2,007,400.00).

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 3. Notes receivable

(1) Types of notes receivable

Types of notes receivable	Balance at the end of year	Balance at the beginning of year
Bank acceptance notes	50,586,141.65	46,118,446.38
Commercial acceptance notes	–	–
<b>Total</b>	<b>50,586,141.65</b>	<b>46,118,446.38</b>

(2) Notes receivable endorsed or discounted and not expired at the balance sheet date at the end of the year

Item	Amount derecognized at the end of year	Amount derecognized at the beginning of year
Bank acceptance notes	7,632,031.30	–
Commercial acceptance notes	–	–
<b>Total</b>	<b>7,632,031.30</b>	<b>–</b>

### 4. Accounts receivable

Item	Amount at the end of year	Amount at the beginning of year
Accounts receivable	182,019,980.14	98,322,904.41
Less: bad debt provision	5,740,926.64	8,108,432.71
<b>Net amount</b>	<b>176,279,053.50</b>	<b>90,214,471.70</b>

Most of sales to the PRC is transaction under credit, with 30-90 days of credit terms.

## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (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:

Age	Amount at the end of year	Amount at the beginning of year
0-90 days	<b>129,097,409.18</b>	51,815,738.78
91-180 days	<b>21,684,608.12</b>	19,469,704.27
181-365 days	<b>18,286,753.37</b>	14,288,107.07
1-2 years	<b>4,357,948.53</b>	4,041,524.67
2-3 years	<b>2,852,334.30</b>	599,396.91
<b>Net amount</b>	<b>176,279,053.50</b>	90,214,471.70

##### (2) Accounts receivable by categories

Category	Balance at the end of year				Book value
	Book balance	Bad debt provision		Book value	
	Amount	Percentage (%)	Amount		
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 based on credit risks characteristics	181,178,697.82	99.54	4,899,644.32	2.70	176,279,053.50
Accounts receivable that are individually insignificant but are individually provided for bad debts	841,282.32	0.46	841,282.32	100.00	-
<b>Total</b>	<b>182,019,980.14</b>		<b>5,740,926.64</b>		<b>176,279,053.50</b>

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable by categories (Continued)

Category	Balance at the end of year				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Proportion of provisions (%)	
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 based on credit risks characteristics	96,994,114.09	98.65	6,779,642.39	6.99	90,214,471.7
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>		<b>90,214,471.7</b>

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

Age	Balance at the end of year		
	Accounts receivable	Provision for bad debt	Proportion of provisions (%)
0-90 days	39,019,572.09	585,293.58	1.50
91-180 days	14,771,545.83	443,146.39	3.00
181-365 days	6,929,187.04	346,459.35	5.00
1-2 years	3,275,613.58	655,122.72	20.00
2-3 years	510,254.14	255,127.07	50.00
Over 3 years	2,614,495.21	2,614,495.21	100.00
<b>Total</b>	<b>67,120,667.89</b>	<b>4,899,644.32</b>	

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 4. Accounts receivable (Continued)

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

Age	Amount at the end of year	Amount at the beginning of year
0-90 days	59,832,617.55	9,342,970.32
91-180 days	2,902,078.00	11,094,673.36
181-365 days	956,000.00	11,721,398.57
<b>Net amount</b>	<b>63,690,695.55</b>	<b>32,159,042.25</b>

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 provided, reversed (or recovered) during the year

Bad debt provision provided during the Year amounted to RMB-1,233,776.63, and reversed or recovered bad debt provision of RMB0.00.

(5) Accounts receivable written off during the Year

Item	Amount written off
Accounts receivable written off	1,096,410.94

Including significant accounts receivables written off:

Name	Nature of accounts receivable	Amount written off	Reason of write off	Write off implementation	Whether arisen from related party transaction
Lianneng (Plato) Bao'an District Shajing Shatabao Electronics Factory	Construction service fee	487,508.00	Irrecoverable	Report to the Board	No
Copam Electronic (Shenzhen) Co., Ltd.	Purchase of goods	244,932.27	Irrecoverable	Report to the Board	No
Other insignificant amounts	Construction service fee	230,000.00	Irrecoverable	Report to the Board	No
		133,970.67	Irrecoverable	Report to the Board	No
<b>Total</b>		<b>1,096,410.94</b>			

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 4. Accounts receivable (Continued)

(6) Top five accounts receivable outstanding as at the end of the year categorized by debtors were as follows:

Name	Balance at the end of year	Age	Proportion to total account receivable at the end of year (%)	Balance of bad debt provision at the end of year
No. 1	35,085,504.05	Within 1 year	19.28	966,456.24
No. 2	1,737,457.67	1-2 years	0.95	347,491.53
	2,597,207.23	2-3 years	1.43	1,298,603.62
	10,464,623.75	Within 1 year	5.75	156,969.36
No. 3	4,765,816.53	Within 1 year	2.62	71,487.25
No. 4	1,147,266.02	Within 1 year	0.63	34,417.98
No. 5	1,044,115.90	Within 1 year	0.57	15,661.74
<b>Total</b>	<b>56,841,991.15</b>		<b>31.23</b>	<b>2,891,087.72</b>

### 5. Prepayments

(1) Age of prepayments

Item	Amount at the end of year		Amount at the beginning of year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	<b>156,369,144.64</b>	<b>96.55</b>	24,247,779.44	99.28
1-2 years	<b>5,588,242.01</b>	<b>3.45</b>	124,213.07	0.51
Over 3 years	<b>1,802.07</b>	<b>-</b>	50,558.76	0.21
<b>Total</b>	<b>161,959,188.72</b>	<b>100.00</b>	24,422,551.27	100.00

Significant prepayment aged over 1 year mainly includes the purchase of goods of Shajiang Base paid before due by Kerong Circuit Board (Shenzhen) Company Limited (科榮線路板(深圳)有限公司) and Copam Electronic (Shenzhen) Co., Ltd.

## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 5. Prepayments (Continued)

(2) Top five prepayment at the end of the year categorized by prepaid items are as follows:

Name	Balance at the end of year	Age	Proportion to the total prepayment at the end of year (%)
No. 1	5,659,910.84	Within 1 year	3.49
No. 2	5,580,773.77	Within 1 year	3.45
No. 3	3,983,376.04	Within 1 year	2.46
No. 4	2,223,722.34	1-2 years	1.37
No. 5	1,651,378.99	1-2 years	1.02
<b>Total</b>	<b>19,099,161.98</b>		<b>11.79</b>

#### 6. Other receivables

Item	Amount at the end of year	Amount at the beginning of year
Other receivables	945,432,414.27	611,365,265.33
Less: Provision for bad debts	11,781,483.54	3,088,028.31
Net amount	933,650,930.73	608,277,237.02

(1) Age analysis of other receivables

Age	Amount at the end of year	Amount at the beginning of year
0-90 days	919,821,624.99	380,416,779.19
91-180 days	4,279,066.49	349,348.18
181-365 days	426,388.47	6,513,397.27
1-2 years	7,685,911.38	104,161,279.41
2-3 years	23,620.00	108,151,707.84
Over 3 years	1,414,319.40	8,684,725.13
<b>Net amount</b>	<b>933,650,930.73</b>	<b>608,277,237.02</b>

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 6. Other receivables (Continued)

(2) Other receivables by categories

Item	Balance at the end of year				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	9,536,792.00	1.01	9,536,792.00	100	-
Other receivables that are provided for bad debts on credit risks portfolio basis	934,095,622.27	98.8	444,691.54	0.05	933,650,930.73
Other receivables that are individually insignificant but are individually provided for bad debts	1,800,000.00	0.19	1,800,000.00	100	-
<b>Total</b>	<b>945,432,414.27</b>		<b>11,781,483.54</b>		<b>933,650,930.73</b>

Item	Balance at the beginning of year				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	-	-	-	-	-
Other receivables that are provided for bad debts on credit risks portfolio basis	608,765,265.33	99.57	488,028.31	0.08	608,277,237.02
Other receivables that are individually insignificant but are individually provided for bad debts	2,600,000.00	0.43	2,600,000.00	100.00	-
<b>Total</b>	<b>611,365,265.33</b>		<b>3,088,028.31</b>		<b>608,277,237.02</b>



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 6. Other receivables (Continued)

(2) Other receivables by categories (Continued)

- 1) Other receivables that are individually significant and are provided for bad debts on individual basis

Name	Other receivables	Balance at the end of year		Reason for Provision
		Bad debt provision	Proportion of provision (%)	
Dongjiang Songsao	9,536,792.00	9,536,792.00	100.00	Confirmed as non-recoverable
<b>Total</b>	9,536,792.00	9,536,792.00		

- 2) Other receivables within the portfolio that are provided for bad debts based on ageing analysis

Age	Balance at the end of year		Proportion of provision (%)
	Other receivables	Provision for bad debts	
0-90 days	18,389,796.36	275,846.95	1.50
91-180 days	2,804,820.69	84,144.62	3.00
181-365 days	7,599.44	379.97	5.00
1-2 years	203,500.00	40,700.00	20.00
2-3 years	47,240.00	23,620.00	50.00
Over 3 years	20,000.00	20,000.00	100.00
<b>Total</b>	21,472,956.49	444,691.54	

- (3) Withdrawal, reversal (recovery) of bad debt provision during the year

Bad debt provision of RMB9,887,095.39 was provided during the year, and bad debt provision of RMB0.00 was recovered or reversed during the year.

- (4) Other receivables written off during the year

Item	Amount written off
Other receivables written off	847,430.16

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 6. Other receivables (Continued)

#### (4) Other receivables written off during the year (Continued)

Including significant receivables written off as follows:

Name	Nature of other receivables	Amount written off	Reason for written off	Implementation of written off	Whether arisen from related party transaction
Huizhou Shengtianhan Industrial Co., Limited	Deposit	500,000.00	Unrecoverable	Report to the Board	No
Xue Yaochun	Guarantee deposit	300,000.00	Unrecoverable	Report to the Board	No
Other insignificant amount		47,430.16	Unrecoverable	Report to the Board	No
<b>Total</b>		<b>847,430.16</b>			

#### (5) Other receivables categorized by nature

Nature	Book balance at the end of year	Book balance at the beginning of year
Intra-group transactions	<b>906,824,174.11</b>	591,242,797.01
Considerations and deposits of equity transfer	<b>20,804,820.69</b>	–
Guarantee deposits	<b>12,163,235.48</b>	14,386,711.95
Provisions	<b>2,727,885.11</b>	2,487,560.50
Payment on behalf of third parties	<b>888,767.83</b>	342,839.02
Others	<b>2,023,531.05</b>	2,905,356.85
<b>Total</b>	<b>945,432,414.27</b>	611,365,265.33

#### (6) Top five other receivables as at the end of the year categorized by debtors

Name	Nature	Balance at the end of year	Age	Proportion of total other receivables at the end of year (%)	Bad debt provision at the end of year
No. 1	Deposits for equity transfer	<b>18,000,000.00</b>	Within 1 year	1.90	270,000.00
No. 2	Guarantee deposits	<b>4,580,000.00</b>	1-2 year	0.48	–
No. 3	Considerations for equity transfer	<b>2,804,820.69</b>	Within 1 year	0.30	84,144.62
No. 4	Deposit for acquisition	<b>1,000,000.00</b>	Over 3 years	0.11	1,000,000.00
No. 5	security deposits	<b>800,000.00</b>	1-2 year	0.08	–
<b>Total</b>		<b>27,184,820.69</b>		2.87	1,354,144.62

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 7. Inventories

(1) Categories of inventories

Item	Amount at the end of year			Amount at the beginning of year		
	Book balance	Provision of impairment	Book value	Book balance	Provision of impairment	Book value
Goods delivered	7,661,616.57	-	7,661,616.57	256,827.18	-	256,827.18
Raw material	12,166,653.27	-	12,166,653.27	16,533,598.18	3,653,694.97	12,879,903.21
Work-in-progress	1,379,835.47	-	1,379,835.47	494,375.50	-	494,375.50
Finished goods	13,548,252.83	-	13,548,252.83	6,657,571.91	-	6,657,571.91
Low-valued consumables	60,145.89	-	60,145.89	282,770.85	-	282,770.85
<b>Total</b>	<b>34,816,504.03</b>		<b>34,816,504.03</b>	24,225,143.62	3,653,694.97	20,571,448.65

(2) Inventory impairment provision

Item	Amount at the beginning of year	Increase		Decrease		Amount at the end of year
		Provision	Others	Reversal or recovery	Other transfer	
Raw material	3,653,694.97	-	-	3,653,694.97	-	-
<b>Total</b>	3,653,694.97	-	-	3,653,694.97	-	-

(3) Provision of impairment provision of inventory

Item	Basis of recognition of net realisable value	Reason for reversal or transferal during the year
Raw material		Realisable net value greater than book value

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 8. Non-current assets due within 1 year

Item	Balance at the end of year	Balance at the beginning of year	Nature
Long-term receivables due within 1 year (notes XVII.11)	28,680,000.00	28,680,000.00	Construction fee
<b>Total</b>	<b>28,680,000.00</b>	28,680,000.00	

### 9. Other current assets

Item	Amount at the end of year	Amount at the beginning of year
Discounted amortization	5,969,884.02	–
Input tax deductible	2,295,948.64	–
<b>Total</b>	<b>8,265,832.66</b>	–

### 10. Available-for-sale financial assets

(1) Details of available-for-sale financial assets

Item	Balance at the end of year			Balance at the beginning of year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	-	-	-	1,800,000.00	-	1,800,000.00
Including: measured at cost	-	-	-	1,800,000.00	-	1,800,000.00
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,800,000.00</b>	<b>-</b>	<b>1,800,000.00</b>

(2) Available-for-sale financial assets analyzed as follows:

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	–	1,800,000.00
<b>Total</b>	<b>–</b>	<b>1,800,000.00</b>

## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 11. Long-term accounts receivable

Item	Amount at the end of year	Amount at the beginning of year
Receivables for rendering of services to be recovered by installments	<b>130,778,599.96</b>	84,990,000.00
Less: Amount due within 1 year and showed as non-current assets due within one year (Note XVII.8)	<b>28,680,000.00</b>	28,680,000.00
Receivables for rendering of services to be recovered by installments due after 1 year	<b>102,098,599.96</b>	56,310,000.00

(1) Age analysis of long-term receivables

Item	Amount at the end of year	Amount at the beginning of year
0-90 days	<b>72,078,599.96</b>	22,900,000.00
180-360 days	-	13,495,000.00
1-2 years	<b>36,395,000.00</b>	48,595,000.00
2-3 years	<b>22,305,000.00</b>	-
<b>Total</b>	<b>130,778,599.96</b>	84,990,000.00

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 11. Long-term accounts receivable (Continued)

(2) Account receivables at the end of year categorized by debtors

單位名稱	年末餘額	佔比 (%)	年初餘額	佔比 (%)
Jiangmen Sungde Circuits Technology Limited	35,800,000.00	27.37	62,090,000.00	73.06
Heyuan new High-technology development zone Co., Limited	43,510,000.00	33.27	22,900,000.00	26.94
Lianping Zhongxin Wastewater treatment Plant (連平忠信鎮污水廠)	15,988,600.00	12.23	-	-
Xinfeng Xunjiexing Circuits Technology Limited (信豐迅捷興電路科技有限公司)	13,437,868.00	10.28	-	-
Lianping Shenghuo Wastewater Treatment Plant (連平生活污水廠)	11,658,000.00	8.91	-	-
Xinfeng Zhaotai Investment Company Limited (信豐兆泰投資有限公司)	8,123,131.96	6.21	-	-
Shaoguan Haoteli Electronic Company Limited (韶關好特利電子有限公司)	2,261,000.00	1.73	-	-
<b>Total</b>	<b>130,778,599.96</b>	<b>100.00</b>	<b>84,990,000.00</b>	<b>100.00</b>

(3) At the end of the year, long-term receivables does not include amount due from shareholders holding more than 5% (including 5%) voting power attached to shares of the Company.

### 12. Long-term equity investments

(1) Categorizes of long-term equity investments

Item	Balance at the end of year			Balance at the beginning of year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in subsidiaries	1,565,169,290.65	-	1,565,169,290.65	1,007,665,025.53	-	1,007,665,025.53
Investments in associates and joint ventures	101,913,291.95	529,649.00	101,383,642.95	102,285,959.18	529,649.00	101,756,310.18
<b>Total</b>	<b>1,667,082,582.60</b>	<b>529,649.00</b>	<b>1,666,552,933.60</b>	<b>1,109,950,984.71</b>	<b>529,649.00</b>	<b>1,109,421,335.71</b>

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 12. Long-term equity investments (Continued)

(2) Investments in subsidiaries

Investee	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year	Impairment provision during the year	Impairment provision Balance at the end of year
Huizhou Dongjiang	6,458,352.90	-	-	6,458,352.90	-	-
Chengdu Treatment Centre	6,105,461.13	-	-	6,105,461.13	-	-
Longgang Dongjiang	46,350,000.00	-	-	46,350,000.00	-	-
Resource Recycling	2,093,966.50	-	-	2,093,966.50	-	-
Kunshan Kunpeng	3,438,970.01	-	-	3,438,970.01	-	-
Dongjiang Heritage	15,500,000.00	-	-	15,500,000.00	-	-
Qingdeng Wastes Treatment	3,916,800.00	-	-	3,916,800.00	-	-
Shaoguan Dongjiang	5,000,000.00	-	-	5,000,000.00	-	-
Hong Kong Dongjiang	22,755,770.00	-	-	22,755,770.00	-	-
Renewable Energy	90,324,500.00	-	-	90,324,500.00	-	-
Qingyuan Dongjiang	172,469,500.00	-	-	172,469,500.00	-	-
Hunan Dongjiang	9,500,000.00	-	-	9,500,000.00	-	-
Shaoguan Green	280,800,000.00	48,733,500.00	-	329,533,500.00	-	-
Baoan Dongjiang	17,230,102.04	-	-	17,230,102.04	-	-
Huabao Technology	5,500,000.00	-	-	5,500,000.00	-	-
Qingdao Dongjiang	15,000,000.00	-	-	15,000,000.00	-	-
Yunnan Dongjiang	10,000,000.00	-	-	10,000,000.00	-	-
Dongjiang Property Service	1,000,000.00	-	-	1,000,000.00	-	-
Products Trading	2,000,000.00	-	-	2,000,000.00	-	-
Dongjiang Transport	34,000,000.00	-	-	34,000,000.00	-	-
Hubei Dongjiang	10,000,000.00	-	-	10,000,000.00	-	-
Qingyuan Xinv	68,750,000.00	-	-	68,750,000.00	-	-
Zhuhai Qingxin	18,104,598.13	-	-	18,104,598.13	-	-
Jiaying Deda	30,183,600.00	-	-	30,183,600.00	-	-
Jiangmen Dongjiang	50,000,000.00	-	-	50,000,000.00	-	-
Dongguan Hengjian	76,083,404.82	-	-	76,083,404.82	-	-
Dongjiang Shangtian	5,100,000.00	-	-	5,100,000.00	-	-
Dongjiang Kaida	-	1,000,000.00	-	1,000,000.00	-	-
Coastal Solida Waste	-	51,382,865.12	-	51,382,865.12	-	-
Xiamen Oasis Environmental	-	375,000,000.00	-	375,000,000.00	-	-
Karamay Wosen Environmental	-	53,174,000.00	-	53,174,000.00	-	-
Jiangxi Dongjiang	-	10,000,000.00	-	10,000,000.00	-	-
Shaoxing Dongjiang	-	520,000.00	-	520,000.00	-	-
Jiangxi Kangtai	-	17,693,900.00	-	17,693,900.00	-	-
<b>Total</b>	1,007,665,025.53	557,504,265.12	-	1,565,169,290.65	-	-

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 12. Long-term equity investments (Continued)

#### (3) Investments in associates and joint ventures

Investee	balance at the beginning of year	Movement during the Year								Balance at the end of year	Impairment provision at the end of year
		Additional investments	Decrease in investments	Gain and loss of investment recognized using equity approach	Adjustments to other comprehensive income	Movement in using equity interests	Declaration or payment of cash divided or profit	Impairment provision	Others		
Joint venture											
Dongjiang Veolia	68,606,855.05	-	-	28,672,453.26	-	-	(34,295,530.18)	-	-	62,983,778.13	-
Associate											
Shenzhen Micronutrients	2,717,429.68	-	-	1,715,911.19	-	-	-	-	-	4,433,340.87	529,649.00
Shenzhen Resource	30,432,025.45	-	-	1,631,975.41	-	-	-	-	-	32,064,000.86	-
Tricycle Information											
Technology	-	2,000,000.00	-	(97,476.91)	-	-	-	-	-	1,902,523.09	-
<b>Total</b>	101,756,310.18	2,000,000.00	-	31,922,862.95	-	-	(34,295,530.18)	-	-	101,383,642.95	529,649.00

#### (4) Analysis of long-term investments

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	<b>1,666,552,933.60</b>	1,109,421,335.71
<b>Total</b>	<b>1,666,552,933.60</b>	1,109,421,335.71



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1 January 2014 to 31 December 2014

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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 13. Investment properties

(1) *Investment properties measured at fair value*

Item	Buildings and constructions	Total
I. Balance at the beginning of year	53,630,900.00	53,630,900.00
II. Movement of the year	239,900.00	239,900.00
Add: Acquisition	–	–
Transfer from inventory/fixed assets/work-in-progress	–	–
Less: Disposal	–	–
Other transfer	–	–
Add: change in fair value	239,900.00	239,900.00
III. Balance at the end of year	53,870,800.00	53,870,800.00

At the end of the year, the fair value of these investment properties is determined based on the valuation made by Shenzhen Pengxin Assets Appraisal and Valuation Co., Limited, which is an independent party not related to the Group. The valuation is prepared with reference to recent market prices of similar properties at the same location with the same purpose after capitalisation of net rental income (as appropriate).

(2) *Location and age analysis of investment properties are as follows:*

Item	Amount at the end of year	Amount at the beginning of year
Within the PRC		
Medium term (10-50 years)	<b>53,870,800.00</b>	53,630,900.00
Total	<b>53,870,800.00</b>	53,630,900.00

(3) *As at the end of the year, all the investment properties have proper legal property rights certificate.*

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1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 14. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings	Machineries and equipment	Office facilities	Transportation facilities	Others	Total
I. Original book value						
1. Balance at the beginning of year	154,397,691.59	42,128,568.23	29,989,366.24	9,136,044.95	36,091,764.60	271,743,435.61
2. Increase	38,048,342.84	16,735,638.43	14,430,882.69	1,000,368.56	6,187,108.77	76,402,341.29
(1) Acquisition	-	9,770,750.40	14,430,882.69	1,000,368.56	889,892.80	26,091,894.45
(2) transfer from work-in-progress	38,048,342.84	6,964,888.03	-	-	5,297,215.97	50,310,446.84
3. Others	41,828,075.08	7,794,285.75	2,369,000.00	643,865.50	9,534,470.91	62,169,697.24
(1) Decrease	-	2,432,872.92	2,369,000.00	42,315.50	64,758.76	4,908,947.18
(2) Disposal or retirement	41,828,075.08	5,361,412.83	-	601,550.00	9,469,712.15	57,260,750.06
4. Others	150,617,959.35	51,069,920.91	42,051,248.93	9,492,548.01	32,744,402.46	285,976,079.66
II. Accumulated depreciation						
1. Balance at the beginning of year	29,421,135.17	24,627,098.61	18,722,224.42	5,378,623.36	16,220,097.19	94,369,178.75
2. Increase	7,274,607.71	7,272,185.96	3,833,820.20	1,460,983.10	4,674,675.74	24,516,272.71
(1) Provision	7,274,607.71	7,272,185.96	3,833,820.20	1,460,983.10	4,674,675.74	24,516,272.71
3. Decrease	10,261,323.56	2,634,209.72	2,149,790.14	328,570.52	5,200,036.07	20,573,930.01
(1) Disposal or retirement	-	1,652,082.40	2,149,790.14	38,825.42	46,792.18	3,887,490.14
(2) Others	10,261,323.56	982,127.32	-	289,745.10	5,153,243.89	16,686,439.87
4. Balance at the end of year	26,434,419.32	29,265,074.85	20,406,254.48	6,511,035.94	15,694,736.86	98,311,521.45
III. Impairment provision						
1. Balance at the beginning of year	3,312,605.26	1,842,968.41	838,875.71	-	804,147.31	6,798,596.69
2. Increase	-	712,111.46	-	-	-	712,111.46
(1) Provision	-	712,111.46	-	-	-	712,111.46
3. Decrease	2,371,844.75	610,580.65	142,311.00	-	398,653.27	3,523,389.67
(1) Disposal or retirement	-	597,740.65	142,311.00	-	-	740,051.65
(2) Others	2,371,844.75	12,840.00	-	-	398,653.27	2,783,338.02
4. Balance at the end of year	940,760.51	1,944,499.22	696,564.71	-	405,494.04	3,987,318.48
IV. Book value						
1. Book value at the end of year	123,242,779.52	19,860,346.84	20,948,429.74	2,981,512.07	16,644,171.56	183,677,239.73
2. Book value at the beginning of year	121,663,951.16	15,658,501.21	10,428,266.11	3,757,421.59	19,067,520.10	170,575,660.17

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### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 14. Fixed assets (Continued)

(2) Buildings analyzed by location and age as follows:

Item	Amount at the end of year	Amount at the beginning of year
Within the PRC		
Medium lease (10-50 years)	<b>123,242,779.52</b>	121,663,951.16
Total	<b>123,242,779.52</b>	121,663,951.16

Depreciation and amortization of fixed assets recognized as profit or loss during the year was RMB24,516,272.71 (Amount of 2013: RMB21,089,572.06).

Increase in fixed assets includes transfer from work-in-progress of RMB50,310,446.84.

Loss from disposal of fixed assets of the year was RMB1,542,589.08.

- (3) As at the end of the year, the Company has no idle fixed assets.
- (4) As at the end of the year, the Company has no fixed assets acquired under finance lease.
- (5) As at the end of the year, fixed assets leased under finance lease of the Company was disclosed in note 14.
- (6) As at the end of the year, the Company has no assets held for sale.
- (7) *Fixed assets without proper property entitlement certification*

Fixed assets includes buildings with carrying value of RMB25,708,400.00 (Amount at the beginning of year: RMB27,197,400.00), the Company believes that there is no actual legal obstruction or effect to the normal use of such buildings by the Company from entitlement transfer, and there is no material effect to the normal operation of the Company, and no impairment provision should be made in respect of such fixed assets, and no additional costs would occur accordingly.

Item	Book value	Reason for proper entitlement not obtained
Dormitory and plant of Shajing base	24,007,600.00	In progress
Part of landfill of Shajing base	1,700,800.00	Constructed on leasehold land and cannot obtain such entitlement

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 15. Construction in progress

(1) Breakdown of construction in progress

Item	Amount at the end of year			Amount at the beginning of year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Shenzhen Fuyong river sludge project (Headquarter BOT)	-	-	-	20,470,782.98	-	20,470,782.98
Technical renovation project (Shajing Base)	8,156,685.39	-	8,156,685.39	8,855,216.60	-	8,855,216.60
Luohu District XiaPing kitchen waste project (Headquarter)	21,595,856.15	-	21,595,856.15	4,842,850.00	-	4,842,850.00
Laboratory project in Shayi (Headquarter)	-	-	-	3,093,843.33	-	3,093,843.33
Kingdee EAS Management softwares (Headquarter)	-	-	-	3,063,580.23	-	3,063,580.23
Kingdee ERP System (Shajing Base)	-	-	-	2,632,051.29	-	2,632,051.29
Jiangxi Jingwang precision circuits Limited resource recycling treatment project (Headquarter)	8,843,122.01	-	8,843,122.01	1,200,000.00	-	1,200,000.00
Waste gas treatment improvement project (Headquarter)	17,948,666.52	-	17,948,666.52	-	-	-
Additional facilities for waste water evaporation (Shajing Base)	3,796,393.76	-	3,796,393.76	-	-	-
Jiangxi Dongjiang Fengcheng environmental industrial base (Headquarter)	2,597,744.27	-	2,597,744.27	-	-	-
Primary pollutant evaporator (Shajing Base)	1,046,760.67	-	1,046,760.67	-	-	-
Other small projects in total	3,737,937.14	-	3,737,937.14	1,764,056.05	-	1,764,056.05
<b>Total</b>	<b>67,723,165.91</b>	<b>-</b>	<b>67,723,165.91</b>	<b>45,922,380.48</b>	<b>-</b>	<b>45,922,380.48</b>

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### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 15. Construction in progress (Continued)

(2) Movement of major construction in progress

Name	Amount at the beginning of year	Increase during the year	Decrease during the year		Amount at the end of year
			Transfer to fixed assets	Other decrease	
Luohu District XiaPing kitchen waste project (Headquarter)	4,842,850.00	16,753,006.15	-	-	21,595,856.15
Waste gas treatment improvement project (the Company)	-	17,948,666.52	-	-	17,948,666.52
Jiangxi Jingwang precision circuits Limited resource recycling treatment project (Headquarter)	1,200,000.00	7,643,122.01	-	-	8,843,122.01
Technical renovation project (Shajing Base)	8,855,216.60	5,332,772.43	6,031,303.64	-	8,156,685.39
Shenzhen Fuyong river sludge project (Headquarter BOT)	20,470,782.98	9,607,482.29	-	30,078,265.27	-
<b>Total</b>	<b>35,368,849.58</b>	<b>57,285,049.40</b>	<b>6,031,303.64</b>	<b>30,078,265.27</b>	<b>56,544,330.07</b>

Name	Budget	Proportion of expenditure injected to budget (%)	Progress	Accumulated capitalised interest	Including: interest capitalised for the year	Interest capitalisation rate for the year (%)	Source of capital
Luohu District XiaPing kitchen waste project (Headquarter)	91,000,000.00	24.00	24.00	-	-	-	Super fund, self-raised
Waste gas treatment improvement project (the Company)	45,893,800.00	39.00	39.00	-	-	-	self-raised
Jiangxi Jingwang precision circuits Limited resource recycling treatment project (Headquarter)	10,000,000.00	88.00	88.00	-	-	-	self-raised
Technical renovation project (Shajing Base)	27,020,000.00	53.00	95.00	-	-	-	self-raised
Shenzhen Fuyong river sludge project (Headquarter BOT)	70,000,000.00	71.23	100.00	-	-	-	Raise of fund
<b>Total</b>	<b>243,913,800.00</b>						

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1 January 2014 to 31 December 2014

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 16. Intangible assets

Item	Land use rights	Patent	Computer software technologies	BOT operating rights	Total
I. Original book value					
1. Balance at the beginning of year	14,985,483.39	105,400.00	411,965.81	64,488,274.03	79,991,123.23
2. Increase	-	-	7,923,822.58	26,726,265.27	34,650,087.85
(1) Acquisition	-	-	7,923,822.58	26,726,265.27	34,650,087.85
3. Decrease	-	-	-	-	-
4. Balance at the end of year	14,985,483.39	105,400.00	8,335,788.39	91,214,539.30	114,641,211.08
II. Accumulated amortisation					
1. Balance at the beginning of year	3,070,230.02	96,616.30	218,289.07	4,299,218.28	7,684,353.67
2. Increase	290,904.96	8,783.70	400,258.28	15,502,083.49	16,202,030.43
(1) Withdrawal	290,904.96	8,783.70	400,258.28	15,502,083.49	16,202,030.43
3. Decrease	-	-	-	-	-
4. Balance at the end of year	3,361,134.98	105,400.00	618,547.35	19,801,301.77	23,886,384.10
III. Impairment provision					
1. Balance at the beginning of year	-	-	-	-	-
2. Increase	-	-	-	-	-
3. Decrease	-	-	-	-	-
4. Balance at the end of year	-	-	-	-	-
IV. Book value					
1. Book value at the end of year	11,624,348.41	-	7,717,241.04	71,413,237.53	90,754,826.98
2. Book value at the beginning of year	11,915,253.37	8,783.70	193,676.74	60,189,055.75	72,306,769.56

There was no intangible assets arisen from internal research and development of the Company at the end of the year.

Land use rights analyzed based on location and term are as follows:

Item	Amount at the end of year	Amount at the beginning of year
Within the PRC		
Medium lease (10-50 years)	<b>11,624,348.41</b>	11,915,253.37
<b>Total</b>	<b>11,624,348.41</b>	11,915,253.37

Depreciation and amortization of intangible assets recognized as profit or loss during the year was RMB16,202,030.43 (Amount of last year: RMB4,693,595.64).

As at the end of the year, all land use rights has obtained proper legal property rights certifications.

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### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 17. Long-term amortized expenses

Item	Balance at the beginning of year	Increase during the year	Amortized during the year	Other decreases during the year	Balance at the end of year
Membership fee	961,999.98	–	961,999.98	–	–
<b>Total</b>	<b>961,999.98</b>	<b>–</b>	<b>961,999.98</b>	<b>–</b>	<b>–</b>

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

(1) *Deferred income tax assets not yet offset*

Item	Balance at the end of year		Balance at the beginning of year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	<b>22,039,377.66</b>	<b>3,305,906.65</b>	22,178,401.68	3,326,760.25
Changes in fair value of financial assets at fair value through profit and loss	<b>4,988,420.00</b>	<b>748,263.00</b>	5,590,240.00	838,536.00
Deferred income	<b>27,811,696.12</b>	<b>4,171,754.42</b>	22,942,032.27	3,441,304.84
Income tax assets recognized in respect of share-based incentive	<b>18,766,129.13</b>	<b>2,814,919.37</b>	–	–
<b>Total</b>	<b>73,605,622.91</b>	<b>11,040,843.44</b>	50,710,673.95	7,606,601.09

(2) *Deferred income tax liabilities not yet offset*

Item	Balance at the end of year		Balance at the beginning of year	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Change in fair value of investment properties	<b>13,283,430.88</b>	<b>1,992,514.63</b>	11,478,133.33	1,721,720.00
<b>Total</b>	<b>13,283,430.88</b>	<b>1,992,514.63</b>	11,478,133.33	1,721,720.00

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 19. Other non-current assets

Item	Amount at the end of year	Amount at the beginning of year
Trusted loans	–	9,036,792.00
Prepaid construction equipment costs	<b>14,758,129.50</b>	–
<b>Total</b>	<b>14,758,129.50</b>	9,036,792.00

### 20. Short-term borrowings

(1) *Category of short-term borrowings*

Category of borrowings	Balance at the end of year	Balance at the beginning of year
Secured borrowings	<b>98,900,000.00</b>	–
Credit borrowings	<b>385,676,227.46</b>	250,000,000.00
<b>Total</b>	<b>484,576,227.46</b>	250,000,000.00

Secured borrowings: as at the end of the year, short-term borrowing of RMB98,900,000.00 was secured by the bank promissory notes of the Group of RMB108,000,000.00.

(2) *The Group has no outstanding short-term borrowings overdue.*

### 21. Accounts payable

(1) *Accounts payable*

Item	Amount at the end of year	Amount at the beginning of year
Intra-group transactions	<b>19,755,717.50</b>	26,376,625.73
Raw material	<b>113,598,222.48</b>	69,244,385.75
Construction	<b>742,804.32</b>	104,890.00
Treatment fee	<b>9,144,756.96</b>	1,197,732.09
Equipment	<b>1,036,077.50</b>	239,235.90
Others	<b>4,298,158.35</b>	1,743,321.87
<b>Total</b>	<b>148,575,737.11</b>	98,906,191.34



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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 21. Accounts payable (Continued)

##### (2) Age analysis of accounts payable

As at 31 December 2014, age analysis of accounts payable by invoice date are as follows:

Item	Amount at the end of year	Amount at the beginning of year
0-90 days	115,319,059.08	77,027,041.25
91-180 days	642,027.56	9,607,704.35
181-365 days	14,839,491.29	2,320,433.27
1-2 years	8,432,392.51	9,708,335.24
2-3 years	9,110,452.92	163,838.75
Over 3 years	232,313.75	78,838.48
Total	148,575,737.11	98,906,191.34

Significant accounts payable aged over 1 year

Name	Balance at the end of year	Reason for not yet settled or carried forward
Zhoshan Baodilong Water Treatment Facilities Co., Ltd.	3,545,950.00	Unsettled
Shenzhen Fengrun Environmental Technology Co., Ltd. (深圳市豐潤環保科技有限公司)	2,886,200.00	Unsettled
Shenzhen Futian Hongyan Construction Materials Company (深圳市福田區紅岩建材商行)	1,734,390.27	Unsettled
Total	8,166,540.27	

#### 22. Receipts in advance

Item	Balance at the end of year	Balance at the beginning of year
Intra-group transactions	16,299,381.79	—
Purchase of goods	8,524,583.78	4,458,194.78
Handling fees	2,608,196.02	7,810,894.11
Others	115,800.00	190,002.99
Total	27,547,961.59	12,459,091.88

The Group has no significant receipts in advance aged over 1 year.

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1 January 2014 to 31 December 2014

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 23. Employee benefits payables

(1) Categories of employee benefits payables

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Short-term employee emolument	21,077,508.33	125,859,586.29	114,276,766.04	<b>32,660,328.58</b>
Post-employment benefit – defined contribution schemes	1,131.68	6,963,671.31	6,964,802.99	–
Termination benefits	–	395,555.68	395,555.68	–
<b>Total</b>	<b>21,078,640.01</b>	<b>133,218,813.28</b>	<b>121,637,124.71</b>	<b>32,660,328.58</b>

#### Short-term emolument

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Salaries, bonus, allowance and subsidies	20,798,490.00	111,546,497.32	100,009,701.64	<b>32,335,285.68</b>
Staff welfare	204,736.88	6,955,268.83	6,941,569.42	<b>218,436.29</b>
Social Insurance	–	1,717,087.49	1,717,087.49	–
Including: Medical insurance	–	1,314,999.69	1,314,999.69	–
Injury Insurance	–	278,257.44	278,257.44	–
Maternity insurance	–	123,830.36	123,830.36	–
Housing provident fund	–	2,718,901.15	2,718,901.15	–
Union operation cost and staff education cost	63,223.82	2,921,831.50	2,878,448.71	<b>106,606.61</b>
Short-term paid leave	11,057.63	–	11,057.63	–
<b>Total</b>	<b>21,077,508.33</b>	<b>125,859,586.29</b>	<b>114,276,766.04</b>	<b>32,660,328.58</b>

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1 January 2014 to 31 December 2014

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### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 23. Employee benefits payables (Continued)

(3) Defined contribution schemes

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Basic pension	1,131.68	6,568,920.84	6,570,052.52	-
Unemployment insurance	-	394,750.47	394,750.47	-
<b>Total</b>	1,131.68	6,963,671.31	6,964,802.99	-

#### 24. Tax payable

Item	Amount at the end of year	Amount at the beginning of year
VAT	<b>1,953,983.68</b>	615,015.92
EIT	<b>16,673,672.94</b>	4,323,259.36
Business tax	<b>3,859,443.88</b>	3,369,935.42
Individual income tax	<b>604,177.53</b>	313,876.11
Urban maintenance and construction tax	<b>522,047.14</b>	474,353.57
Education surcharge	<b>415,233.68</b>	373,571.80
Property tax	<b>83,188.72</b>	249,566.18
<b>Total</b>	<b>24,111,747.57</b>	9,719,578.36

As at the end of the year, tax payable does not include Hong Kong Profit Tax.

#### 25. Interest payable

(1) Categories of interest payable

Item	Balance at the end of year	Balance at the beginning of year
Interest payable on short-term borrowings	<b>2,255,536.85</b>	-
<b>Total</b>	<b>2,255,536.85</b>	-

(2) The Company does not have outstanding interest overdue at the end of the year.

# NOTES TO FINANCIAL STATEMENTS

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 26. Dividend payable

Item	Balance at the end of year	Balance at the beginning of year
Dividend of ordinary shares	1,593,150.00	–
<b>Total</b>	<b>1,593,150.00</b>	<b>–</b>

### 27. Other payables

(1) Other payables categorized by nature

Nature	Balance at the end of year	Balance at the beginning of year
Intra-group transactions	247,959,986.61	158,122,455.47
Share-based payment for repurchases	122,701,500.00	–
Equity-based payment for acquisitions	14,337,500.00	–
Guaranteed deposits	2,147,908.72	12,338,543.62
Provisions	751,418.97	929,904.90
Receipts on behalf of third parties	281,132.36	117,535.86
Others	10,745,938.94	5,757,353.12
<b>Total</b>	<b>398,925,385.60</b>	<b>177,265,792.97</b>

(2) Breakdown of other payables aged over 1 year

Item	Balance at the end of year	Reason for not yet settled or carried forward
Qingyaun Xinlv	14,440,000.00	Consideration of equity transfer
<b>Total</b>	<b>14,440,000.00</b>	

## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 28. Non-current liabilities due within 1 year

(1) *Non-current liabilities due within 1 year*

Item	Balance at the end of year	Balance at the beginning of year
Long-term borrowings due within 1 year (Note XVII.30)	111,500,000.00	11,000,000.00
<b>Total</b>	<b>111,500,000.00</b>	<b>11,000,000.00</b>

#### 29. Other current liabilities

(1) *Categories of other current liabilities*

Item	Amount at the end of year	Amount at the beginning of year
Deferred income carrying forward within 1 year	2,173,549.75	2,506,883.09
<b>Total</b>	<b>2,173,549.75</b>	<b>2,506,883.09</b>

(2) *Government grants*

Government grant project	Balance at the beginning of year	Amount of new grant during the year	Credit to non-operating income during the year	Other changes	Balance at the end of year	Related to assts/income
Copper sludge project	400,000.00	-	400,000.00	66,666.67	66,666.67	Related to assts
Wastewater treatment re-construction projects	1,750,800.00	-	1,750,800.00	1,750,800.00	1,750,800.00	Related to assts
Special funds for environmental protection projects (demonstration base)	356,083.09	-	356,083.09	356,083.08	356,083.08	Related to assts
<b>Total</b>	<b>2,506,883.09</b>	<b>-</b>	<b>2,506,883.09</b>	<b>2,173,549.75</b>	<b>2,173,549.75</b>	

Other changes are attributable to reclassification of deferred income under note XVII.32.

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 30. Long-term borrowings

Item	Amount at the end of year	Amount at the beginning of year
Long-term bank borrowings	<b>396,900,000.00</b>	75,500,000.00
Less: Amount repayable within one year and showed under non-current liabilities due within one year (Note XVII.28)	<b>111,500,000.00</b>	11,000,000.00
Long-term borrowings repayable after one year	<b>285,400,000.00</b>	64,500,000.00

(1) *Categories of borrowings*

Categories of borrowings	Amount at the end of year	Amount at the beginning of year
Secured borrowings	<b>53,900,000.00</b>	40,500,000.00
Pledged borrowings	<b>50,000,000.00</b>	–
Credit borrowings	<b>293,000,000.00</b>	35,000,000.00
<b>Total</b>	<b>396,900,000.00</b>	75,500,000.00

Details of interest rates

Interest rates of long-term bank borrowing was 5.74%-7.04%, with weighted average rate of 6.23% (2013: 5.76%-6.46%, with weighted average rate of 6.21%).

(2) *The maturities of the long-term borrowings are analyzed as follows:*

Item	Amount at the end of year	Amount at the beginning of year
Within 1 year	<b>111,500,000.00</b>	11,000,000.00
1-2 years	<b>250,000,000.00</b>	33,000,000.00
2-5 years	<b>35,400,000.00</b>	31,500,000.00
<b>Total</b>	<b>396,900,000.00</b>	75,500,000.00

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 31. Bond payables

(1) Categories of bond payables

Item	Balance at the end of year	Balance at the beginning of year
2014 Corporate Bond (first batch) of Dongjiang Environmental Company Limited	355,632,555.15	–
<b>Total</b>	<b>355,632,555.15</b>	<b>–</b>

(2) Movement of bond payables (excluding other financial instruments such as preferential shares classified as financial liabilities and perpetual bonds)

Name	Total carrying amount	Issue date	Term of bond	Amount issued	Balance at the beginning of year	Issued during the year	Interest based on carrying amount	Premium/ discounts amortization	Repayment during the year	Payment of underwriting fee	Balance at the end of year
Corporate Bond	350,000,000.00	2014/8/1	5 years	350,000,000.00	–	350,000,000.00	9,773,312.09	–	–	4,140,756.94	355,632,555.15
<b>Total</b>	<b>350,000,000.00</b>			<b>350,000,000.00</b>	<b>–</b>	<b>350,000,000.00</b>	<b>9,773,312.09</b>	<b>–</b>	<b>–</b>	<b>4,140,756.94</b>	<b>355,632,555.15</b>

The Group issued 5 years bonds with carrying value of RMB350 million at the rate of 6.5% per annum, with interest payable on 1 August of each year, and principal repayable upon expiry along with last installment of interest. The actual net subscription payment received by the Group was approximately RMB346 million, with actual interest rate of 6.78%.

### 32. Deferred income

(1) Categories of deferred income

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year	Reason
Government grant	17,749,149.19	10,550,000.00	2,796,453.07	25,502,696.12	
<b>Total</b>	<b>17,749,149.19</b>	<b>10,550,000.00</b>	<b>2,796,453.07</b>	<b>25,502,696.12</b>	

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1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 32. Deferred income (Continued)

(2) Government grant projects

	Government grant projects	Balance at the beginning of year	Amount of new grant during the year	Credit to non-operating income during the year	Other changes	Balance at the end of year	Related to assets/income
Copper sludge project		66,666.67	-	-	66,666.67	-	Related to assets
Budgets for high&new technology		750,000.00	-	-	-	750,000.00	Related to assets
Wastewater treatment re-construction projects		3,291,800.01	-	-	2,373,703.32	918,096.69	Related to assets
Special funds for environmental protection projects (demonstration base)		7,210,682.51	-	-	356,083.08	6,854,599.43	Related to assets
Guangdong province major Sci&Tech project (recycling of waste printed circuit board)		190,000.00	-	-	-	190,000.00	Related to assets
Shenzhen Fuyong river sludge treatment plant phase 2 sludge treatment project		5,000,000.00	-	-	-	5,000,000.00	Related to assets
Industrialization of municipal sludge anaerobic digestion research		750,000.00	750,000.00	-	-	1,500,000.00	Related to assets
Efficient low consumption electronics industry wastewater denitrification and dephosphorization technology development and application		490,000.00	-	-	-	490,000.00	Related to assets
Luohu District PingXia kitchen water project		-	4,800,000.00	-	-	4,800,000.00	Related to assets
Other resource exploration electrical information (Xia Ping kitchen waste)		-	5,000,000.00	-	-	5,000,000.00	Related to assets
<b>Total</b>		<b>17,749,149.19</b>	<b>10,550,000.00</b>	<b>-</b>	<b>2,796,453.07</b>	<b>25,502,696.12</b>	

Other movement includes transfer to other current liabilities of RMB2,173,549.75 (Note XVII.29) and refund of RMB622,903.32 to the Finance Commission of Shenzhen Municipality in respect of the wastewater treatment reconstruction project.

### 33. Other non-current liabilities

Item	Amount at the end of year	Amount at the beginning of year
863 Project	<b>2,309,000.00</b>	2,686,000.00
Total	<b>2,309,000.00</b>	2,686,000.00



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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 34. Share Capital

Balance of share capital of the Company and movement during the year was consistent with the consolidated statement under note VI.36.

### 35. Capital reserve

During the year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Share premium	916,095,129.79	121,007,700.00	120,428,480.00	916,674,349.79
Other capital reserves	–	18,766,129.13	–	18,766,129.13
<b>Total</b>	<b>916,095,129.79</b>	<b>139,773,829.13</b>	<b>120,428,480.00</b>	<b>935,440,478.92</b>

During the Year, increase in share premium under capital reserve was attributable to the equity-based incentive premium, where decrease in share premium was attributable to increase in transfer of capital and repurchase of post-employment equity-based incentive items held under restricted shares, and increase in other capital reserve was attributable to equity-based incentive fees.

During last year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Share premium	991,333,316.79	–	75,238,187.00	916,095,129.79
Other capital reserves	–	–	–	–
<b>Total</b>	<b>991,333,316.79</b>	<b>–</b>	<b>75,238,187.00</b>	<b>916,095,129.79</b>

### 36. Treasury shares

Balance of treasury shares of the Company and movement during the year was consistent with consolidated statement under note VI.38.

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 37. Surplus reserve

During the Year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Statutory surplus reserve	96,689,545.31	22,496,612.58	–	119,186,157.89
<b>Total</b>	<b>96,689,545.31</b>	<b>22,496,612.58</b>	<b>–</b>	<b>119,186,157.89</b>

During last year

Item	Amount at the beginning of year	Increase during the year	Decrease during the year	Amount at the end of year
Statutory surplus reserve	79,127,482.62	17,562,062.69	–	96,689,545.31
<b>Total</b>	<b>79,127,482.62</b>	<b>17,562,062.69</b>	<b>–</b>	<b>96,689,545.31</b>

According to Chinese law and regulation, as well as the articles of the Company, each subsidiary of the Group have to transfer 10% of after tax income to statutory surplus reserve, until such balance equals 50% of the registered capital. Surplus reserves can be used to offset any future losses as well as increase in share capital. Any uses other than to reduce losses must not result in surplus reserves lower than 25% of the registered capital.

### 38. Unallocated profit

During the Year

Item	Amount	Percentage of withdrawal or allocation (%)
<b>Amount at the end of last year</b>	<b>988,072,505.75</b>	
Add: unallocated profit adjustment at the beginning of year	–	
<b>Amount at the beginning of the year</b>	<b>988,072,505.75</b>	
Add: net profit attributable to shareholders of the parent company during the year	224,966,125.81	
Less: withdrawal of statutory surplus reserve	22,496,612.58	10
Dividend payable of ordinary shares	69,395,268.30	
Amount at the end of the year	1,121,146,750.68	

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### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 38. Unallocated profit (Continued)

During last year

Item	Amount	Percentage of withdrawal or allocation (%)
<b>Amount at the end of last year</b>	890,204,491.13	
Add: Unallocated profit adjustment at the beginning of year	–	
<b>Amount at the beginning of the year</b>	890,204,491.13	
Add: Net profit attributable to shareholders of the parent company during the year	175,620,626.91	
Less: Withdrawal of statutory surplus reserve	17,562,062.69	10
Dividend payable of ordinary shares	60,190,549.60	
<b>Amount at the end of the year</b>	988,072,505.75	

At the 2013 Annual General Meeting held on 10 June 2014, the second A shareholders class meeting of 2014 and the second H shareholders class meeting of 2014, a resolution was passed in relation to the dividend to all shareholders of RMB3.00 per 10 shares, a total of RMB69,469,368.30 calculated based on the total share capital of 231,564,561 shares. Dividends for restricted shares held by incentive participants who had left office as at December 2014 were RMB78,000.00, after the national individual income tax on former incentive participants of RMB3,900.00, the actual reversal would be RMB74,100.00 (2013: RMB4.00 per 10 shares).

#### 39. Net current assets

Item	Amount at the end of year	Amount at the beginning of year
Current assets	<b>2,115,188,580.18</b>	1,368,592,350.10
Less: current assets	<b>1,233,919,624.51</b>	582,936,177.65
<b>Net current assets</b>	<b>881,268,955.67</b>	785,656,172.45

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 40. Total assets less current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Total assets	4,305,665,119.30	2,896,164,789.09
Less: current liabilities	1,233,919,624.51	582,936,177.65
<b>Total assets less current liabilities</b>	<b>3,071,745,494.79</b>	<b>2,313,228,611.44</b>

### 41. Borrowings

Borrowings of the Company is summarized as follows:

Item	Amount at the end of year	Amount at the beginning of year
Short-term bank borrowings	484,576,227.46	250,000,000.00
Long-term borrowings	396,900,000.00	75,500,000.00
Bonds payable	355,632,555.15	–
<b>Total</b>	<b>1,237,108,782.61</b>	<b>325,500,000.00</b>

(1) Breakdown of borrowings

Item	Amount at the end of year	Amount at the beginning of year
Bank borrowings		
– repayable within 1 year	596,076,227.46	261,000,000.00
– repayable after 1 year	285,400,000.00	64,500,000.00
<b>Sub-total</b>	<b>881,476,227.46</b>	<b>325,500,000.00</b>
Other borrowings		
– repayable after 1 year	355,632,555.15	–
<b>Sub-total</b>	<b>355,632,555.15</b>	<b>–</b>
<b>Total</b>	<b>1,237,108,782.61</b>	<b>325,500,000.00</b>

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 41. Borrowings (Continued)

(2) Analysis of maturity of borrowings

Bank borrowings:

Item	Amount at the end of year	Amount at the beginning of year
On demand or within 1 year	596,076,227.46	261,000,000.00
1-2 years	250,000,000.00	33,000,000.00
2-5 years	35,400,000.00	31,500,000.00
<b>Total</b>	<b>881,476,227.46</b>	<b>325,500,000.00</b>

Other borrowings and payables:

Item	Amount at the end of year	Amount at the beginning of year
2-5 years	355,632,555.15	–
<b>Total</b>	<b>355,632,555.15</b>	<b>–</b>

### 42. Operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	1,092,413,391.82	716,913,934.40	875,831,635.75	612,041,782.85
Other businesses	–	–	–	–
<b>Total</b>	<b>1,092,413,391.82</b>	<b>716,913,934.40</b>	<b>875,831,635.75</b>	<b>612,041,782.85</b>

Gross Profit

Item	Amount of the year	Amount of last year
Prime operating revenue	1,092,413,391.82	875,831,635.75
Prime operating cost	716,913,934.40	612,041,782.85
Gross Profit	375,499,457.42	263,789,852.90

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## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 42. Operating revenue and operating costs (Continued)

(1) Operating income and operating cost – by business categories

Product	Amount of the year		Amount of last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Industrial waste recycling	523,630,805.60	363,233,265.95	540,636,268.27	402,286,320.79
Industrial waste treatment and disposal	223,673,084.65	85,214,745.83	157,464,699.44	73,258,113.82
Municipal waste treatment and disposal	167,676,026.00	141,205,725.88	74,708,786.45	66,247,225.69
Environmental engineering and services	156,515,625.55	121,981,295.14	92,709,163.51	69,726,052.85
Trading and others	20,917,850.02	5,278,901.60	10,312,718.08	524,069.70
<b>Total</b>	<b>1,092,413,391.82</b>	<b>716,913,934.40</b>	875,831,635.75	612,041,782.85

(2) Percentage of purchase from the largest supplier is 29.60%, where percentage of purchase from the five largest suppliers is 79.38%;

Percentage of turnover or sales of the largest customers is 7.09%, where percentage of turnover or sales of the five largest customers is 23.29%.

### 43. Sales tax and levies

Item	Amount of the year	Amount of last year	Calculation basis
Business tax	1,456,613.67	771,968.54	5%, 6%
Urban maintenance and construction tax	1,363,632.93	1,818,036.92	7%
Education surcharge	973,043.15	1,298,604.22	5%
<b>Total</b>	<b>3,793,289.75</b>	3,888,609.68	

### 44. Selling expenses

Item	Amount of the year	Amount of last year
Total	13,364,910.24	12,011,502.66
Including:		
Salaries	4,804,719.11	5,099,539.90
Promotion and marketing fee	2,436,512.89	1,519,039.80
Traveling expenses	1,755,518.67	1,324,090.20
Rents	676,564.70	528,778.26

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 45. Administrative expenses

Item	Amount of the year	Amount of last year
Total	<b>141,806,205.54</b>	107,562,546.80
Including:		
Salaries	<b>41,648,336.24</b>	37,369,367.12
Research and development expenses	<b>19,134,687.12</b>	15,311,497.71
Share-based payment	<b>18,766,129.13</b>	–
Depreciation expenses	<b>11,563,997.23</b>	9,077,107.76
Entertainment expenses	<b>6,302,211.72</b>	4,395,839.60
Rents	<b>3,984,238.90</b>	3,627,512.44

### 46. Finance costs

(1) Breakdown of finance costs

Item	Amount of the year	Amount of last year
Interest expenses	<b>39,878,605.91</b>	9,459,847.46
Less: interest income	<b>25,827,993.80</b>	13,344,397.03
Add: exchange losses	<b>78,351.51</b>	(14,358.11)
Add: other expenses	<b>4,271,317.23</b>	474,431.39
<b>Total</b>	<b>18,400,280.85</b>	(3,424,476.29)

(2) Breakdown of interest expenses

Item	Amount of the year	Amount of last year
Interests on bank borrowings and overdrafts	<b>29,259,296.60</b>	9,459,847.46
Bond interests calculated based on actual interest rates	<b>10,549,434.31</b>	–
Interest payable to subsidiaries	<b>69,875.00</b>	–
<b>Sub-total</b>	<b>39,878,605.91</b>	9,459,847.46
Less: capitalized interests	–	–
<b>Total</b>	<b>39,878,605.91</b>	9,459,847.46

General borrowing cost capitalized during the year is calculated by applying a capitalization rate of 0.00% (last year: 0.00%).

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 46. Finance costs (Continued)

(3) Breakdown of interest income

Item	Amount of the year	Amount of last year
Interest income from bank deposits	<b>14,255,876.55</b>	12,215,549.98
Interest receivable from subsidiaries	<b>11,572,117.25</b>	1,128,847.05
<b>Total</b>	<b>25,827,993.80</b>	13,344,397.03

### 47. Impairment loss for assets

Item	Amount of the year	Amount of last year
Provision for bad debts	<b>8,653,318.76</b>	2,550,322.66
Impairment loss on inventories	<b>(3,653,694.97)</b>	3,653,694.97
Impairment loss on fixed assets	<b>712,111.46</b>	–
<b>Total</b>	<b>5,711,735.25</b>	6,204,017.63

### 48. Gain/loss on changes in fair value

Item	Amount of the year	Amount of last year
Financial assets at fair value through profit and loss of the period	<b>473,250.00</b>	(1,049,660.00)
Investment properties at fair value	<b>239,900.00</b>	–
<b>Total</b>	<b>713,150.00</b>	(1,049,660.00)



# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 49. Investment income

(1) *Investment income*

Item	Amount of the year	Amount of last year
Income from long-term equity investments under equity approach	<b>32,105,728.07</b>	22,427,932.85
Investment income from disposal of long-term equity investments	–	3,080,000.00
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period	<b>93,773.00</b>	101,380.00
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period	<b>222,805.23</b>	60,791.63
Dividends received from subsidiaries	<b>18,860,000.00</b>	27,012,500.00
Investment income from disposal of financial assets available-for-sale	<b>1,004,820.69</b>	–
<b>Total</b>	<b>52,287,126.99</b>	52,682,604.48

Investment income generated from listed and unlisted investments during the year amounted to RMB316,578.23 and RMB51,970,548.76 respectively.

Return of investment income of the Group is not subject to material restrictions.

### 50. Non-operating income

(1) *Breakdown of non-operating income*

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Gain on disposal of non-current assets	<b>106,630.00</b>	11,016.21	106,630.00
Including: Profit on disposal of fixed assets	<b>106,630.00</b>	11,016.21	106,630.00
Donations	<b>16,800.00</b>	–	16,800.00
Government grants	<b>5,741,983.08</b>	7,582,118.08	5,741,983.08
Guaranteed performance compensation	<b>6,600,000.00</b>	–	6,600,000.00
Others	<b>234,025.10</b>	256,213.38	234,025.10
<b>Total</b>	<b>12,699,438.18</b>	7,849,347.67	12,699,438.18

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 50. Non-operating income (Continued)

(2) Breakdown of government grants

Item	Amount of the year	Amount of last year	Origins and evidents	Related to assts/income
Shenzhen high&new technology industry special subsidy funds	3,194,900.00	-	ShenFu[2008]No.200	Related to income
Wastewater treatment re-construction projects	1,750,800.00	1,750,800.00	Shenzhen Environmental Protection Bureau, CaiJian[2006]No.196	Related to asset
Copper sludge project	400,000.00	400,000.00	Shenzhen Environmental Protection Bureau, CaiJian[2006]No.318	Related to asset
Special funds for environmental protection projects for the Company (demonstration base)	356,083.08	356,083.08	Chinese National Environmental Protection Agency, CaiJian[2005]No.767	Related to asset
Other government grants(under 100,000)	40,200.00	50,600.00		
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	Shenzhen Economic & Trade Information for Small & Medium Sized Enterprise[2013]No.85	Related to income
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	Shenzhen Economic & Trade Information for Small & Medium Sized Enterprise[2013]No.50	Related to income
high&new technology industry special subsidy funds	-	1,884,635.00	ShenCaiKe[2012]No.138	Related to income
high&new technology special funds	-	340,000.00	Shenzhen Environmental Protection Bureau, ShenFu[2006]No.196	Related to asset
<b>Total</b>	<b>5,741,983.08</b>	<b>7,582,118.08</b>		

## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 51. Non-operating expenses

Item	Amount of the year	Amount of last year	Amount charged to non-recurring profit or loss during the year
Total loss on disposal of non-current assets	<b>1,649,219.08</b>	679,807.17	1,649,219.08
Including: loss on disposal of fixed assets	<b>1,649,219.08</b>	679,807.17	1,649,219.08
Donations	<b>4,225,500.00</b>	1,819,999.20	4,225,500.00
Non-recurring loss	<b>1,468,992.89</b>	–	1,468,992.89
Others	–	201,053.15	–
<b>Total</b>	<b>7,343,711.97</b>	2,700,859.52	7,343,711.97

#### 52. Income tax expenses

(1) *Income tax expenses*

Item	Amount of the year	Amount of last year
Current income tax – EIT of the PRC	<b>28,976,360.90</b>	18,309,099.39
1. The PRC	<b>27,476,585.90</b>	15,033,835.64
2. Hong Kong	–	–
3. Other regions	–	–
4. Overprovision (underprovision) in the previous year	<b>1,499,775.00</b>	3,275,263.75
Deferred income tax	<b>(3,163,447.72)</b>	399,358.75
<b>Total</b>	<b>25,812,913.18</b>	18,708,458.14

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 52. Income tax expenses (Continued)

(2) Adjustment to income tax expenses and total profit

Income tax calculated using on applicable tax rates based on total profit under the combined income statement is adjusted as income tax expenses as follows:

Item	Amount of the year	Amount of last year
Total profit of the year	<b>250,779,038.99</b>	194,329,085.05
Income tax expenses calculated at statutory/applicable tax rates	<b>37,616,855.85</b>	29,149,362.76
Effect of different tax rate applicable to subsidiaries	–	–
Effect of adjustment to income tax of previous period	<b>1,499,775.00</b>	3,275,263.75
Effect of non-taxable income	<b>(5,952,456.50)</b>	(14,233,591.13)
Effect of non-deductible costs, expenses and losses	<b>(6,095,863.71)</b>	1,665,785.09
Effect of utilization of unrecognized deductible losses of deferred income tax assets	–	–
Effect of deductible temporary difference or deductible loss of unrecognized deferred income tax assets of the year	–	–
Effect of additional research and development expenditure deduction	<b>(1,368,396.04)</b>	(1,148,362.33)
Other adjustments	<b>112,998.58</b>	–
Income tax expenses	<b>25,812,913.18</b>	18,708,458.14

### 53. Depreciation and amortization

Depreciation/amortization recognized under the income statement of the year was RMB41,680,303.12 (last year: RMB25,861,167.72).

### 54. Operating lease expenses

Operating lease expenses of the year was RMB5,255,183.54 (last year: RMB3,821,295.18), including rental expenses of industrial equipment and machineries of RMB0.00 (last year: RMB0.00).

### 55. Rental income

The rental income of land and building (excluding land rent, land rates and other expense) of the year was RMB9,985,500.04 (last year: RMB7,417,472.09).

## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 56. Notes on items under the cash flow statement

(1) Cash received/paid in relation to other operating/investment/financing activities

1) Other cash receipts relating to operating activities

Item	Amount of the year	Amount of last year
Government grant	3,469,125.10	5,077,448.38
Interest income	14,576,648.24	12,703,132.38
Current accounts with other companies and individuals	48,064,757.98	120,758,688.55
<b>Total</b>	<b>66,110,531.32</b>	138,539,269.31

2) Other cash payments relating to operating activities

Item	Amount of the year	Amount of last year
Current account with other companies and individuals	47,907,296.91	53,555,256.82
Research and development expenses	7,951,248.46	5,385,775.63
Entertainment expenses	6,456,086.72	4,633,489.86
Other expenses	5,141,468.04	5,786,325.57
Rents (including management fees)	4,660,803.60	4,156,290.70
Office expenses	4,462,136.36	3,822,293.09
Intermediary brokerage fee (audit fee, lawyers and consultants fee)	3,502,844.78	3,713,829.31
Vehicle costs	3,480,402.58	3,160,807.32
Traveling expenses	3,066,131.01	2,838,721.94
Transportation expenses	2,852,823.65	2,043,732.75
Promotion and marketing expenses	2,436,512.89	1,519,039.80
Consultation costs	1,880,112.22	2,182,318.68
Utilities	1,693,860.10	1,460,378.39
Labour insurance fee	1,098,974.10	1,477,880.20
Securities service fees	1,046,600.00	1,075,900.00
Listing expenses	1,059,271.78	623,833.33
<b>Total</b>	<b>98,696,573.20</b>	97,435,873.39

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 56. Notes on items under the cash flow statement (Continued)

(1) Cash received/paid in relation to other operating/investment/financing activities (Continued)

3) Other cash payments relating to investing activities

Item	Amount of the year	Amount of last year
Investment in subsidiaries	299,530,000.00	269,172,021.77
<b>Total</b>	<b>299,530,000.00</b>	<b>269,172,021.77</b>

4) Other cash receipts relating to financing activities

Item	Amount of the year	Amount of last year
Guaranteed deposits	8,560,000.00	6,560,000.00
<b>Total</b>	<b>8,560,000.00</b>	<b>6,560,000.00</b>

5) Other cash payments relating financing activities

Item	Amount of the year	Amount of last year
Issuance of corporate bonds and other intermediate brokerage fees	7,815,869.12	–
Guarantee deposits	–	11,640,000.00
<b>Total</b>	<b>7,815,869.12</b>	<b>11,640,000.00</b>

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 56. Notes on items under the cash flow statement (Continued)

(2) Supplementary information to the cash flow statement of the Company

Item	Amount of the year	Amount of last year
<b>1. Net profit adjusted as cash flow of operating activities:</b>		
Net Profit	<b>224,966,125.81</b>	175,620,626.91
Add: Impairment loss for assets	<b>5,711,735.25</b>	6,204,017.63
Depreciation of fixed assets	<b>24,516,272.71</b>	21,089,572.06
Amortization of intangible assets	<b>16,202,030.43</b>	4,693,595.64
Amortization of long-term deferred expenses	<b>961,999.98</b>	78,000.02
Amortization of deferred expenses	-	-
Accrued expenses	-	-
Loss from disposal of fixed assets, intangible expenses and other long term assets (gain represented in "-" sign)	<b>1,542,589.08</b>	668,790.96
Loss on written off of disposal fixed assets (gain represented in "-" sign)	-	-
Gain/loss of changes in fair value (gain represented in "-" sign)	<b>(713,150.00)</b>	1,049,660.00
Finance costs (gain represented in "-" sign)	<b>33,782,594.66</b>	9,479,540.64
Investment loss (gain represented in "-" sign)	<b>(52,287,126.99)</b>	(52,682,604.48)
Decrease in deferred income tax assets (increase represented in "-" sign)	<b>(3,434,242.35)</b>	(539,879.77)
Increase in deferred income tax liabilities (decrease represented in "-" sign)	<b>270,794.63</b>	939,238.52
Decrease in inventories (increase represented in "-" sign)	<b>(10,591,360.41)</b>	(2,696,920.81)
Decrease in operating receivables (increase represented in "-" sign)	<b>(235,842,302.89)</b>	(20,411,684.82)
Increase in operating payables (decrease represented in "-" sign)	<b>135,619,425.10</b>	32,200,936.25
Others	-	-
Net cash flow generated from operating activities	<b>140,705,385.01</b>	175,692,888.75
<b>2. Significant non-cash investing and financing transactions</b>		
Debts transferred to capital	-	-
Convertible corporate bonds due within 1 year	-	-
Fixed assets under finance lease	-	-
<b>3. Net changes in cash and cash equivalents</b>		
Cash balance at the end of the year	<b>718,396,468.89</b>	539,240,795.08
Less: cash balance at the beginning of the year	<b>539,240,795.08</b>	667,738,198.05
Add: balance of cash equivalents at the end of the year	-	-
Less: balance of cash equivalents at the beginning of the year	-	-
<b>Net increase in cash and cash equivalents</b>	<b>179,155,673.81</b>	(128,497,402.97)

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

### 56. Notes on items under the cash flow statement (Continued)

(3) Information of acquisition of or disposal of subsidiaries or other operating units

Item	Amount of the year	Amount of last year
Information of acquisition of subsidiaries and other operating units		
1. Consideration of acquisition of subsidiaries and other operating units	<b>499,067,900.00</b>	3,300,000.00
2. Cash and cash equivalents paid for acquisition of subsidiaries and other operating units	<b>468,436,500.00</b>	3,300,000.00
Less: cash and cash equivalents held by subsidiaries and other operating units	<b>169,910,940.96</b>	24,863,258.78
3. Net cash paid for acquisition of subsidiaries and other operating units	<b>298,525,559.04</b>	(21,563,258.78)
4. Net assets of subsidiaries acquired	<b>439,770,287.95</b>	(15,717,436.81)
Current assets	<b>386,842,370.03</b>	134,690,700.53
Non-current assets	<b>349,354,334.98</b>	1,621,821.43
Current liabilities	<b>284,400,683.02</b>	152,029,958.77
Non-current liabilities	<b>12,025,734.04</b>	-
Information of disposal of subsidiaries and other operating units		
1. Consideration of disposal of subsidiaries and other operating units	<b>2,804,820.69</b>	-
2. Cash and cash equivalents received upon disposal of subsidiaries and other operating units	-	-
Less: cash and cash equivalents held by subsidiaries and other operating units	-	-
3. Net cash received upon disposal of subsidiaries and other operating units	-	-
4. Net assets of subsidiaries disposed of	-	-
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-



## NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

### XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

#### 56. Notes on items under the cash flow statement (Continued)

(4) Cash and cash equivalents

Item	Amount of the year	Amount of last year
Cash	<b>718,396,468.89</b>	539,240,795.08
Including: Cash on hand	<b>4,160.69</b>	20,083.00
Bank deposits readily available for payments	<b>418,392,123.10</b>	539,119,064.23
Monetary fund readily available for payments	<b>300,000,185.10</b>	101,647.85
Central bank deposits readily available for payments	-	-
Deposits in other banks	-	-
Call loans to banks	-	-
Cash equivalents	-	-
Including: Bond investments due within 3 months	-	-
Balance of cash and cash equivalents at the end of the year	<b>718,396,468.89</b>	539,240,795.08
Including: Restricted cash and cash equivalents used by the company and members of the Group	-	-

- (5) The Group has no non-cash expenses of the period in relation to significant investment and financing activities during the year.

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVIII. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 26 March 2015.

Supplementary information of financial statements

### 1. Non-recurring profit and loss statement of the year

Non-recurring profit and loss of the Group disclosed under “Interpretation on information disclosure of companies with public issued securities No.1 – non-recurring profit and loss (2008)” as follows:

Item	Amount of the year	Explanation
Profit or loss from non-current assets disposal	<b>(2,030,527.39)</b>	
Ultra vires or no formal approval documents of approval of incidental tax refunds or relief	-	
Government grants recognised in profit or loss of the period	<b>14,547,107.91</b>	
Use of fund charged by non-financial institutes recognised in profit or loss of the period	-	
Investment cost of acquisition of subsidiaries, associates and joint ventures less than share of income generated from fair value of net identifiable assets of the investee	-	
Non-monetary assets exchange for profit or loss	-	
Profit or loss of trusted investments or assets management	<b>2,738,394.78</b>	
Impairment provisions of assets withdrawn due to force majeure such as natural disaster	-	
Profit or loss from debt reconstruction	-	
Corporate reconstruction fee	-	
Transactions under unfair considerations resulting in excess of profit or loss over its fair value	-	
Net profit or loss of the period from beginning of period to combination date of subsidiaries arise from business combination under common control	-	
Profit or loss from contingent matters unrelated to normal businesses of the Company	-	
Fair value changes in held-for-trading financial assets, held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business related to normal operating of the Company	<b>789,828.23</b>	
Reversal of provision for bad debts for accounts receivables which was individually tested for impairment	-	
Profit or loss from external trusted loans	-	

# NOTES TO FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

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

## XVIII. APPROVAL OF FINANCIAL STATEMENTS (Continued)

### 1. Non-recurring profit and loss statement of the year (Continued)

Item	Amount of the year	Explanation
Profit or loss from change in fair value of investment properties subsequently measured using the fair value model	<b>239,900.00</b>	
Effect of once-off adjustment according to tax, accounting related law and regulations to profit or loss of the period	-	
Administration fee income from entrusted administration	-	
Other non-operating income and expenses other than the abovementioned	<b>599,978.12</b>	
Other profit or loss items that falls under the definition of non-recurring profit or loss	<b>1,004,820.69</b>	
<b>Sub-total</b>	<b>17,889,502.34</b>	
Effect of income tax	<b>(3,320,732.14)</b>	
Effect of minority interests (after tax)	<b>(1,742,170.08)</b>	
<b>Total</b>	<b>12,826,600.12</b>	

### 2. Net return rate of assets and earnings per share

Profit generated during the reporting period	Weighted average net profit return rate (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2014	2013	2014	2013	2014	2013
Net profit attributable to shareholders of the company	<b>10.79</b>	9.61	<b>0.74</b>	0.61	<b>0.74</b>	0.61
Net profit attributable to shareholders of the company, net of non-recurring profit or loss	<b>10.24</b>	8.18	<b>0.70</b>	0.52	<b>0.70</b>	0.52

Dongjiang Environmental Company Limited  
26 March 2014