



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 2016



* For identification purpose only

CONTENT

2	CORPORATE INFORMATION
3	FINANCIAL SUMMARY
4	CHAIRMAN'S STATEMENT
6	MANAGEMENT DISCUSSION AND ANALYSIS
21	MANAGEMENT PROFILE
25	DIRECTORS' REPORT
39	SUPERVISORY COMMITTEE'S REPORT
40	CORPORATE GOVERNANCE REPORT
52	REPORT OF THE AUDITORS
58	CONSOLIDATED BALANCE SHEET
60	BALANCE SHEET OF THE PARENT COMPANY
62	CONSOLIDATED INCOME STATEMENT
63	INCOME STATEMENT OF THE PARENT COMPANY
64	CONSOLIDATED CASH FLOW STATEMENT
66	CASH FLOW STATEMENT OF THE PARENT COMPANY
68	CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
70	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY
72	NOTES TO FINANCIAL STATEMENTS



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

LIU Ren (*Chairman*) (appointed on 11 October 2016)
ZHANG Wei Yang (*Chairman*) (resigned on 13 July 2016)
CHEN Shu Sheng (*Chief executive*)
LI Yong Peng (*Vice chairman, Vice president*)

NON-EXECUTIVE DIRECTORS

LIU Bo Ren (appointed on 11 October 2016)
DENG Qian (appointed on 11 October 2016)
HUANG Yi Ming (appointed on 11 October 2016)
FENG Tao (*Vice chairman*) (resigned on 11 October 2016)
SUN Ji Ping (resigned on 11 October 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Hin Wing
QU Jiu Hui
ZHU Zheng Fu (appointed on 11 October 2016)
SU Qi Yun (resigned on 11 October 2016)

SUPERVISORS

ZHANG An Li (appointed on 11 October 2016)
HUANG Wei Ming (appointed on 15 March 2016)
SHU Yi Xin (appointed on 13 June 2016)
YUAN Wei (resigned on 6 June 2016)
CAI Wen Sheng (resigned on 15 March 2016)
LIU An (resigned on 13 June 2016)
REN Yu Nan (resigned on 11 October 2016)

COMPANY SECRETARY

WANG Tian

AUDIT COMMITTEE

WONG Hin Wing (*Chairman*)
QU Jiu Hui
ZHU Zheng Fu (appointed on 11 October 2016)
SU Qi Yun (resigned on 11 October 2016)

REMUNERATION AND APPRAISAL COMMITTEE

ZHU Zheng Fu (*Chairman*) (appointed on 11 October 2016)
SU Qi Yun (*Chairman*) (resigned on 11 October 2016)
QU Jiu Hui
WONG Hin Wing

NOMINATION COMMITTEE

QU Jiu Hui (*Chairman*)
LIU Ren (appointed on 11 October 2016)
ZHANG Wei Yang (resigned on 13 July 2016)
WONG Hin Wing

STRATEGIC DEVELOPMENT COMMITTEE

LIU Ren (appointed on 11 October 2016)
ZHANG Wei Yang (resigned on 13 July 2016)
CHEN Shu Sheng (appointed on 11 October 2016)
FENG Tao (resigned on 11 October 2016)
QU Jiu Hui

AUTHORISED REPRESENTATIVES

LIU Ren
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

Li & Partners

AUDITORS

ShineWing Certified Public Accountants

LEGAL ADVISERS

Li & Partners (*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'S WEBSITE

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

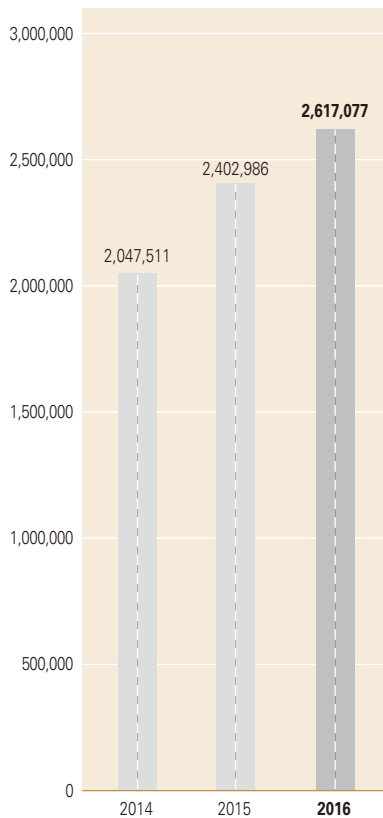
PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F, World Wide House, Central, HK

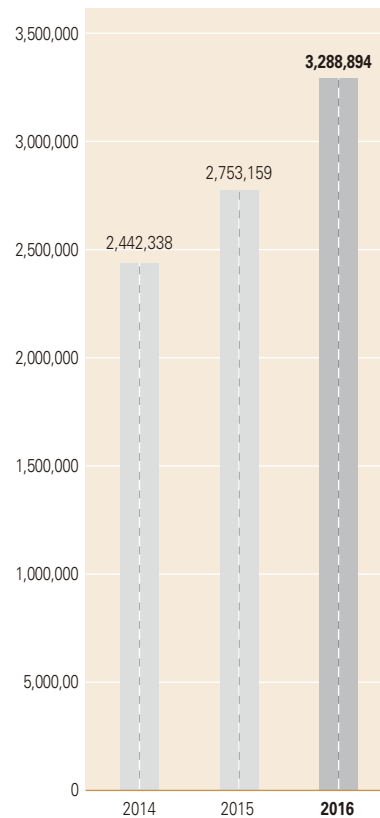
FINANCIAL SUMMARY

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
Total operating revenue	2,617,077	2,402,986	2,047,511	1,582,936	1,521,518
Gross profit	945,320	778,727	665,310	482,537	561,703
Gross profit margin	36.12%	32.41%	32.49%	30.48%	36.92%
Net profit attributable to shareholders of the Company	533,814	332,534	251,610	208,282	266,706
Financial position					
Total assets	8,189,149	6,685,217	4,985,470	3,267,457	3,109,606
Total liabilities	4,323,456	3,465,681	2,146,894	817,494	836,660
Minority interests	576,799	466,375	396,237	208,195	178,923
Equity attributable to shareholders of the Company	3,288,894	2,753,159	2,442,338	2,241,767	2,094,023

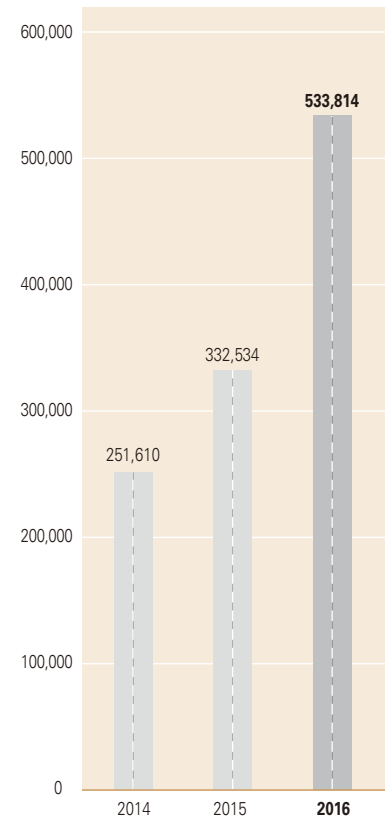
Total operating revenue
(RMB'000)



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 2016 (the “**Reporting Period**”).

OVERVIEW

The year 2016 marked the beginning of China’s “13th Five-Year Plan”. With the implementation of the “13th Five-Year Plan for Eco-Environmental Protection”, “13th Five-Year Plan for Development of National Strategic Emerging Industries”, “13th Five-Year Plan for Development of Energy Saving and Environmental Protection Industry” and “National Catalogue of Hazardous Wastes (2016 Revision)”, the environmental industry faced drastic changes such as accelerating capital inflow, intensifying competition and strengthening regulations. Under such context, Guangdong Rising Assets Management Co., Ltd. (“**Guangdong Rising Assets**”) and the SASAC of Guangdong Province became the largest substantial shareholder and actual controller of the Company respectively during the Reporting Period, giving rise to a capital structure dominated by state-owned capital and supported by private capital, where the Company effectively combined the resources in investment and financing, operation and management, and talent nurture while created the operation and management mechanism for diverse shareholder profile, standardized shareholder behaviour, effective internal control and efficient and versatile business practices, thereby maintaining the quality and efficiency of our decision making process.

With the strong support from Guangdong Rising Assets, the Company established the strategy of developing into “China’s leading one-stop integrated environmental service provider driven by technological innovation and based on hazardous waste treatment” during the Reporting Period. In the meantime, it continued to leverage its leading position and advantages in the hazardous waste treatment business and grasped opportunities in the industry to strengthen core competitiveness against adversity. In view of the new trend of PPP model promoted by the government, the Company substantively upgraded its detoxification capacity of industrial wastes, lowered disposal cost and enhanced product added values through merger and expansion, new project construction, exploration in new regions, as well as technological innovation. As a result, it was able to optimize and upgrade the business structure, which secured steady and healthy growth of profitability.

During the Reporting Period, the Group achieved mutual development and steady growth of its businesses. In 2016, it recorded an operating revenue of RMB2,617.08 million, representing an increase of 8.91% as compared to the same period of 2015. Net profit attributable to shareholders of the Company was approximately RMB533.81 million, representing an increase of approximately 60.53% as compared to the same period of 2015. Excluding the non-recurring profit or loss, the net profit attributable to the shareholders of the Company was approximately RMB379.23 million, representing an increase of approximately 27.39% as compared to the same period in 2015.



CHAIRMAN'S STATEMENT

During the Reporting Period, the Company continued to accelerate expansion into the more promising hazardous waste detoxification businesses such as incineration, landfill and physical and chemical treatment. To this end, it has obtained the qualification for industrial hazardous waste processing with an annual capacity of approximately 1.5 million tons, boosting the overall profitability. Meanwhile, for the purpose of further focusing on the treatment of hazardous wastes as its principal business, the Company disposed of the waste electrical appliance disassembling business. The Company also actively expanded the PPP business and municipal treatment projects by developing new cooperation model, which helped it won the tender to operate China's first hazardous waste PPP project and a number of industrial and municipal sewage treatment projects. Furthermore, capitalising on years of development and experience, the Company took into account the industrial development trend to gradually change its project expansion mind-sets in recent years. Thus, it enhanced cooperation with local governments in setting up integrated environmental industrial parks to promote development of local industry clusters, instead of the traditional way of constructing separate projects. What is more exciting is that the Company's "Research on the Development and Application of Generic Technology in Development of Urban Circular Economy" won the Second Class Award of the National Science and Technology Progress Award during the Reporting Period, which not only demonstrated our commitment on strategic goal in corporate development driven by technology, but also celebrated our remarkable research and innovation capabilities, leading technical strengths and determination to push for higher research and innovation standards for the industry.

OUTLOOK

Looking ahead, the Company will stay focus on the industrial hazardous waste treatment business as its principal business, consolidate its leading position, persist on innovation and aim for development of municipal waste treatment, resources recycling, environmental monitoring, soil restoration and other environmental businesses. In 2017, the Company will center on the general business approach of "professional operation, innovation-driven, collaboration between industrial and financial sectors, resources integration, leaping development". It will leverage on green technology, capital and Internet while adopting the three principles of safety and environmental management, talent cultivation and party construction. It will also strive to enhance professional operating capabilities, investment and financing efforts, integration of resources and market exploration, while speeding up product development, technology and management innovation. It is the Company's aim to continuously consolidate its leading position in the industry and achieve rapid development.

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*

LIU Ren

Chairman

Shenzhen • Guangdong • PRC

29 March 2017

* for identification purpose only



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The year 2016 marked the beginning of China's "13th Five-Year Plan". With the implementation of the "13th Five-Year Plan for Eco-Environmental Protection", "13th Five-Year Plan for Development of National Strategic Emerging Industries" and "13th Five-Year Plan for Development of Energy Saving and Environmental Protection Industry", China is set to accelerate the establishment of the system and policy for supporting the green industry, with a focus on improving environmental quality. The country will also intensely promote the prevention and treatment action plan for water, air and soil pollution, and enhance synergy between regional and watershed pollution treatment as well as adoption and integration innovation of advanced applicable environmental technology and equipment, thereby boosting the development of the environmental industry. Total environmental investment for the period of "13th Five-Year Plan" is expected to exceed RMB10 trillion, which is three times of that during the period of the "12th Five-Year Plan". In the meantime, the promulgation of the "National Catalogue of Hazardous Wastes (2016 Revision)", "Action Plan for Soil Pollution Prevention and Control", "Interpretation on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Environmental Pollution" and other regulations and requirements brought further development opportunities and competitions to the industrial waste treatment industry.

In this context, the Company continued to leverage its leading position and advantages in the hazardous waste treatment business and grasped opportunists in the industry to strengthen core competitiveness against adversity. In view of the new trend of PPP model promoted by the government, the Company substantively upgraded its detoxification capacity of industrial wastes, lowered disposal cost and enhanced product added values through merger and expansion, new project construction, exploration in new regions, as well as technological innovation. As a result, it was able to optimize and upgrade the business structure, thereby securing steady and healthy growth of profitability.

In 2016, the Company recorded an operating revenue of RMB2,617.08 million, representing an increase of 8.91% as compared to the same period of 2015. Net profit attributable to shareholders of the Company was approximately RMB533.81 million, representing an increase of approximately 60.53% as compared to the same period of 2015. Excluding the non-recurring profit or loss, the net profit attributable to the shareholders of the Company was approximately RMB379.23 million, representing an increase of approximately 27.39% as compared to the same period in 2015. As at the end of 2016, total assets were approximately RMB8,189.15 million, representing an increase of approximately 22.50% as compared to the beginning of the period. The equity interest attributable to the shareholders of the Company was approximately RMB3,288.89 million, representing an increase of approximately 19.46% as compared to the beginning of the period.



MANAGEMENT DISCUSSION AND ANALYSIS

(I) *New development dimensions as Guangdong Rising Assets became the largest substantial shareholder*

In October 2016, the largest substantial shareholder and actual controller of the Company changed to Guangdong Rising Assets Management Co., Ltd. ("**Guangdong Rising Assets**") and the SASAC of Guangdong Province respectively. As a result, the Company adopted the capital structure dominated by state-owned capital and supported by private capital. Such structure effectively combined the advantages of both ownership systems in terms of investment and financing, operation and management and talent nurture, while created the operation and management mechanism for diverse shareholder profile, standardized shareholder behaviour, effective internal control and efficient and versatile business practices, hence maintaining the quality and efficiency of the decision making process. With the strong support from Guangdong Rising Assets, the Company gave full play to its development advantages and experience accumulated over the years and took into account the future development trend of the green industry as it adopted the approach of developing into "China's leading one-stop integrated environmental service provider driven by technological innovation and based on hazardous waste treatment". It also formulated the strategy implementation plan and made clear the strategic missions on marketing, technology and talent development.

(II) *Enhancing core competitiveness by focusing on hazardous waste business*

In recent years, the Company seized opportunities to accelerate expansion into the more promising hazardous waste detoxification businesses such as incineration, landfill and solidification treatment. It aimed at boosting the overall profitability by enhancing the processing capacity, qualification capacity and structure, as well as processing technology capabilities. The Company has already obtained the operational qualifications for 44 out of 46 types of major hazardous wastes in the National Catalogue of Hazardous Wastes and the qualification for industrial hazardous waste processing with an annual capacity of approximately 1.5 million tons. As a result, the structure of production capacity has undergone continuous optimization.

In terms of project construction, the Company achieved remarkable progress in capacity expansion of new industrial waste detoxification project. For examples, the Dongjiang Veolia Incineration Expansion Project with an annual capacity of 20,000 tons, the Coastal Solid Wastes Incineration Project with an annual capacity of 26,900 tons and the Nantong Hui Tian Ran Hazardous Waste Landfill Project with a capacity of 20,000 tons commenced operation during the Reporting Period. In addition, the Phase I of the Jiangxi Province Industrial Solid Waste Disposal Center Detoxification Project with an annual capacity of 86,000 tons, the Rudong Daheng Incineration Project with an annual capacity of 19,000 tons, the Zhuhai Yongxingsheng Incineration Project with an annual capacity of 10,000 tons and the Hubei Tianyin Incineration Project with an annual capacity of 20,000 tons were put into trial operation. Moreover, with Weifang Dongjiang obtaining the environmental assessment approval for the disposal project with a capacity of nearly 200,000 tons (including a hazardous wastes incineration project with an annual capacity of 60,000 tons) and the expected completion of the Quanzhou PPP Project at the end of 2017, the Company has established ample project reserve for the growth of production capacity and profitability in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, detoxification business achieved great progress as compared to 2015, due to the commencement of operation of the Coastal Solid Wastes and Rudong Daheng Detoxification Projects. In particular, the Company has recorded substantial year-on-year growth in both the collection and processing volume of hazardous wastes incineration projects. Meanwhile, the replication of well-established market management model to Central China and Northern China yielded smooth operation of new projects. As a result, the industrial wastes detoxification business of the Company recorded a growth of 43.65% in the operating revenue from the same period of 2015 to RMB843.27 million, which accounted for 32.22% of the total revenue, making the sector the largest profit contributor of the Company. The production capacity of the Company's recycled products witnessed a growth as a result of projects newly commenced in the Reporting Period. With the Company stepping up the marketing efforts of its own brands of recycled products, namely the "BNS" (百年樹) and "DW" (東維), international market exploration began to bear fruits and the Company successfully registered some trademarks overseas and obtained certificates of free sale. Thus, the sales of recycled products went up by 2.34% as compared to that of last year and the Company recorded a sales revenue of RMB791.23 million, accounting for 30.23% of the total revenue. Moreover, for the purpose of further focusing on the principal business, i.e., the treatment of hazardous wastes, the Company disposed of part of the waste electrical appliance disassembling business by transfer the entire equity interests of Qingyuan Dongjiang and Hubei Dongjiang in exchange of investment gains during the Reporting Period.

(III) Active building of integrated environmental service platform for synergy between businesses and high efficient development

For the purpose of developing into "China's leading one-stop integrated environmental service provider driven by technological innovation and based on hazardous waste treatment", the Company implemented the strategic development plan, actively established the integrated environmental service platform and expanded business portfolio for the synergy between different business models and their high efficient development, so as to upgrade the integration and coordination capability of the industry.

During the Reporting Period, the Company further enhanced the high standards of its sewage treatment technology and customer service, while steadily pushed forward the expansion of industrial sewage and municipal sewage treatment engineering. It secured 14 new environmental engineering projects with a total contract value of RMB220.84 million, and successfully undertook a number of new industrial and municipal sewage treatment engineering projects such as the Hubei Jiangling Sewage Treatment Plant Project and the Yangxin Project. Through continuous practice and accumulation of experience, the Company has greatly enhanced the ability to undertake the EPC general contracting of projects in the hazardous waste industry. In addition, the expansion of market and business coverage continuously optimised and strengthened the technical capabilities of sewage treatment and thus further enhanced the level of the Company's environmental services. During the Reporting Period, the operating revenue of environmental engineering and services was RMB245.43 million, representing a year-on-year increase of 22.74%.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of municipal waste treatment and disposal and renewable energy utilization businesses, the Company continued to adopt the model of introducing advanced technology from the outside while continuously upgrading internal technique. During the Reporting Period, the municipal waste treatment and disposal and renewable energy utilization businesses maintained steady growth and record an operating revenue of RMB397.64 million, representing an increase of 9.90% as compared to the same period of last year. The growth was mainly attributable to the smooth operation of municipal sewage treatment, household waste landfill and power generation projects. In particular, the commencement of operation of the Luohu Food Waste Project with an average daily collection and transportation capacity of 120 tons of food waste during the Reporting Period has further optimised the comprehensive disposal capabilities of the Company as its processing capacity was gradually increasing.

(IV) Corporate development driven by technology innovation

The Company pursued development driven by technology innovation and has achieved remarkable results for its efforts in the construction of open research and development platform, cooperation and exchange between domestic and overseas technology experts, collaboration between the industry, academia and the research sector, undertaking of government research projects, application for science and technology awards, and intellectual property management.

- (1) Based on the business development needs, the Company established the modern corporate research and development management platform and the multi-platform research and development system was initially formed. For instances, it has set up the Sino-Australia Sponge City Research Centre, worked one after another with the Research Institute for Humanity and Nature of Japan, the National Institute for Environmental Studies of Japan and the Lake Biwa Museum of Shiga prefecture, Japan to set up the Sino-Japan Joint Technology Cooperation Platform for Integrated Lake Watershed Governance, carried out in-depth cooperation with the Research Center for Eco-Environmental Sciences, Chinese Academy of Sciences on river basin governance and construction of water plant operating with new concepts, jointly developed the Hubei Province Academician Workstation with Huazhong University of Science and Technology, worked with Southern University of Science and Technology to build the Integrated River Pollution Treatment and Ecological Restoration Engineering Research and Development Center, and made application for its provincial engineering technology center, which was accredited in 2015, to the Ministry of Environmental Protection for the accreditation of hazardous waste engineering technology center.
- (2) The Company extended cooperation and exchange between Chinese and overseas technology experts. Based on the strategic development needs, it actively introduced world-leading hazardous waste disposal technology, such as plasma technology and supercritical water oxidation technology. The Company also conducted technical cooperation and exchange with renowned domestic and international enterprises and research institutes such as Huazhong University of Science and Technology, Research Center for Eco-Environmental Sciences, Chinese Academy of Sciences and Shanghai Jiao Tong University on cement kiln synergistic treatment, sludge reduction, municipal water environment management and other areas.



MANAGEMENT DISCUSSION AND ANALYSIS

- (3) The Company has actively applied for government science and technology awards and undertook government research projects. During the Reporting Period, the “Research on the Development and Application of Generic Technology in Development of Urban Circular Economy” won the Second Class Award of the 2016 National Science and Technology Progress Award, which was the first national research award of the Company and demonstrated the outstanding research capability of the Company. The Company also undertook key research and development projects under China’s “13th Five-Year Plan”, such as the “Technology and Application of Rural Villages Water Supply and Drainage Integration in Drainage Network of Eastern China” and other research projects.
- (4) The Company attaches great importance to intellectual property management and soft power enhancement. In 2016, the Company and its subsidiaries were granted a total of 30 patents, including 4 invention patents and 26 utility model patents. As at the end of the Reporting Period, the Company and its subsidiaries have been granted 114 patents, which provided technical support for production, operation and expansion of domestic and international markets.

(V) Optimisation of business strategy and innovation of project cooperation model

In recent years, the Company has been optimising the industrial chain and market network while making strategic plan for Eastern China with a focus on Jiangsu and Zhejiang. It has completed the renovation of the Nantong Incineration Project and the construction of landfill in Jiangsu, which set the foundation for the Company to improve its waste disposal industrial chain in Eastern China. The Company’s processing capability in Northern Jiangsu and position in the industry were enhanced following the completion of Phase II of the Coastal Solid Wastes Incineration Project. The acquisition of Shaoxing Huaxin formed the extensive business layout in Zhejiang. The Shandong Weifang Incineration Project with a capacity of 60,000 tons established a high starting point, and the acquisition of Hebei Hengshui Ruitao, together with the business network of the Shandong Project, established the preliminary layout for the Bohai Economic Rim region.

As the Company put in intense efforts in project expansion, it also took action to develop new cooperation models. For instance, it won the bidding process of the PPP Project of Quanzhou Industrial Waste Disposal Center in collaboration with a third party, which is expected to create synergy effects in terms of business and market resources with other hazardous waste disposal bases of the Company in Fujian Province, and pave way for the future development of the hazardous waste market of Fujian. In the meantime, as China’s first PPP project in the hazardous waste sector, the project not only helped establish the Company’s brand image, but also further enhanced its leading position in the hazardous industrial waste treatment industry. Moreover, the Company also won the bid of a number of industrial and municipal sewage treatment BOT projects, such as the Hubei Jiangling Sewage Treatment Plant.

Furthermore, capitalising on years of development and experience, the Company took into account the industrial development trend and its own technical advantages to gradually change its project expansion mind-sets, where it enhanced cooperation with local governments in setting up integrated environmental industrial parks to promote development of local industry clusters.



MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Corporate development supported by capital market

(1) Issuance of green corporate bonds

With the full support of Guangdong Rising Assets, which is the largest substantial shareholder, the Company immediately issued the green corporate bonds, namely “17 Dongjiang G1”, in response to the government’s strategic policy. The issuing size of the first tranche of bonds was RMB600 million, representing 60% of the approved issue size, with the coupon rate of 4.9%. Following the issuance, the Company became the first listed company to publicly issue green corporate bonds on the Shenzhen Stock Exchange, which demonstrated its innovative financing capability, while facilitated the optimisation of capital structure and reduction of financing costs. Furthermore, the issue also provided stronger capital assurance for the operation and expansion of future projects.

(2) Success in first grant of restricted shares under 2016 share incentive scheme

Industry relies on talent to grow, which is why the Company sees talent retention and nurture as a crucial part of its development. On 8 November 2016, the Company completed the first grant under the share incentive scheme at a price of RMB8.71 per share and issued 18.14 million shares to 332 key staff members, with the aims to bring stability to the existing business team and support the Company’s sustainable development.

During the Reporting Period, the Company garnered wide recognition from investors in the capital market and won the “7th Tianma Excellent Board Secretary”, “12th New Fortune Top Board Secretary”, “2016 Top 100 Most Popular Board Secretaries Among Investors” and “Golden Governance Board Secretary Award for Information Disclosure”, which have taken the Company’s corporate image and brand reputation to the next level.

FINANCIAL REVIEW

Total operating revenue

As of 31 December 2016, the Group’s total operating revenue increased by 8.91% as compared with 2015 to approximately RMB2,617,076,763 (2015: RMB2,402,986,382). The total operating revenue did not increase significantly, mainly because in the process of operation, the Company implemented corporate development strategy, focused on the main business of industrial hazardous waste, adjusted business structure, and transferred the entire equity interest of the waste appliance business of Qingyuan Dongjiang and Hubei Dongjiang, its wholly-owned subsidiaries, in the Reporting Period, so that the operating income of waste appliance business reduced by approximately RMB174,144,191 over the same period last year, down by approximately 44.11%. Nonetheless, through adjusting business structure, the Company actively explored the market, and expanded the market shares of detoxification treatment on industrial solid wastes, environmental engineering and service, as well as municipal waste treatment and disposal business, as a result, it recorded a year-on-year growth of the total operating revenue of approximately 8.91% in the period. Of which the operating income of industrial waste treatment and disposal showed a year-on-year growth of approximately 43.65% to RMB843,267,266 (2015: approximately RMB587,023,549), the operating income of environmental engineering and service business showed a year-on-year growth of approximately 22.74% to RMB245,432,137 (2015: approximately RMB199,958,027), and the operating income of municipal waste treatment and disposal business showed a year-on-year growth of approximately 12.16% to RMB305,774,583 (2015: approximately RMB272,621,971).



MANAGEMENT DISCUSSION AND ANALYSIS

Profit

For the year ended 31 December 2016, the Group's gross profit increased by approximately 21.39% to approximately RMB945,319,513 (2015: RMB778,727,373). In the Reporting Period, except that the gross profit of waste appliance disassembling business declined by approximately RMB43,807,489 over the same period last year, down by 75.31%, due to adjustment of business structure and transfer of the entire equity interest of the waste appliance business of Qingyuan Dongjiang and Hubei Dongjiang, the wholly-owned subsidiaries, the Group's gross profit of other businesses increased from the same period last year, as a result of the energy-saving and waste reduction production activities, strengthening of cost control, reinforcing of overall budget management and other measures. In particular, the gross profit of industrial solid waste treatment and disposal business showed a year-on-year growth of approximately 39.21% to RMB421,460,470 (2015: RMB302,755,801), the gross profit of integrated resource recycling business showed a year-on-year growth of approximately 10.69% to RMB260,459,051 (2015: RMB235,303,933), and the gross profit of environmental engineering and service business showed a year-on-year growth of approximately 20.87% to RMB58,931,633 (2015: RMB48,756,351).

For the year ended 31 December 2016, the Group's integrated gross profit margin was 36.12% (2015: 32.41%). The integrated gross profit margin rose by approximately 3.71 percentage points over the last year.

For the year ended 31 December 2016, net profit attributable to Shareholders of the Company was approximately RMB533,813,817 (2015: RMB332,534,009), up by approximately 60.53% compared with 2015. Main reasons for the increase were business expansion, continuous expansion of market share, cost control, implementation of overall budget management and proactive energy-saving, waste reduction and other production activities in the Reporting Period, which have effectively controlled the cost. In addition, for the purpose of implementing corporate development strategy and focusing on the main business of industrial hazardous waste, the Company adjusted business structure, transferred the entire equity interest of the waste appliance disassembling business of Qingyuan Dongjiang and Hubei Dongjiang, the wholly-owned subsidiaries, in the Reporting Period in exchange of investment income.

Sales expenses

For the year ended 31 December 2016, the Group's sales expenses were approximately RMB57,847,414 (2015: RMB53,479,227), accounting for 2.21% of the total operating revenue (2015: 2.23%). The sales expenses increased mainly because of reinforcing market expansion and corporate business brand management in the Reporting Period, as well as change in the consolidation scope and increase of subsidiaries compared with the same period last year.

Administrative expenses

For the year ended 31 December 2016, the Group's administrative expenses were approximately RMB339,798,494 (2015: RMB298,298,983), accounting for 12.98% of the total operating revenue (2015: 12.41%). The administrative expenses increased mainly because the Company continued to intensify R&D investment in the Reporting Period; and to a lesser extent, as compared with the same period last year, the business scale of the Company, its subsidiaries and the minimum labor cost of the PRC all experienced growth during the period.



MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

For the year ended 31 December 2016, the Group's finance costs were approximately RMB96,085,768 (2015: approximately RMB64,511,337), accounting for 3.67% of the total operating revenue (2015: 2.68%). The finance costs increased mainly because the Company expanded the scale, which boosted the demand for funds, and increased issuance of corporate bonds and bank loans which resulted in rising interest expenses.

Income tax expenses

For the year ended 31 December 2016, the Group's income tax expenses were approximately RMB96,569,565 (2015: RMB64,178,987), accounting for 14.33% of total profit (2015: 14.28%). The increase of income tax expenses was mainly due to an increase of the Group's total profit.

FINANCIAL POSITION AND LIQUIDITY

As of 31 December 2016, net current assets of the Group amounted to approximately RMB-696,108,717 (2015: RMB-269,948,304), including cash and cash equivalent of RMB1,139,658,567 in total (2015: RMB815,961,535).

As of 31 December 2016, total liabilities of the Group amounted to RMB4,323,455,566 (2015: RMB3,465,681,663). The Group's gearing ratio was 52.79% (2015: 51.84%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to RMB3,407,801,977 (2015: RMB2,592,766,217). As of 31 December 2016, the Group's outstanding bank loans reached RMB2,428,564,236.99 (2015: RMB2,001,992,965).

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES ASSOCIATES

The Company signed relevant share transfer agreement in July 2015, to successfully acquire 85% equity interest of Hengshui Ruitao Environmental Technology Co., Ltd. at RMB85,000,000 in cash. In April 2016, the Company paid partial equity transfer payment of RMB46,500,000.

The Company signed relevant share transfer agreement in November 2015, to acquire 100% equity interest of Nantong Hui Tian Ran Solid Waste Landfills Co., Ltd. at RMB150,000,000 in cash. In April 2016, the Company paid partial equity transfer payment of RMB112,500,000.

In April 2016, the Company signed relevant share transfer agreement, to acquire Weifang Dongjiang Environmental Blue Sea Environmental Protection Co., Ltd. ("**Weifang Dongjiang**") at RMB64,000,000 in cash, and after completion of the transaction, the Company held 70% equity interest of Weifang Dongjiang. In the period, the Company has paid RMB61,300,000 as the equity transfer payment.

The Company signed relevant share transfer agreement in November 2015, to successfully acquire 60% equity interest of Zhejiang Jianglian Environmental Investment Co., Ltd. at RMB75,558,000 in cash. In May 2016, the Company paid partial equity transfer payment of RMB52,890,600.



MANAGEMENT DISCUSSION AND ANALYSIS

In June 2016, the Company invested RMB1,200,000 to establish Zhenjiang Dongjiang Environmental Technology Development Co., Ltd., the subsidiary of which the Company held 60% equity interest. In the period, the Company has invested RMB600,000.

In June 2016, the Company invested RMB500,000 to increase capital of Shenzhen Huateng Environment Information Technology Co., Ltd. ("**Huateng Environment**"), a company in which the Company was interested in, and after completion of capital increment, the Company held 10% equity interest of Huateng Environment.

In June 2016, the Company invested RMB3,000,000 to Shenzhen Qianhai Dongjiang Environment Technology Service Co., Ltd., a subsidiary in which the Company held 100% equity interest.

In June 2016, the Company invested RMB60,000,000 to establish Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd., a company in which the Company held 100% equity interest. In the period, the Company invested RMB60,000,000.

In September 2016, the Company invested RMB132,000,000 to increase capital of the wholly-owned subsidiary Dongjiang Environmental (HK) Limited ("**Hong Kong Dongjiang**").

In September 2016, Dongjiang Environmental (HK) Limited, a subsidiary in which the Company held 100% equity interest, invested USD20,000,000 to establish Nantong Dongjiang Environmental Technology Co., Ltd. ("**Nantong Dongjiang**"), and after the establishment of Nantong Dongjiang, the Company indirectly held 100% of its equity interest.

In September 2016, Shenzhen Hengjian Tongda Investment Management Co., Ltd., a subsidiary of the Company, signed relevant equity transfer agreement, to transfer 10% equity interest of Dongguan Humen Water Co., Ltd. ("**Humen Water**") at RMB21,200,000 in cash, and the Company indirectly held 90% of the equity interest of Humen Water.

In June 2016, Shenzhen Dongjiang Environment Recycled Resources Co., Ltd., a subsidiary of the Company signed relevant equity transfer agreement, to transfer all 93.86% equity interest of Chongqing Dongjiang Songzao Renewable Energy Development Limited at RMB50,000 in cash, and the aforesaid equity transfer has been completed.

In April 2016, the Company signed relevant equity transfer agreement, to transfer 100% equity interest of Qingyuan Dongjiang Environmental Technologies Co., Ltd. and Hubei Dongjiang Environmental Limited, the subsidiaries of the Company, at RMB365,525,600 in cash, and the aforesaid equity transfer has been completed.

Except as disclosed above, the Group has no other significant investment, acquisition and disposal of subsidiaries and associates during the Reporting Period.



MANAGEMENT DISCUSSION AND ANALYSIS

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

INTEREST RATE AND FOREIGN EXCHANGE RISKS

Interest rate risk

The Group is exposed to the fair value interest rate risks as a result of the Group's fixed-rate bank loans. The Group currently has no interest rate hedging policy. However, the management of the Group closely monitors the interest rate risk and should a significant risk be foreseeable, it will consider taking 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 2016, certain assets of the Group were pledged to secure bank borrowings, guarantees and letters of credit facilities granted to the Group, as follows:

	2016	2015
Fixed assets	132,774,970.72	175,300,121.09
Cash and bank balances	20,414,561.53	41,767,769.31
Intangible assets	85,352,623.39	109,718,571.27
Construction in progress	223,717,414.88	143,088,288.75

Information on employees and remuneration policies

As at 31 December 2016, the number of full-time employees stood at 3,945 (2015: 3,927) with a total staff cost of approximately RMB383,382,464.51 (2015: approximately RMB324,707,166.91). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund, and medical insurance.



MANAGEMENT DISCUSSION AND ANALYSIS

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 2016.

Capital commitment

As at 31 December 2016, the capital commitment of the Group was as follows:

Item	2016	2015
Capital expenditures contracted for but not provided for in the financial statement		
Foreign investment	46,119,999.00	287,770,205.00
– Construction in progress	373,885,193.52	269,059,919.77
– Acquisition of plant and machinery	54,710,871.60	143,815,792.00
Total	474,716,064.12	700,645,916.77

FUTURE PROSPECTS

1. Industry development trend

As the government attached greater importance to environmental protection and public awareness grew, the hazardous waste treatment business gained support from industrial policy and the capital market. It is forecasted that, during the period of the “13th Five-Year Plan”, the hazardous waste treatment business will maintain a strong momentum and moderate growth. It is expected that the industry will grow at a CAGR of over 15% in the next five years and the market size will exceed RMB180 billion by 2020.

2. Business plan in 2017

In 2017, the Company will focus on the general business approach of “professional operation, innovation-driven, collaboration between industrial and financial sectors, resources integration, leaping development”. It will persist in enhancing professional operating capabilities, investment and financing efforts, integration of resources and market exploration, while speeding up product development, technology and management innovation. It is the Company’s aim to continuously consolidate its leading position in the industry and achieve rapid development.



MANAGEMENT DISCUSSION AND ANALYSIS

(1) *Focus on hazardous waste and optimise industry structure and regional layout*

The Company will stay focus on the industrial waste treatment business as its principal business. It will continue to consolidate its leading position in Guangdong market, intensely develop the Eastern China market and Bohai Economic Rim market, and put emphasis on the exploration of Jiangxi, Fujian, Hubei provinces, so as to implement the regional expansion strategy for strengthening business presence in Pearl River Delta, expanding market in the Yangtze River Delta, mapping out development for the Beijing-Tianjin-Hebei Bohai Economic Rim area and establishing the layout for Central and Western China. In order to reinforce the Company's leading position, it will pursue corporate development driven by innovation. At the same time as it expands the processing capacity of hazardous wastes, it will actively explore different business models, especially the investment of green PPP projects, which primarily include municipal solid waste treatment (landfill, incineration), sewage treatment, watershed governance, soil restoration, environmental monitoring and other businesses. With the support from the environmental industrial park, the Company will strive to achieve comprehensive synergistic development, standardised and modularised operation and enhancement of integration and coordination capability of the industry. In the meantime, the Company will expedite the development of comprehensive treatment capability. It will combine the resources from government and business partners and its technological advantages to provide all-rounded and multi-layered integrated environmental protection services to enterprises and cities. It will also pursue innovation of business models with the environmental industrial park to bring new sources of profit growth.

The Company will accelerate the construction of various new projects and boost the productivity of completed projects in 2017. For instances, it will push towards the completion of Dongguan Hengjian, Hengshui Ruitao, Shandong Weifang and Hubei Xiantao projects. It will also put efforts into the main construction of the Jiangxi Dongjiang Recycling Project, speed up the construction of Jiangling Sewage Treatment Plant and carry on the legalisation and construction of the Quanzhou Project according to the management requirements of PPP projects. In addition, it will continuously upgrade the professional operation capabilities and ensure the steady operation of the incineration facilities of the Jiangxi Dongjiang, Coastal Solid Waste, Zhuhai Yongxingsheng, Rudong Daheng, Huaxin Environmental and Hubei Tianyin projects, with a view to boost the utilisation rate of production capacity. For the purpose of meeting market demand and giving full play to its qualifications, it will expedite the expansion, renovation, optimization and upgrade of the bases of the Jiangmen Dongjiang, Baoan Dongjiang, Longgang Disposal, Huaxin Environmental and Coastal Solid Wastes projects.



MANAGEMENT DISCUSSION AND ANALYSIS

(2) Leverage green technology to become a leader in innovation

Technology is fundamental to productivity and technological superiority is the Company's key to maintain core competitiveness. The Company strives to develop effective innovation mechanism and motivation within the organisation, and promote innovative capability, level of research and technology level of the industry. Firstly, it will implement technology innovation programme to enhance the research and development capability of the research institution, and perform strategic, structural and innovative adjustments to its industry structure, so as to enhance the position of products and services in the environmental value chain. Secondly, it will continue to strengthen cooperation with higher education institutions and research institutes to establish a professional and market-oriented research institute and accelerate the technological transfer system with time limit. Thirdly, it will study on advanced technology in water treatment, air treatment, soil pollution control and treatment and environmental monitoring, while proactively take part in regional and watershed pollution control and treatment. In 2016, the Company garnered the Second Class Award of the National Science and Technology Progress Award. Riding on this success, it will accelerate the investment to green technology and set up various research institutes including the Environmental Research Institute, Engineering Technology Centre, key laboratories and academician workstations to boost the advancement of environmental protection technology within the Company.

(3) Enhance capital operation and drive corporate development with "integration between industrial and financial sectors"

The Company will make full use of its status as a listed company in fund-raising through various means. It will also raise liquidity from the financial market by way of green bonds issuance, assets securitisation and issue of short-term debentures. In addition, it will actively conduct mergers and acquisitions to expand the size of its hazardous waste business, optimise industry structure and create stronger synergy between business segments. Moreover, it will establish an environmental industry fund, expedite regional planning and effectively compete for resources so as to secure quality projects. It will enhance investment to and building of the capital operation team so that it can accumulate experience and acquire the ability to adapt to market conditions promptly.

(4) Take advantage of environmental Internet to develop new business model

The Company aims to continuously develop new business models and establish a flat and differentiated structure for the collection, sorting, transportation, grouping and treatment of wastes with the help of the "Internet technology + Environmental protection" initiative. It will optimise all processes of waste storage while establishing a closed system for it where the collection and transportation of waste and resources recycling channels are highly integrated. The Company has already successfully applied the "Internet technology + Environmental protection" initiative to the food waste recycle and treatment project in Luohu District, Shenzhen. In the future, it will step up and apply the strategy to the hazardous waste industry and in turn the waste treatment system of the whole city, thereby making contribution to the smart city development for environmental protection.



MANAGEMENT DISCUSSION AND ANALYSIS

(5) *Carry out effective safety and environmental management by establishing a safe production system*

Safety and environmental protection are prerequisites for corporate development. The Company faces immense pressure related to environmental protection and safety of hazardous waste detoxification treatment and resources recycling as its principal businesses. Therefore, the Company will firstly accelerate the establishment of the operation and monitoring system, enhance the internal control and make public its emission indicators. Secondly, it will identify environmental risks and strengthen the risk control, thereby fulfilling its corporate responsibility on environmental treatment and safeguarding employees' safety and health. Thirdly, it will enhance the capabilities of coping with emergencies through setting up a fast response mechanism. Fourthly, it will regulate the technology and process of incineration, landfill, water treatment and production of recycled products, so as to push forward the standardisation of technology and equipment for the establishment of a standardised system for technology management.

(6) *Commit to talent nurture, staff motivation and development*

(I) The Company will enhance team building and optimize the management mechanism. It will set up the grid management system, synergy mechanism and profit sharing mechanism for environmental service, engineering technology and regional business divisions. It will also develop the multi-talented management team comprising professionals in technology and management at the general manager level of branch companies and subsidiaries. Meanwhile, it will speed up the development of comprehensive governance capability to provide strong talent and management support for project exploration and industrial upgrade across China.

(II) The Company will increase human resources input for targeted solutions to critical problems on human resources efficiency. It will push forward the talent development strategy and system innovation. At the same time, it will also establish a comprehensive talent deployment, mobility, evaluation and incentive system that fits the industry and the Company, as well as an effective incentive mechanism for state-holding enterprises that aims at rewarding talents at prevailing market rate so as to keep them enthusiastic and motivated.

(7) *Implement party construction work to guide corporate operation and development*

The Company will uphold the general line of the party and implement strict party discipline in the course of operation. It will take the understanding and knowledge of the new normal as the key consideration in current and future works, and adhere to "progress amidst stability" as the general rule. Moreover, it will attach importance to maintaining strategic positioning and the problem-oriented, bottom line mind-sets, while undertaking the political responsibility of implementing the economic development initiatives of the central authorities. It will conduct in-depth research and study to enhance ability and motivate staff at all levels to push forward scientific development.



MANAGEMENT DISCUSSION AND ANALYSIS

3. Risks and solutions

(1) *Market competition risk*

Driven by the state's various policies in support of the industrial waste disposal environmental protection industry, the environmental protection industry is entering into a stage of rapid development where a large number of potential competitors enter the market through project investment, merger and acquisition, and joint venture cooperation. As a result, industry competition has further intensified and the Company will face tougher competition. In view of this, the Company will continue to enhance project and market exploration, strengthen investment and financing and capital operation, and actively develop new markets through fostering closer cooperation with the local governments. On the basis of continuously consolidating its principle business of hazardous wastes, the Company will actively develop and expand comprehensive environment services including operation of environmental engineering, municipal and environmental restoration.

(2) *Risk related to shortage of talent*

Due to the rapid development of the environmental protection industry, intensifying competition, and increasing new merger and acquisition projects, shortage of talents has become a bottleneck of corporate development. Therefore, the Company introduced the share incentives scheme and actively improved staff welfare, expedited internal talent nurturing through modular trainings, so as to make prompt efforts to retain and recruit high-calibre talents.

(3) *Risk of making less than expected progress*

The Company strives to speed up the progress of project construction. However, due to tightening policies on environmental protection, speed of project approval is affected to a certain extent. The Company will set up a professional modular management system and boost operation and management quality to secure the operational qualifications and commencement of operation for major projects.



MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Liu Ren (劉韜), aged 49, with a Master Degree of Economics. He had worked in the headquarter of the investment bank of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), the headquarter of the investment bank of Fortune Securities Co., Ltd. (財富證券有限責任公司) and The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals. He has served as an Assistant General Manager and Minister of Capital Operations of Guangdong Rising Assets Management Co., Ltd (廣東省廣晟資產經營有限公司). since May 2014. Mr. Liu Ren has also served as a Director in E Fund Management Co., Ltd and Guangdong Rising Finance Co., Ltd. Mr. Liu was appointed as an executive Director on 11 October 2016.

Mr. Chen Shu Sheng (陳曙生), aged 50, 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 41, 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, and was appointed as the vice-chairman of the Board on 11 October 2016.

NON-EXECUTIVE DIRECTORS

Mr. Liu Boren (劉伯仁), aged 46, is an executive Director, with a Bachelor's Degree. He had worked in Guangdong Branch of the People's Bank of China, Guangzhou Branch of People's Bank of China and Guangdong Regulatory Bureau of China Banking Regulatory Commission. Since March 2014, he has served as an Assistant General Manager in Guangdong Rising Assets Management Co., Ltd. He has served as the chairman of the board of Guangdong Rising Finance Co., Ltd since June 2015. Mr. Liu was appointed as a non-executive Director on 11 October 2016.

Mr. Deng Qian (鄧謙), aged 39, is an executive Director, with a Master Degree. He has served as an Office Secretary, Director and Senior Director of Business Development and Deputy General Manager of Investment and Development Department in Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd. Since May 2016, he has served as a Minister of Overseas Development Department of Guangdong Rising Assets Management Co., Ltd. Mr. Deng Qian also serves as the director of ALBA Rising Green Fuel (Hong Kong) Ltd. and the chairman and legal representative of ALBA Rising Green Fuel (Jieyang) Ltd., joint stock companies of Guangdong Rising Assets Management Company Limited. Mr. Deng was appointed as a non-executive Director on 11 October 2016.

Mr. Huang Yi Ming (黃藝明), aged 42, is an executive Director, with a Bachelor's Degree. He had worked in Guangdong International Trust and Investment Corporation, Bestfound Law Firm, etc. Since April 2016, he has served as a Minister of Legal Affairs Department in Guangdong Rising Assets Management Co., Ltd. Mr. Huang was appointed as a non-executive Director on 11 October 2016.



MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Zhengfu (朱征夫), aged 51, is an independent non-executive Director, a senior lawyer with a Doctoral Degree. He has currently served as a Director and Directing Partner of Guangdong Dong Fang Kun Lun Law Office. Mr. Zhu Zhengfu also serves as an Independent Director of E Fund Management Co., Ltd., Guangdong Guangzhou Daily Media Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 0002181), Poly Real Estate Group Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600048), Beijing Honggao Creative Construction Design Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002504), O Luxe Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 00860) and Zall Development Holdings Co., Ltd, Wuhan Sante Cableway Group Co., Ltd (listed on Shenzhen Stock Exchange, stock code:002159), and a Supervisor of CSSC Offshore & Marine Engineering (Group) Company Limited (listed on Hong Kong stock exchange (stock code: 0317) and Shanghai Stock Exchange (stock code: 600685)).

Mr. Qu Jiu Hui (曲久輝), aged 58, is an 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 is the independent non-executive director of Southern Pump Co., Ltd. (listed on ChiNext of Shenzhen Stock Exchange (Stock Code: 300145)) and Beijing Capital Co. Ltd. (listed on Shanghai Stock Exchange (Stock Code: 600008)) from November 2015 and December 2014. 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 53, is an independent non-executive Director. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Certified Public Accountants of England and Wales, 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 is the independent non-executive director of Chinese Railway Construction of High-tech Equipment Limited (listed on Hong Kong Stock Exchange (Stock Code: 1786) and China Agri-Products Exchange Limited (listed on the Stock Exchange, stock code:149). Mr. Wong has 30 years of experience in accounting, finance, investment management and advisory.



MANAGEMENT PROFILE

SUPERVISORS

Mr. Zhang An Li (張岸力), aged 41, has a bachelor degree in International Finance and International Trade of South China Normal University and a master degree in Software Engineering of Wuhan University. Since started working in July 1997, Mr. Zhang has served as officer, deputy chief officer, chief officer of the Administrative Department of the Audit Office of Guangdong Province and the Social Security Department of the Audit Office Guangdong Province and deputy commissioner of the Performance Audit Office. Mr. Zhang has been appointed as the head of department of audited supervisor of Guangdong Rising Assets since December 2015. He served as Supervisor of the Company since 11 October 2016.

Mr. Huang Wei Ming (黃偉明), aged 49, is a supervisor of the Company, From December 1994 to January 2011, Mr. Huang served as a credit officer of branch, branch president, the head of team and deputy branch manager of the Asset Management Department of Guangdong Development Bank. From January 2011 to 2013, he served as a general manager of Shenzhen Tong Hai Chemical Co., Ltd and standing deputy general manager of Shenzhen Jieda Investment Group Co. Ltd.* (深圳市皆大投資集團有限公司). Since January 2015, he has served as a general manager of Shenzhen Dongjiang Huiyuan Micro Finance Company Limited* (深圳市東江匯圓小額貸款公司), a wholly-owned subsidiary of the Company. He served as Supervisor of the Company since 15 March 2016.

Ms. Shu Yixin (舒奕心), aged 35, graduated from high school. She joined the Company in July 2006 and worked in human resources and administration sectors, she is currently a specialized officer of the human resources and administration department of the Company. She served as Supervisor of the Company since 13 June 2016.

COMPANY SECRETARY

Ms. Wang Tian (王恬), aged 40, 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.



MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Li Pu Lin (李蒲林), aged 47, is the vice president and the financial director, with a master degree. He has worked in the HuaLe Industrial Development Co., Ltd. and Guangzhou HuaLe Industrial Development Co., Ltd., the Guangzhou military logistics department of the Chinese People's Liberation Army. From May 2000 to 10 October 2016, He has successively served as the senior supervisor of the financial department, the manager of the information center, and the deputy Minister and the Minister of Department of Planning and Finance of Guangdong Rising Assets Management Co., Ltd. Mr. Li was appointed as an the vice president and the financial director on 11 October 2016.

Mr. Cao Ting Wu (曹庭武), aged 50, 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 57, 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 40, 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. Zhou Yao Ming (周耀明), aged 45, is the vice president of the Group since 31 December 2016. After joining the Company in 1999, Mr. Zhou has been the senior management of industrial hazardous waste treatment business and environmental protection enterprise and business department.



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 62 of this report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.121 per share of the Company (inclusive of tax) (2015: RMB0.08) to all shareholders of the Company based on the total number of shares of 886,857,102 shares (i.e. the 887,152,102 issued shares as of today minus the proposed repurchase and cancellation of 295,000 shares) of the Company, accordingly, the total amount of dividend to be paid is RMB107,309,709.34. No bonus shares will be awarded and no capital reserves will be converted into shares. The above said proposal is subject to approval by the shareholders of the Company at the 2016 annual general meeting ("AGM") to be convened and held. The Company will make further announcement in accordance with the Listing Rules upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends is determined.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2016, a discussion on the Group's future prospects are provided in "Management Discussion and Analysis" in pages 6 to 20 in this annual report, an analysis of the Group's performance during the Reporting Period using key performance indicators are provided in "Financial Summary" in page 3 in this annual report.

OTHER EVENTS DURING THE PERIOD

Satisfaction of unlocking conditions of unlocking period of Restricted A Shares granted under the 2013 Restricted A Share Incentive Scheme

On 5 January 2016, the Board determined that the unlocking conditions of the first unlocking period of reserved portion of Restricted A Shares under the Restricted A Share Incentive Scheme (as defined in the circular of the Company dated 28 November 2013), which was approved on 23 January 2014, were satisfied. Upon approval of the above resolution, the first unlocking period will commence from the first trading day after 12 months from the date of grant of reserved Restricted A Shares to the last trading day within 24 months from the date of grant of the reserved Restricted A Shares. 20% of the reserved portion of total Restricted A Shares will be unlocked and available for application by relevant Share Incentive Participants (as defined in the circular of the Company dated 28 November 2013) during the unlocking period. A total number of 63 Share Incentive Participants have applied to unlock, in aggregate, 425,000 Restricted A Shares, representing 0.05% of the then total share capital of the Company. The Unlocked Restricted A Shares have been listed on the Shenzhen Stock Exchange on 14 January 2016.



DIRECTORS' REPORT

On 24 March 2016, the Board considered and approved a resolution in relation to the satisfaction of unlocking conditions of the second unlocking period of Restricted A Shares under the First Grant of the Restricted A Share Incentive Scheme (as defined in the circular of the Company dated 28 November 2013), which was approved on 23 January 2014. Upon the approval of the above resolution, the second unlocking period will commence from the first trading day after 24 months from the date of First Grant of Restricted A Shares to the last trading day within 36 months from the date of First Grant of the Restricted A Shares. A total number of 98 Share Incentive Participants have applied to unlock, in aggregate, 8,325,000 Restricted Shares, representing approximately 0.96% of the then total share capital of the Company. The Unlocked Restricted Shares have been listed on the Shenzhen Stock Exchange on 6 April 2016.

The Board has considered and approved a resolution respectively on 6 January 2016 and 30 December 2016, which were in relation to the satisfaction of unlocking conditions of the first unlocking period and second unlocking period of reserved portion of Restricted A Shares under the Restricted A Share Incentive Scheme. A total of 63 and 60 Share Incentive Participants have applied to unlock, in aggregate, 425,000 and 800,000 Restricted A Shares respectively, representing approximately 0.05% and 0.09% of the then total share capital of the Company. The unlocked Restricted Shares were listed on the Shenzhen Stock Exchange on 4 January 2016 and 12 January 2017 respectively.

For details, please refer to the announcements of the Company dated 5 January 2016, 11 January 2016, 24 March 2016, 31 March 2016, 30 December 2016 and 10 January 2017.

2016 Restricted Share Incentive Scheme

On 14 July 2016, the Board considered and approved the resolution in respect of the proposed adoption of the 2016 Restricted Share Incentive Scheme and the respective grants.

The Share Incentive Participants of the 2016 Restricted Share Incentive Scheme were the Directors, senior management and key employees of the Group when the Company implemented the Restricted A Share Incentive Scheme.

The total number of Restricted A Shares that may be granted under the 2016 Restricted A Share Incentive Scheme shall not exceed 20,000,000 A Shares. The validity period of the Restricted A Share Incentive Scheme shall be within 48 months from the date of the granting of Restricted Shares.

The proposed adoption of 2016 Restricted A Share Incentive Scheme was approved by the shareholders on the EGM on 11 October 2016, the H Shares class meeting and A Shares class meeting on 11 October 2016.

On 8 November 2016, the Board considered and approved the number of Share Incentive Participants under the 2016 Restricted A Share Incentive Scheme to be 332, and the number of Restricted Shares granted to be 18.14 million. The Board also considered and approved the First Grant (the "**First Grant**"), where a total of 18,140,000 A Shares were issued and granted to Share Incentive Participants at a price of RMB8.71 per share under the 2016 Restricted A Share Incentive Scheme.



DIRECTORS' REPORT

On 16 November 2016, all the relevant procedures (including the capital verification of the fund for subscription) concerning the First Grant of 2016 Restricted A Share Incentive Scheme have been completed in accordance with the relevant requirements of the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited.

For details of the 2016 Restricted A Share Incentive Scheme and each grant, please refer to the announcements of the Company dated 14 July 2016, 8 November 2016, 11 November 2016 and the circular of the Company dated 28 August 2016.

2015 Non-public Issuance of New A shares

On 26 April 2015, the Board proposed to convene EGM and class meetings to seek shareholders' approval to grant special mandate for Non-public Issuance of not more than 57,860,000 New A Shares.

On 12 June 2015, the Proposed Non-public Issuance of New A Shares has been approved by the shareholders of the Company at the EGM, A Shares class meeting and H Shares class meeting held on 12 June 2015.

On 2 July 2015, the China Securities Regulatory Commission ("CSRC") accepted the application of the Company for the "Non-Public Issuance of Shares by Listed Companies".

On 1 March 2016, the Board and supervisory committee of the Company respectively agreed to terminate the Non-public Issue of A Shares, and the CSRC decided to terminate the application for Non-public Issue of New A Shares of the Company according to Article 20 of the "Rules of the Implementation Procedure of Administrative Permission of China Securities Regulatory Commission".

For details of 2015 Non-public Issuance of New A Shares, please refer to the announcements of the Company dated 26 April 2015, 12 June 2015, 2 July 2015, 16 February 2016, 1 March 2016 and 15 March 2016, and the circular of the Company dated 14 May 2015.

2016 Non-public Issue of A shares and A Shares Subscription Agreement entered into with Guangdong Rising Assets

On 14 July 2016, the Board proposed to convene the EGM and Class Meetings to seek approval from Shareholders for the granting of specific mandate for the Non-public Issuance of up to 150,000,000 New A Shares and the entering into of the A Shares Subscription Agreement with Guangdong Rising Assets.

On 11 August 2016, the Board revised the proposal for the Non-public Issue of A Shares and entered into the supplementary agreement to the A Shares Subscription Agreement with Guangdong Rising Assets.

On 30 December 2016, given that the Hong Kong Securities and Futures Commission considered Mr. Zhang Weiyang and Guangdong Rising Assets were parties acting in concert, pursuant to the "Codes on Takeovers and Mergers and Share Repurchases", Guangdong Rising Assets was obliged to make a general offer upon the completion of A Shares Subscription. Following negotiation, the Company and Guangdong Rising Assets have mutually agreed to terminate the Non-public Issue of A Shares.

For details of 2016 Non-public Issue of New A Shares and the A Shares Subscription Agreement entered into with Guangdong Rising Assets, please refer to the announcements of the Company dated 14 July 2016, 11 August 2016, 1 September 2016, 31 October 2016 and 30 December 2016.



DIRECTORS' REPORT

Disposal of equity interest in Hubei Dongjiang, Qingyuan Dongjiang and Xiamen Oasis

On 12 April 2016, the Company entered into an equity transfer agreement with Sound (Tianjin) Renewable Resources Investment Holding Co., Ltd.* (桑德(天津)再生資源投資控股有限公司) (“**Sound Tianjin**”) and the wholly-owned subsidiaries of the Company, Hubei Dongjiang Environmental Co., Ltd.* (湖北東江環保有限公司) (“**Hubei Dongjiang**”) and Qingyuan Dongjiang Environmental Technology Company Limited* (清遠市東江環保技術有限公司) (“**Qingyuan Dongjiang**”), pursuant to which the Company agreed to sell and Sound Tianjin agreed to acquire 100% of the equity interest in each of Hubei Dongjiang and Qingyuan Dongjiang at a total consideration of RMB380,000,000.

On the same date, the Company entered into an equity transfer agreement with Sound Tianjin, Beijing Xinyi Resources Science and Technology Co., Ltd.* (北京新易資源科技有限公司) (“**Beijing Xinyi**”), Xiamen Oasis Environmental Stock Company Limited* (廈門綠洲環保產業股份有限公司) (“**Xiamen Oasis**”), a 60% owned subsidiary of the Company, and other shareholders of Xiamen Oasis, pursuant to which the Company and the other shareholders of Xiamen Oasis agreed to segregate the non-Target Business of Xiamen Oasis by demerging such business into a new company, and Sound Tianjin and Beijing Xinyi agreed to acquire 100% of the equity interest in Xiamen Oasis (demerged) at the total consideration of RMB320,000,000 (tentatively), among which the consideration for the Company’s sale of 60% equity interest in Xiamen Oasis (demerged) is RMB192,000,000 (tentatively).

For details, please refer to the announcement of the Company dated 12 April 2016.

Disposal of shares by substantial shareholder

On 15 June 2016, the Company was informed by Mr. Zhang Weiyang (“**Mr. Zhang**”), a substantial shareholder of the Company, that he entered into a equity transfer agreement with Guangdong Rising Assets on 15 June 2016, pursuant to which Mr. Zhang agreed to transfer 60,682,871 A Shares of the Company (the “**Target Shares**”), representing approximately 6.98% of the then total issued share capital of the Company to Guangdong Rising Assets at the consideration of RMB1,342,669,200 (i.e. RMB22.126 per share) (the “**Disposal**”). On 13 July 2016, Mr. Zhang has obtained the “Confirmation of Share Transfer Registration issued by the China Securities Depository and Clearing Corporation Limited” and the Disposal was completed. In addition, on 13 July 2016, Mr. Zhang undertook to vote according to the instruction of Guangdong Rising Assets with the voting rights of his 61,030,624 shares and pledged such 61,030,624 shares to Guangdong Rising Assets (“**Undertaking to Vote according to Instructions**”). Guangdong Rising Assets became the shareholder effectively controlling the single largest voting right of the Company.

On 18 January 2017, Guangdong Rising Assets and Mr. Zhang Weiyang entered into the “Transfer Agreement of 6.88% Equity Interests of Dongjiang Environmental Company Limited”, pursuant to which, Mr. Zhang Weiyang agreed to transfer 61,030,624 shares of the Company that he held (representing 6.88% of the then total share capital of the Company) to Guangdong Rising Assets at a consideration of RMB1,350,363,600 (i.e., RMB22.126 per share). On 7 February 2017, Mr. Zhang obtained the “Confirmation Letter of Transfer Registration issued by China Securities Depository and Clearing Corporation Limited” (《中國證券登記結算有限責任公司過戶登記確認書》). Mr. Zhang has transferred 61,030,624 shares of the Company that he held to Guangdong Rising Assets, as a result of which the transfer of equity interest of the shares of the Company between Mr. Zhang and Guangdong Rising Assets under the agreement has been completed. Guangdong Rising Assets became the shareholder with the single largest voting right of the Company. Moreover, the Undertaking to Vote according to Instructions was terminated.



DIRECTORS' REPORT

Public Issue of Green Corporate Bonds

On 13 September 2016, the Board approved and resolved to submit to the shareholders for considering, and if thought fit, approving the public issue of the Green Corporate Bonds with an aggregate principal amount of not exceeding RMB1 billion (inclusive of RMB1 billion) in the PRC.

The Proposed Public Issue of Green Corporate Bonds was approved by the shareholders at the EGM on 11 October 2016.

On 14 December 2016, the Company received the "Approval of Public Issue of Green Corporate Bonds to Eligible Investors by Dongjiang Environmental Company Limited" from the China Securities Regulatory Commission ("CSRC"), which approved the Public Issue of the Green Corporate Bonds by the Company to the eligible investors.

For details, please refer to the announcements of the Company dated 13 September 2016 and 14 December 2016, and the circular dated on 21 September 2016.

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.16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note VI.39 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.



DIRECTORS' REPORT

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 21 December 2016, to repurchase and cancel granted yet unlocked restricted A Shares held by former participant, the Company repurchased a total of 270,000 restricted A Shares of RMB1.00 each at approximately RMB5.1653 per A Share on Shenzhen Stock Exchange. The purchase price totaled approximately RMB1,394,640. In addition, the Company also repurchased a total of 100,000 restricted A Shares of RMB1.00 each at approximately RMB6.5560 per A Share. The purchase price totaled approximately RMB655,600. The abovementioned 370,000 A Shares were subsequently cancelled on 23 December 2016.

For details, please refer to the announcement of the Company dated 23 December 2016.

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 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 68 to 69 of this report.

DISTRIBUTABLE RESERVES

During the Reporting Period, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to approximately RMB1,495,931,135.77. 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 18.99% of the total sales for the year and sales to the largest customer included therein amounted to approximately 5.53%. Purchases from the Group's five largest suppliers accounted for approximately 6.03% of the total purchases for the year and purchase from the Group's largest supplier accounted for approximately 1.36% for the Reporting Period.

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



DIRECTORS' REPORT

DIRECTORS AND SUPERVISORS

The Directors during the Reporting Period were: Mr. Liu Ren (appointed on 11 October 2016), Mr. Zhang Wei Yang (resigned on 13 July 2016), Mr. Chen Shu Sheng and Mr. Li Yong Peng as the executive Directors; Mr. Feng Tao (resigned on 11 October 2016), Ms. Sun Ji Ping (resigned on 11 October 2016), Mr. Liu Bo Ren (appointed on 11 October 2016), Mr. Deng Qian (appointed on 11 October 2016), and Mr. Huang Yi Ming (appointed on 11 October 2016) as the non-executive Directors; Mr. Wong Hin Wing, Mr. Qu Jiu Hui, Mr. Su Qi Yun (resigned on 11 October 2016) and Zhu Zheng Fu (appointed on 11 October 2016) as the independent non-executive Directors. The Directors up to the date of this report were: Mr Liu Ren, Mr. Chen Shu Sheng and Mr. Li Yong Peng as the executive Directors; Mr. Liu Bo Ren, Mr. Deng Qian and Mr. Huang Yi Ming as the non-executive Directors; Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zheng Fu as the independent non-executive Directors.

The supervisors of the Company (“**Supervisors**”) during the Reporting Period were: Ms. Yuan Wei (resigned on 6 July 2016), Mr. Cai Wen Sheng (resigned on 15 March 2016), Mr. Ren Yu Nan (appointed on 6 July 2016 and resigned on 11 October 2016), Mr. Liu An (resigned on 13 July 2016), Mr. Zhang An Li (appointed on 11 October 2016), Mr. Huang Wei Ming (appointed on 15 March 2016) and Ms. Shu Yi Xin (appointed on 13 July 2016), and up to the date of this report the Supervisors are Ms. Zhang An Li, Mr. Huang Wei Ming and Ms. Shu Yi Xin.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 21 to 24 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

Mr. Chen Shu Sheng, Mr. Li Yong Peng, Mr. Wong Hin Wing and Mr. Qu Jiu Hui, the Directors (including independent non-executive Directors) 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 Liu Ren, Mr. Liu Bo Ren, Mr. Deng Qian, Mr. Huang Yi Ming and Mr. Zhu Zheng Fu, the Directors (including independent non-executive Directors) and Mr Zhang An Li, the supervisor entered into a service contract with the Company for a term commencing from 11 October 2016 and ending on the expiry of the term of the fifth session of the Board. Mr. Huang Wei Ming entered into a service contract with the Company for a term commencing from 15 March 2016 and ending on the expiry of the term of the fifth session of the Supervisor Committee. Ms. Shu Yi Xin entered into a service contract with the Company for a term commencing from 13 June 2016 and ending on the expiry of the term of the fifth session of the Supervisor Committee.

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



DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

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

EMOLUMENTS FOR DIRECTORS, SUPERVISORS AND EMPLOYEES

Details of the emoluments for Directors, Supervisors and employees of the Company are set out in note XI.3(1) 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.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE PLAN

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

Remuneration Policy of Executive Directors

1. The remuneration of executive Directors and Chairman of the Company is determined in accordance with the "Remuneration Proposal of Chairman". The annual remuneration comprises basic annual salary and performance-based annual salary, which is a variable compensation determined based on the operating results of the Company and individual performance appraisal. The exact amount of basic annual salary and performance-based annual salary of executive Directors and Chairman will be determined by the Remuneration and Appraisal Committee within the above scope according to the operating results of the Company and the results of appraisal.

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

- A Adheres to the principle of distribution according to one's works and combination of duties, rights and benefits;
- B Implements the principle of linking the level of remuneration with the profitability and operational goals of the Company;
- C The principle that aligns the remuneration and the long term interests of the Company, which aims to ensure growth of core businesses and prevent actions for short-term gains, thereby promoting the steady development of the Company in the long run.

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



DIRECTORS' REPORT

Remuneration Policy of Non-Executive Directors

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

Principles of Long-Term Incentive Schemes

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.
2. The link between executive reward and company performance should be strong and clear.
3. Grants under such schemes should be phased rather than awarded in one large block.

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

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

As at 31 December 2016, 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
Li Yong Peng	Beneficial owner	27,556,120 A shares	3.11%/4.01%
Chen Shu Sheng	Beneficial owner	14,379,182 A shares	1.62%/2.09%

Save as disclosed above, as at 31 December 2016, 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

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 Wai Yang (<i>Note 1</i>)	Beneficial owner	182,086,302 A Shares	20.52%/26.50%
Guangdong Rising Assets (<i>Note 1</i>)	Beneficial owner	121,713,495 A Shares	13.72%/17.72%

Note 1: Mr. Zhang undertakes to vote with his voting rights of his 61,030,624 A shares according to the direction of Guangdong Rising Assets. As at the date of this report, the aforesaid share pledge has been terminated.

Save as disclosed above in respect to certain Directors, as at 31 December 2016, 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 2016, 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 2016.

CONNECTED TRANSACTIONS

On 8 November 2016, the Company issued and granted an aggregate of 18,140,000 A Shares to 332 Share Incentive Participants at the price of RMB8.71 per Share pursuant to the Restricted A Share Incentive Scheme (the "First Grant"). On 16 November 2016, the First Grant was completed.

Under the First Grant, certain Participants are the directors, supervisors or the chief executive officers of certain subsidiaries of the Company and hence a connected person of the Company. The grant of Restricted Shares to such persons constitutes non-exempt connected transactions of the Company, which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



DIRECTORS' REPORT

Continuing Connected Transactions

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

On 13 December 2016, the Company entered into the Financial Services Agreement with Guang Dong Rising Finance Company (Rising Finance Company), in relation to the provision of deposit services, settlement services and other financial services by Rising Finance Company to the Company. The term commences from 13 December 2016 and ends on 31 March 2017.

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

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the deposit services, settlement services and other financial services under the Financial Services Agreement on an annual basis is or are higher than 0.1% but less than 5%, entering into the Financial Services Agreement is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

RELATED PARTY TRANSACTIONS

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 conducted during 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.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. For details, please refer to pages 15 to 16 of this report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

The Group and suppliers: the Group informs suppliers of the Group's current development, ready-to-develop products and demand on the raw materials and auxiliary materials in future through various means including meeting with suppliers, which allows suppliers to get valid information about our products in advance and to prepare required raw materials for production. Such practice reduces cost on one hand, and allows us to make the most suitable procurement with less time cost on the other.

The Group and customers: the Group establishes strong relationship with customers with the principle of "Improving quality, providing considerate services, mutually understanding and building mutual trust".

The Group uses its best endeavour to achieve harmonious development with its suppliers and customers to create value and share the success. The Group pays attention to the communication and coordination with relevant parties to build a trustful and cooperative platform.



DIRECTORS' REPORT

ENVIRONMENTAL POLICIES

The Group is principally engaged in the processing and sale of recycled products, the provision of waste treatment services, the construction and provision of environmental protection systems and services, and the trading of chemical products. In addition, adhering to the operation philosophy of "Circulating Economy and Sustainable Development", the Company insists on the historical commitment of "A World Without Waste" and continues to develop new technology and technique for waste disposal business. Also, the Company strives to provide a green, healthful and safe working environment with an strategic aim to "Being a Leading Comprehensive Environmental Protection Services Provider in China Based Upon Hazardous Waste Treatment and Driven by Technology Innovation", securing the safe and sustainable development of the Company and creating a "harmonious and win-win" situation for the Company, society and environment.

The environment, social and governance report as required by Appendix 27 of the Listing Rules of Hong Kong will be published separately by the Company on or before 28 July 2017.

EVENTS AFTER THE REPORTING PERIOD

On 18 January 2017, Guangdong Rising Assets and Mr. Zhang Weiyang entered into the "Transfer Agreement of 6.88% Equity Interests of Dongjiang Environmental Company Limited", pursuant to which, Mr. Zhang Weiyang agreed to transfer 61,030,624 shares of the Company that he held (representing 6.88% of the then total share capital of the Company) to Guangdong Rising Assets at a consideration of RMB1,350,363,600 (i.e., RMB22.126 per share). On 7 February 2017, Mr. Zhang obtained the "Confirmation Letter of Transfer Registration issued by China Securities Depository and Clearing Corporation Limited" (《中國證券登記結算有限責任公司過戶登記確認書》). Mr. Zhang has transferred 61,030,624 shares of the Company that he held to Guangdong Rising Assets, as a result of which the transfer of equity interest of the shares of the Company between Mr. Zhang and Guangdong Rising Assets under the agreement has been completed. Guangdong Rising Assets became the shareholder with the single largest voting right of the Company. As at the date of this report, Guangdong Rising Assets held 139,456,690 shares of the Company, representing 15.72% of the total share capital of the Company.

The first tranche of green corporate bonds was issued in the amount of RMB600 million and commenced trading on the Shenzhen Stock Exchange on 12 April 2017. The bond abbreviation and bond code are "17 Dongjiang G1" and "112501" respectively.

COMPLIANCE WITH LAWS AND REGULATIONS

Our Group has to comply with relevant laws and regulations in the jurisdictions where the Group operates. The Group's operations are mainly carried out by the Company's subsidiaries in the PRC. Accordingly, our operations shall comply with relevant laws and regulations in the PRC. During the year ended 31 December 2016 and up to the date of this report, the Group does not have any violation of relevant laws and regulations which gives rise to significant impact to the Group's development, performance and businesses.



DIRECTORS' REPORT

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.

PERMITTED INDEMNITY PROVISIONS

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

ON BEHALF OF THE BOARD

Dongjiang Environmental Company Limited

Liu Ren

Chairman

Shenzhen, Guangdong Province, the PRC

29 March 2017



SUPERVISORY COMMITTEE'S REPORT

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

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

On 29 March 2017, the Supervisory Committee convened a meeting, at which the 2016 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

ZHANG An Li
Chairman of the Supervisory Committee
Shenzhen, the PRC
29 March 2017



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 adopted and 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' AND SUPERVISORS' SECURITIES TRANSACTIONS

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

THE BOARD

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

The Board currently comprises three executive directors, being Mr. Liu Ren, Mr. Chen Shu Sheng and Mr. Li Yong Peng; three non-executive directors, being Mr. Liu Bo Ren, Mr. Deng Qian and Mr. Huang Yi Ming; and three independent non-executive directors, being Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zheng Fu. Mr. Liu Ren is the chairman of the Board. The skills and expertise among the existing directors are considered appropriate to the business and nature of the Group. The experience and qualifications of directors and senior management and the relationship among them are set out on pages 21 to 24 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.



CORPORATE GOVERNANCE REPORT

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 30 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. Liu Ren (<i>Chairman</i>) (<i>Note 1</i>)	6/6
Mr. Zhang Wei Yang (<i>Chairman</i>) (<i>Note 2</i>)	14/16
Mr. Chen Shu Sheng (<i>Chief Executive</i>)	30/30
Mr. Li Yong Peng (<i>Vice Chairman, Vice President</i>)	30/30
Non-executive Directors	
Mr. Liu Bo Ren	6/6
Mr. Deng Qian	6/6
Mr. Huang Yi Ming (<i>Note 3</i>)	6/6
Mr. Feng Tao (<i>Vice Chairman</i>)	24/24
Ms. Sun Ji Ping (<i>Note 4</i>)	24/24
Independent Non-executive Directors	
Mr. Wong Hin Wing	30/30
Mr. Qu Jiu Hui	30/30
Mr. Zhu Zheng Fu (<i>Note 5</i>)	6/6
Mr. Su Qi Yun (<i>Note 6</i>)	24/24
Average attendance rate	99.16%

Notes:

1. Mr. Liu Ren was appointed as chairman of the Board on 11 October 2016. Mr. Liu attended 6 out of 6 Board meetings held during his tenure in the year ended 31 December 2016.
2. Mr. Zhang Wei Yang was resigned as chairman of the Board and the executive Director on 13 July 2016. Mr. Zhang attended 14 out of 16 Board meetings held during his tenure in the year ended 13 July 2016.
3. Mr. Liu Bo Ren, Mr. Deng Qian and Mr. Huang Yi Ming was appointed as the non-executive Directors on 11 October 2016. They attended 6 out of 6 Board meetings held during their tenure in the year ended 31 December 2016.



CORPORATE GOVERNANCE REPORT

4. Mr. Feng Tao and Ms. Sun Ji Ping was resigned as the non-executive Directors on 11 October 2016. They attended 24 out of 24 Board meetings held during their tenure in the year ended 31 December 2016.
5. Mr. Zhu Zheng Fu was appointed as an independent non-executive Director on 11 October 2016. Mr. Zhu attended 6 out of 6 Board meetings held during his tenure in the year ended 31 December 2016.
6. Mr. Su Qi Yun was resigned as an independent non-executive Director on 16 March 2015. Mr. Su attended 24 out of 24 Board meetings held during his tenure in the year ended 11 October 2016.

Mr. Li Yong Peng (executive Director) is a nephew of Mr. Zhang Wei Yang (former Chairman and executive Director). Save as disclosed above, there are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Liu Ren 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.

Mr. Huang Hin Wing and Mr. Qu Jiu Hui, the non-executive Directors has entered into a service contract with the Company for a term of three years. Mr. Liu Bo Ren, Mr. Deng Qian, Mr. Huang Yi Ming and Mr. Zhu Zheng Fu has entered into a service contract with the Company for a term of commencing from 11 October 2016 and ending on the expiry of the term of the fifth session of the Board.



CORPORATE GOVERNANCE REPORT

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. Liu Ren (<i>Chairman</i>)	√	√
Mr. Zhang Wei Yang (<i>Chairman</i>)	√	√
Mr. Chen Shu Sheng (<i>Chief Executive</i>)	√	√
Mr. Li Yong Peng (<i>Vice Chairman, Vice President</i>)	√	√
Non-executive Directors		
Mr. Liu Bo Ren	√	√
Mr. Deng Qian	√	√
Mr. Huang Yi Ming	√	√
Mr. Feng Tao (<i>Vice Chairman</i>)	√	√
Ms. Sun Ji Ping	√	√
Independent Non-executive Directors		
Mr. Wong Hin Wing	√	√
Mr. Qu Jiu Hui	√	√
Mr. Zhu Zheng Fu	√	√
Mr. Su Qi Yun	√	√

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.



CORPORATE GOVERNANCE REPORT

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

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

GENERAL MEETINGS WITH SHAREHOLDERS

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

Name of Directors	Attendance/Number of meeting(s) held
Executive Directors	
Mr. Liu Ren (<i>Chairman</i>) (<i>Note 1</i>)	0/0
Mr. Zhang Wei Yang (<i>Chairman</i>) (<i>Note 2</i>)	1/2
Mr. Chen Shu Sheng (<i>Chief Executive</i>)	3/3
Mr. Li Yong Peng (<i>Vice Chairman, Vice President</i>)	3/3
Non-executive Directors	
Mr. Liu Bo Ren	0/0
Mr. Deng Qian	0/0
Mr. Huang Yi Ming (<i>Note 3</i>)	0/0
Mr. Feng Tao (<i>Vice Chairman</i>)	2/3
Ms. Sun Ji Ping (<i>Note 4</i>)	2/3
Independent Non-executive Directors	
Mr. Zhu Zheng Fu (<i>Note 5</i>)	0/0
Mr. Wong Hin Wing	2/3
Mr. Qu Jiu Hui	2/3
Mr. Su Qi Yun (<i>Note 6</i>)	1/3
Average Attendance Rate	69.57%

Note:

1. Mr. Liu Ren was appointed as chairman of the Board on 11 October 2016. Mr. Liu didn't held any general meetings during his tenure in the year ended 31 December 2016.
2. Mr. Zhang Wei Yang was resigned as chairman of the Board and the executive Director on 13 July 2016. Mr. Zhang attended 1 out of 2 General meetings held during his tenure in the year ended 13 July 2016.
3. Mr. Liu Bo Ren, Mr. Deng Qian and Mr. Huang Yi Ming was appointed as the executive Directors on 11 October 2016. They didn't held any general meetings during their tenure in the year ended 31 December 2016.



CORPORATE GOVERNANCE REPORT

4. Mr. Feng Tao and Ms. Sun Ji Ping was resigned as the non-executive Directors on 11 October 2016. They attended 2 out of 3 General meetings held during their tenure in the year ended 31 December 2016.
5. Mr. Zhu Zheng Fu was appointed as an independent non-executive Director on 11 October 2016. Mr. Zhu didn't held any general meetings during his tenure in the year ended 31 December 2016.
6. Mr. Su Qi Yun was appointed as an independent non-executive Director on 16 March 2015. Mr. Su attended 1 out of 2 General meetings held during his tenure in the year ended 11 October 2016.

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. Zhu Zheng Fu 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.



CORPORATE GOVERNANCE REPORT

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:

Name of Audit Committee members	Attendance/Number of meeting(s) held
Mr. Wong Hin Wing (<i>Chairman</i>)	4/4
Mr. Qu Jiu Hui	4/4
Mr. Zhu Zheng Fu (<i>Note 1</i>)	1/1
Mr. Su Qi Yun (<i>Note 2</i>)	3/3
Average attendance rate	100%

Notes:

1. Mr. Zhu Zheng Fu was appointed as an independent non-executive Director on 11 October 2016. Mr. Zhu attended 1 out of 1 committee meetings held during his tenure in the year ended 31 December 2016.
2. Mr. Su Qi Yun was appointed as an independent non-executive Director on 16 March 2015. Mr. Su attended 3 out of 3 committee meetings held during his tenure in the year ended 11 October 2016.

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. Zhu Zheng Fu, Mr. Qu Jiu Hui and Mr. Wong Hin Wing. Mr. Zhu Zheng Fu has been appointed as the chairman of the Remuneration and Appraisal Committee.

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

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



CORPORATE GOVERNANCE REPORT

The Remuneration and Appraisal Committee met seven 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. Zhu Zheng Fu (<i>Note 1</i>)	3/3
Mr. Wong Hin Wing	7/7
Mr. Qu Jiu Hui	7/7
Mr. Su Qi Yun (<i>Note 2</i>)	4/4
Average attendance rate	100%

Notes:

1. Mr. Zhu Zheng Fu was appointed as an independent non-executive Director on 11 October 2016. Mr. Zhu attended 3 out of 3 committee meetings held during his tenure in the year ended 31 December 2016.
2. Mr. Su Qi Yun was appointed as an independent non-executive Director on 16 March 2015. Mr. Su attended 4 out of 4 committee meetings held during his tenure in the year ended 11 October 2016.

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. Liu Ren. 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.



CORPORATE GOVERNANCE REPORT

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:

Name of Nomination Committee members	Attendance/Number of meeting(s) held
Mr. Liu Ren (<i>Note 1</i>)	1/1
Mr. Zhang Wei Yang (<i>Note 2</i>)	1/1
Mr. Wong Hin Wing	2/2
Mr. Qu Jiu Hui (<i>Chairman</i>)	2/2
Average attendance rate	100%

Notes:

1. Mr. Liu Ren was appointed as chairman of the Board on 11 October 2016. Mr. Liu attended 1 out of 1 committee meetings held during his tenure in the year ended 31 December 2016.
2. Mr. Zhang Wei Yang was resigned as chairman of the Board and the executive Director on 13 July 2016. Mr. Zhang attended 1 out of 1 committee meetings held during his tenure in the year ended 13 July 2016.

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.



CORPORATE GOVERNANCE REPORT

The Strategic Development Committee met twice 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. Liu Ren (<i>Chairman</i>) (<i>Note 1</i>)	1/1
Mr. Zhang Wei Yang (<i>Chairman</i>) (<i>Note 2</i>)	1/1
Mr. Chen Shu Sheng	1/1
Mr. Feng Tao (<i>Note 3</i>)	1/1
Mr. Qu Jiu Hui	2/2
Average attendance rate	100%

Note:

1. Mr. Liu Ren was appointed as chairman of the Board on 11 October 2016. Mr. Liu attended 1 out of 1 committee meetings held during his tenure in the year ended 31 December 2016.
2. Mr. Zhang Wei Yang was resigned as chairman of the Board and the executive Director on 13 July 2016. Mr. Zhang attended 1 out of 1 committee meetings held during his tenure in the year ended 13 July 2016.
3. Mr. Feng Tao was resigned as the non-executive Directors on 11 October 2016. He attended 1 out of 1 committee meetings held during their tenure in the year ended 31 December 2016.

AUDITORS' REMUNERATION

The remuneration paid to the Company's auditor, SHINEWING CERTIFIED PUBLIC ACCOUNTANTS, for audit services during the Reporting Period was in total RMB1,250,000. 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 (whether individually or jointly) over 10% (including 10% voting right issued by the Company) has the right to call for extraordinary general meeting by submitting written request to the Board, after the occurrence of which an extraordinary general meeting shall be held within 2 months by the board. Shareholders enjoy the right to supervise business activities of the Company and make recommendations and queries.



CORPORATE GOVERNANCE REPORT

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

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

Addressee: Ms. Wang Na
Address: 11th Floor, Dongjiang Environmental Building, No. 9 Langshan Road,
North zone of Hitech Industrial Park, Nanshan District, Shenzhen,
the People's Republic of China
Email: ir@dongjiang.com.cn
Tel No.: 86 (755) 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 (whether individually or jointly) holding at least three percent (3%) of the shares with voting rights of the Company shall be entitled to bring forward a new proposal in writing and the Company shall list the matters in the proposal within the duties of the general meeting into the proceedings of this general meeting. Also, Shareholder(s) individually or jointly holding over 3% (including 3%) of the shares carrying voting rights of the total issued shares of the Company may submit their provisional proposals in writing to the convener ten days before the convening of the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after the proposals have been received and announce the content of the provisional proposals.

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

As the 2016 Restricted Share Incentive Scheme was approved in the 2016 the second extraordinary general meeting and the second H class meetings, and A Shares were issued in November 2016, the Articles was amended to take into account of the increase in the Company' registered capital and the number of A Shares. Please refer to the circular of the Company dated 28 August 2016 for details of the aforesaid.

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 – RMB837,800 (approximately HKD1,000,000)	1
RMB837,800 – RMB1,675,600 (approximately HKD1,000,001 – HKD2,000,000)	4

CORPORATE GOVERNANCE REPORT

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.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which gives a true and fair view of the financial position of the Group. In preparing the financial statements which gives a true and fair view of the financial position of the Group, it is fundamental that appropriate accounting policies are selected and applied consistently. It is the auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibilities of the auditors are set out in the report of the auditors on page 52 to 57 of this report.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

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

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

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 2016 annual audit report for the Reporting Period was submitted to the Board, and no major issues had been identified.

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



REPORT OF THE AUDITORS

XYZH/2017SZA30090

TO THE SHAREHOLDERS OF DONGJIANG ENVIRONMENTAL COMPANY LIMITED

1. OPINION

We have audited the financial statements of Dongjiang Environmental Company Limited (“Dongjiang Environmental Company”), which comprise the consolidated and Dongjiang Environmental Company’s balance sheet as at 31 December 2016, the consolidated and Dongjiang Environmental Company’s income statement, the consolidated and Dongjiang Environmental Company’s cash flow statement and the consolidated and Dongjiang Environmental Company’s statement of changes in shareholders’ equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Dongjiang Environmental Company’s financial position as at 31 December 2016, the consolidated and Dongjiang Environmental Company’s results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of Dongjiang Environmental Company in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to form the basis of our audit opinion.

3. KEY AUDIT MATTERS

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



REPORT OF THE AUDITORS

1. Revenue Recognition

Key Audit Matter	How the matter was addressed in the audit
<p>As set out in Notes VI.51 to the consolidated financial statements of Dongjiang Environmental Company, the principal income of Dongjiang Environmental Company was waste treatment and disposal service. In view of revenue is one of the key performance indicators of Dongjiang Environmental Company, revenue recognition may involve the recording of the revenue in the inappropriate accounting period and overriding controls inherent risk. Accordingly, we considered revenue recognition was a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> - We assessed the internal control system and implementation procedures of revenue recognition for Dongjiang Environmental Company and evaluated the validity of the control system for determining whether the revenue of Dongjiang Environmental Company was included in the appropriate accounting period. - We conducted substantial analytical procedures regarding to the cut-off of Dongjiang Environmental Company's waste treatment and disposal income and considered the accuracy of the revenue of waste treatment and disposal income and whether the revenue was included in the appropriate accounting period. - We examined the accounting records in relation to treatment and disposal income and checked significant and relevant accounting records and discussed with the management to assess whether the management had any bias for the revenue recognition of Dongjiang Environmental Company.



REPORT OF THE AUDITORS

2. Assessment on impairment of accounts receivable

Key Audit Matter	How the matter was addressed in the audit
<p>As set out in Note IV.32(1) and VI.4 to the consolidated financial statements of Dongjiang Environmental Company, as at 31 December 2016, the carrying value, provision for bad debts and net amount of accounts receivable of Dongjiang Environmental Company amounted to RMB510.9798 million, RMB17.6296 million and RMB493.3502 million, respectively, and the carrying amount was relative significant. The accounts receivable of Dongjiang Environmental Company was mainly arising from the sales of recycled products and provision of wastes disposal service, and is material assets of the company. If the accounts receivable were not collected on time or provision of accounts receivable arose for uncollectable amounts, there might be significant impacts to the financial statements. Accordingly, we considered the provision for bad debts was a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"><li data-bbox="847 584 1356 793">– We assessed and tested the internal control system of provision for bad debts of accounts receivable of Dongjiang Environmental Company and assessed the reasonableness of key assumptions and data.<li data-bbox="847 836 1356 1045">– We reviewed the process of provision for bad debts of accounts receivable of Dongjiang Environmental Company and considered the reasonableness in the application of the provision for bad debts accounting policy.<li data-bbox="847 1088 1356 1261">– We analysed and compared the reasonableness and consistency of provision for bad debts in the year and previous years of Dongjiang Environmental Company.<li data-bbox="847 1304 1356 1405">– We discussed with the management on the collection of accounts receivable and the possible risk for uncollection.



REPORT OF THE AUDITORS

3. Assessment on impairment of goodwill

Key Audit Matter	How the matter was addressed in the audit
<p>As set out in Note IV.32(3) and VI.20 to the consolidated financial statements of Dongjiang Environmental Company, as at 31 December 2016, the net value of the goodwill for Dongjiang Environmental Company amounted to RMB1,118.8604 million which has a significant carrying value that is attributable to the acquisition of subsidiaries in previous years. If there is impairment on goodwill, there might be a material impact on the financial statements of Dongjiang Environmental Company.</p> <p>In view of the subsidiaries acquired by Dongjiang Environmental Company have different business situation, the testing of goodwill impairment for Dongjiang Environmental Company is complicated which relies on judgment and evaluation of the Company's management on the assumptions of the expected future income and cash flow discount rate of the subsidiaries acquired. Therefore, we considered the assessment of impairment on goodwill impairment was a key audit matter.</p>	<p>Our key audit procedures conducted are as follows:</p> <ul style="list-style-type: none"> - We discussed with the management regarding to the assessment methods of goodwill impairment, including the reasonableness of assumptions such as the expected future income and cash flow discount rate of each component and the judgement and evaluation of profitability of each component. - Based on our knowledge of the business and the industry, we evaluated the reasonableness of key assumptions and data given by the management. - Based on the data and supporting evidence provided by the management, including budgets of each component, we evaluated the reasonableness of such budgets.

4. Other Information

The management of Dongjiang Environmental Company (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises the information included in the Dongjiang Environmental Company 2016 annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.



REPORT OF THE AUDITORS

5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Dongjiang Environmental Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Dongjiang Environmental Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Dongjiang Environmental Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.



REPORT OF THE AUDITORS

- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Dongjiang Environmental Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Dongjiang Environmental Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Dongjiang Environmental Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of audit of the group. We remain solely responsible for our audit opinion.

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

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

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

ShineWing Certified Public Accountants (LLP)

CICPA : **Wang Jianxin**

(Audit Partner)

CICPA : **Yang Fan**

China, Beijing

29 March 2017



CONSOLIDATED BALANCE SHEET

31 December 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Balance at the end of year	Balance at the beginning of year
Current assets:			
Monetary fund	VI.1	1,160,073,128.47	857,729,303.89
Financial assets at fair value through profit and loss of the period	VI.2	1,667,820.00	1,546,950.00
Notes receivable	VI.3	43,826,934.87	37,323,244.22
Accounts receivable	VI.4	493,350,206.69	708,871,228.45
Prepayments	VI.5	58,626,629.51	72,927,079.31
Interest receivable	VI.6	612,851.17	7,360,824.92
Dividend receivable			
Other accounts receivable	VI.7	250,742,693.80	111,520,062.60
Purchase and resale of financial assets			
Inventories	VI.8	267,170,579.55	269,269,500.71
Loans	VI.9	274,275,000.00	164,909,000.00
Assets classified to held for sale			
Non-current asset due within one year	VI.10	16,930,533.96	29,880,000.00
Other current assets	VI.11	144,416,881.51	61,480,719.63
Total current assets		2,711,693,259.53	2,322,817,913.73
Non-current assets:			
Granted and entrustee loans and advances			
Available-for-sale financial assets	VI.12	14,931,700.00	14,431,700.00
Held-to-maturity investment			
Long-term accounts receivable	VI.13	225,111,058.25	178,451,741.32
Long-term equity investment	VI.14	138,075,173.33	135,103,824.53
Investment properties	VI.15	66,388,962.20	53,870,800.00
Fixed assets	VI.16	1,397,225,395.38	1,300,163,729.23
Construction in progress	VI.17	1,455,607,111.76	920,813,006.28
Engineering material			
Disposal of fixed assets			
Intangible assets	VI.18	828,345,528.78	734,909,614.71
Development expenditure	VI.19	9,887,422.97	
Goodwill	VI.20	1,118,860,359.88	678,249,563.02
Long-term unamortized expenses	VI.21	5,027,895.31	4,526,303.98
Deferred income tax assets	VI.22	20,565,246.42	16,869,453.90
Other non-current assets	VI.23	197,429,402.27	325,009,553.84
Total non-current assets		5,477,455,256.55	4,362,399,290.81
Total assets		8,189,148,516.08	6,685,217,204.54



CONSOLIDATED BALANCE SHEET

31 December 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Balance at the end of year	Balance at the beginning of year
Current liabilities:			
Short-term borrowings	VI.24	1,735,862,188.25	1,271,195,143.96
Financial liabilities at fair value through profit and loss of the period			
Notes payable			
Accounts payable	VI.25	713,257,454.13	446,944,120.12
Receipts in advance	VI.26	122,667,701.18	78,560,760.37
Employee benefits payables	VI.27	49,024,619.72	43,408,407.97
Tax payable	VI.28	94,270,901.66	52,059,636.23
Interest payable	VI.29	492,344.62	4,549,891.86
Dividend payable	VI.30	2,240,850.00	8,199,300.00
Other accounts payable	VI.31	386,376,361.66	313,756,577.15
Liabilities classified to held for sale			
Non-current liabilities due within one year	VI.32	296,546,305.45	358,101,112.94
Other current liabilities	VI.33	7,063,249.92	15,991,266.68
Total current liabilities		3,407,801,976.59	2,592,766,217.28
Non-current liabilities:			
Long-term borrowings	VI.34	397,910,986.99	378,612,454.33
Bonds payable	VI.35	357,165,749.95	356,373,249.26
Including: Preferred shares			
Perpetual bond			
Long-term accounts payables	VI.36	2,047,313.05	4,349,002.35
Long-term employee benefits payables			
Special accounts payable			
Estimated liabilities			
Deferred income	VI.37	152,709,774.72	124,524,127.11
Deferred income tax liabilities	VI.22	3,005,865.08	2,227,324.26
Other non-current liabilities	VI.38	2,813,900.00	6,829,288.18
Total non-current liabilities		915,653,589.79	872,915,445.49
Total liabilities		4,323,455,566.38	3,465,681,662.77
Owners' equity:			
Share capital	VI.39	887,152,102.40	869,382,102.40
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserve	VI.40	518,915,703.92	360,917,434.35
Less: Treasury share	VI.41	210,095,760.00	99,934,300.00
Other comprehensive income	VI.42	3,060,802.36	-963,853.76
Special reserves	VI.43	1,912,526.46	146,004.53
Surplus reserves	VI.44	190,854,508.48	153,885,483.70
General risk reserve	VI.45	4,114,125.00	2,473,635.00
Undistributed profits	VI.46	1,892,980,408.00	1,467,253,273.48
Total equity attributable to shareholders of the parent company		3,288,894,416.62	2,753,159,779.70
Minority interests	VI.47	576,798,533.08	466,375,762.07
Total shareholders' equity		3,865,692,949.70	3,219,535,541.77
Total liabilities and shareholders' equity		8,189,148,516.08	6,685,217,204.54

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan



BALANCE SHEET OF THE PARENT COMPANY

31 December 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Balance at the end of year	Balance at the beginning of year
Current assets:			
Monetary fund		513,255,882.45	385,142,403.44
Financial assets at fair value through profit and loss of the period		1,667,820.00	1,546,950.00
Notes receivable		3,514,255.67	12,951,241.20
Accounts receivable	XVII.1	237,317,626.16	245,449,290.56
Prepayments		3,808,820.33	10,228,931.61
Interest receivable		612,851.17	6,956,697.92
Dividend receivable			
Other accounts receivable	XVII.2	1,599,957,230.03	1,643,552,908.75
Inventories		2,858,170.21	25,382,242.24
Assets classified to held for sale			
Non-current asset due within one year		16,930,533.96	29,880,000.00
Other current assets		82,747,324.17	5,163,637.80
Total current assets		2,462,670,514.15	2,366,254,303.52
Non-current assets:			
Available-for-sale financial assets		14,931,700.00	14,431,700.00
Held-to-maturity investment			
Long-term accounts receivable		219,603,856.25	174,457,445.32
Long-term equity investment	XVII.3	3,131,524,591.46	2,587,963,442.17
Investment properties		66,388,962.20	53,870,800.00
Fixed assets		90,985,913.64	181,368,587.45
Construction in progress		87,631,260.74	94,177,364.03
Engineering material			
Disposal of fixed assets			
Intangible assets		9,587,049.63	70,034,949.44
Development expenditure		9,887,422.97	
Goodwill			
Long-term unamortized expenses			
Deferred income tax assets		11,188,168.59	10,984,736.58
Other non-current assets		45,635,810.48	205,074,363.90
Total non-current assets		3,687,364,735.96	3,392,363,388.89
Total assets		6,150,035,250.11	5,758,617,692.41



BALANCE SHEET OF THE PARENT COMPANY

31 December 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Balance at the end of year	Balance at the beginning of year
Current liabilities:		
Short-term borrowings	1,657,971,988.25	1,179,439,143.96
Financial liabilities at fair value through profit and loss of the period		
Notes payable		
Accounts payable	257,378,082.38	223,519,658.75
Receipts in advance	27,015,378.52	28,843,607.22
Employee benefits payables	10,454,227.31	19,383,741.62
Tax payable	40,921,261.18	25,683,829.65
Interest payable	376,379.53	4,164,292.16
Dividend payable	1,982,450.00	2,385,300.00
Other accounts payable	538,029,118.15	814,195,436.97
Liabilities classified to held for sale		
Non-current liabilities repayable within one year	213,712,490.59	280,000,000.00
Other current liabilities	356,083.08	6,746,083.10
Total current liabilities	2,748,197,458.99	2,584,361,093.43
Non-current liabilities:		
Long-term borrowings	93,391,847.72	210,400,000.00
Bonds payable	357,165,749.95	356,373,249.26
Including: Preferred shares Perpetual bond		
Long-term accounts payable		
Long-term employee benefits payable		
Special accounts payable		
Estimated liabilities		
Deferred income	21,592,433.28	11,760,536.11
Deferred income tax liabilities	3,005,865.08	2,227,324.26
Other non-current liabilities	2,813,900.00	2,224,277.36
Total non-current liabilities	477,969,796.03	582,985,386.99
Total liabilities	3,226,167,255.02	3,167,346,480.42
Owners' equity:		
Share capital	887,152,102.40	869,382,102.40
Other equity instruments		
Including: Preferred shares Perpetual bond		
Capital reserve	573,027,582.34	427,106,920.28
Less: Treasury share	210,095,760.00	99,934,300.00
Other comprehensive income	3,509,701.20	
Special reserves		
Surplus reserves	174,343,233.38	139,839,728.58
Undistributed profits	1,495,931,135.77	1,254,876,760.73
Total shareholders' equity	2,923,867,995.09	2,591,271,211.99
Total liabilities and shareholders' equity	6,150,035,250.11	5,758,617,692.41

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan



CONSOLIDATED INCOME STATEMENT

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
I. Total operating revenue		2,617,076,763.36	2,402,986,382.18
Including: Operating revenue	VI.51	2,569,430,776.58	2,373,341,795.34
Interest income	VI.51	47,645,986.78	29,644,586.84
Premium income			
Handling charges and commission income			
II. Total operating cost		2,212,750,690.89	2,070,161,725.91
Including: Cost of operation	VI.51	1,671,757,249.99	1,624,259,009.25
Interest expenses			
Handling charges and commission expenses		4,248.41	20,175.96
Tax and levies	VI.53	38,107,000.05	17,381,387.31
Selling expenses	VI.54	57,847,413.77	53,479,226.74
Administrative expenses	VI.55	339,798,493.78	298,298,983.15
Finance costs	VI.56	96,085,768.38	64,511,336.58
Impairment loss for assets	VI.57	9,150,516.51	12,211,606.92
Add: Gain on fair value changes (Loss represented in "-" signs)	VI.58	1,144,046.00	-507,510.00
Investment income (Loss represented in "-" signs)	VI.59	178,841,427.09	29,653,709.13
Including: Investment revenue in associates and joint ventures		16,085,160.64	28,489,687.90
Exchange gain (Loss represented in "-" signs)			
III. Operating profit (Loss represented in "-" signs)		584,311,545.56	361,970,855.40
Add: Non-operating income	VI.60	117,687,247.43	92,155,412.99
Including: Disposal income on non-current asset		320,941.33	200,277.98
Less: Non-operating expenses	VI.61	28,293,377.31	4,773,213.68
Including: Disposal loss on non-current asset		17,654,295.28	1,134,330.53
IV. Total profit (Total loss represented in "-" signs)		673,705,415.68	449,353,054.71
Less: Income tax expenses	VI.62	96,569,564.69	64,178,987.43
V. Net profit (Net loss represented in "-" signs)		577,135,850.99	385,174,067.28
Net profit attributable to shareholders of the parent company		533,813,817.46	332,534,009.33
Profit and loss attributable to minority interests		43,322,033.53	52,640,057.95
VI. Other comprehensive income, net of tax	VI.67	4,024,656.12	-225,541.66
Other comprehensive income attributable to shareholders of the parent company, net of tax		4,024,656.12	-225,541.66
(1) Items cannot be reclassified to profit and loss in future periods			
(2) Items can be reclassified to profit and loss when qualified in the future periods		4,024,656.12	-225,541.66
1. Exchange difference on translation of financial statement in foreign currency		514,954.92	-225,541.66
2. Excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value		3,509,701.20	
Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		581,160,507.11	384,948,525.62
Attributable to shareholders of the parent company		537,838,473.58	332,308,467.67
Attribute to minority interests		43,322,033.53	52,640,057.95
VIII. Earnings per share:			
(1) Basic earnings per share	VI.66	0.62	0.39
(2) Diluted earnings per share	VI.66	0.62	0.39

Legal representative:

Liu Ren

Chief Financial Officer:

Li Pu Lin

Head of Financial Section:

Wang Min Yan

INCOME STATEMENT OF THE PARENT COMPANY

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
I. Operating revenue	XVII.4	864,817,500.13	1,026,653,845.33
Less: Operating cost	XVII.4	646,210,318.59	704,508,457.84
Tax and levies		4,958,272.79	7,378,768.60
Selling expenses		5,605,110.96	22,398,753.43
Administrative expenses		97,506,782.95	109,415,144.37
Finance costs		81,892,410.00	56,890,240.67
Impairment loss for assets		2,395,950.61	2,417,704.38
Add: Gain on fair value changes (Loss represented in "-" signs)		1,144,046.00	-507,510.00
Investment income (Loss represented in "-" signs)	XVII.5	325,340,387.26	83,770,324.90
Including: Investment revenue in associates and joint ventures		16,085,160.64	28,489,687.90
II. Operating profit (Loss represented in "-" signs)		352,733,087.49	206,907,590.94
Add: Non-operating income		22,796,946.60	22,245,077.61
Including: Disposal income on non-current asset		28,400.00	142,099.56
Less: Non-operating expenses		2,422,786.53	967,418.63
Including: Disposal loss on non-current asset		243,929.75	430,747.60
III. Total profit (Total loss represented in "-" signs)		373,107,247.56	228,185,249.92
Less: Income tax expenses		28,072,199.56	21,649,543.03
IV. Net profit (Net loss represented in "-" signs)		345,035,048.00	206,535,706.89
V. Other comprehensive income, net of tax		3,509,701.20	
(1) Items cannot be reclassified to profit and loss in future periods			
(2) Items can be reclassified to profit and loss when qualified in the future periods		3,509,701.20	
1. Excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value		3,509,701.20	
VI. Total comprehensive income		348,544,749.20	206,535,706.89
VII. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan



CONSOLIDATED CASH FLOW STATEMENT

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		2,786,433,906.69	2,433,139,078.09
Cash received from interest, handling charges and commission of loans		47,645,986.78	29,644,586.84
Refund of taxes and levies		64,217,562.11	36,894,313.55
Other cash receipts relating to operating activities	VI.69	65,596,248.76	85,718,691.51
Sub-total of cash inflows from operating activities		2,963,893,704.34	2,585,396,669.99
Cash paid for goods and services		1,264,843,222.45	1,246,230,923.64
Net increase in customer loans and advances		109,366,000.00	164,909,000.00
Cash paid to and on behalf of employees		403,990,516.40	347,033,161.17
Payments of taxes and levies		280,818,904.50	204,728,342.77
Other cash payments relating to operating activities	VI.69	215,030,861.05	394,711,792.26
Sub-total of cash outflows from operating activities		2,274,049,504.40	2,357,613,219.84
Net cash flows from operating activities		689,844,199.94	227,783,450.15
II. Cash flows from investing activities			
Cash received from investments		21,200,000.00	4,904,820.69
Cash received from returns on investments		26,465,528.64	24,066,135.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		271,679.16	282,086.48
Net cash received from disposal of subsidiaries and other operating units		318,098,481.58	
Other cash receipts relating to investing activities	VI.69	196,842,400.00	145,804,820.69
Sub-total of cash inflows from investing activities		562,878,089.38	175,057,863.42
Cash paid to acquire fixed assets, intangible assets and other long-term assets		839,107,842.03	475,898,039.74
Cash paid on investments		105,848,750.00	230,955,350.00
Net cash paid on acquisition of subsidiaries and other operating units		272,062,067.58	368,971,249.39
Other cash payments relating to investing activities	VI.69	-	14,837,500.00
Sub-total of cash outflows from investing activities		1,217,018,659.61	1,090,662,139.13
Net cash flows incurred in investing activities		-654,140,570.23	-915,604,275.71



CONSOLIDATED CASH FLOW STATEMENT

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Note	Amount of the year	Amount of the last year
III. Cash flows from financing activities:			
Cash received from financing		159,760,208.00	8,480,000.00
Including: Cash received by subsidiaries from investment from minority shareholders		900,000.00	8,480,000.00
Cash received from borrowings		2,260,963,460.42	1,696,909,049.09
Cash received from issuing bonds			
Cash received from other financing activities	VI.69	30,000,000.00	99,084,840.00
Sub-total of cash inflows from financing activities		2,450,723,668.42	1,804,473,889.09
Cash payments for settlement of borrowings		1,841,406,234.29	982,828,118.16
Cash payments for distribution of dividend, profit or interests expenses		249,075,055.67	248,158,511.55
Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders		14,545,990.04	44,716,281.28
Other cash payments relating to financing activities	VI.69	72,763,930.73	93,778,376.11
Sub-total of cash outflows from financing activities		2,163,245,220.69	1,324,765,005.82
Net cash flows from financing activities		287,478,447.73	479,708,883.27
IV. Effect of foreign exchange rate changes on cash and cash equivalents		514,954.92	-225,541.66
V. Net increase in cash and cash equivalents		323,697,032.36	-208,337,483.95
Add: Balances of cash and cash equivalents at beginning of period		815,961,534.58	1,024,299,018.53
VI. Balances of cash and cash equivalents at end of period		1,139,658,566.94	815,961,534.58

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan



CASH FLOW STATEMENT OF THE PARENT COMPANY

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	2016	2015
I. Cash flows from operating activities		
Cash received from sales of goods and rendering of services	944,730,689.29	943,489,539.51
Refund of taxes and levies	12,029,796.73	10,876,518.81
Other cash receipts relating to operating activities	293,512,643.52	93,181,171.80
Sub-total of cash inflows from operating activities	1,250,273,129.54	1,047,547,230.12
Cash paid for goods and services	522,259,873.69	423,539,830.35
Cash paid to and on behalf of employees	111,119,848.89	132,230,047.76
Payments of taxes and levies	43,546,929.23	67,516,710.97
Other cash payments relating to operating activities	414,619,591.30	138,890,407.65
Sub-total of cash outflows from operating activities	1,091,546,243.11	762,176,996.73
Net cash flows from operating activities	158,726,886.43	285,370,233.39
II. Cash flows from investing activities		
Cash received from investments	348,735,600.00	2,100,000.00
Cash received from returns on investments	130,810,464.46	78,200,143.32
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	28,400.00	12,096,794.47
Net cash received from disposal of subsidiaries and other operating units	–	5,916,000.00
Other cash receipts relating to investing activities	180,642,656.25	20,804,820.69
Sub-total of cash inflows from investing activities	660,217,120.71	119,117,758.48
Cash paid to acquire fixed assets, intangible assets and other long-term assets	74,027,047.66	57,545,655.58
Cash paid on investments	333,100,000.00	583,475,350.00
Net cash paid on acquisition of subsidiaries and other operating units	333,190,600.00	467,570,931.00
Other cash payments relating to investing activities	90,783,387.50	345,499,400.00
Sub-total of cash outflows from investing activities	831,101,035.16	1,454,091,336.58
Net cash flows from investing activities	-170,883,914.45	-1,334,973,578.10



CASH FLOW STATEMENT OF THE PARENT COMPANY

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	2016	2015
III. Cash flows from financing activities:		
Cash received from investments	158,860,208.00	
Cash received from borrowings	1,895,703,617.80	1,617,749,681.64
Cash received from issuing bonds		
Cash received from other financing activities	74,000,000.00	99,084,840.00
Sub-total of cash inflows from financing activities	2,128,563,825.80	1,716,834,521.64
Cash payments for settlement of borrowings	1,655,584,805.65	829,386,765.14
Cash payments for distribution of dividend, profit or interests expenses	233,441,374.61	138,497,823.91
Other cash payments relating to financing activities	73,013,930.73	72,689,603.77
Sub-total of cash outflows from financing activities	1,962,040,110.99	1,040,574,192.82
Net cash flows from financing activities	166,523,714.81	676,260,328.82
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	154,366,686.79	-373,343,015.89
Add: Cash and cash equivalents at beginning of period	345,053,453.00	718,396,468.89
VI. Cash and cash equivalents at end of period	499,420,139.79	345,053,453.00

Legal representative:

Liu Ren

Chief Financial Officer:

Li Pu Lin

Head of Financial Section:

Wang Min Yan



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	The Year									
	Attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Balance at the end of last year	869,382,102.40	360,917,434.35	99,934,300.00	-963,853.76	146,004.53	153,885,483.70	2,473,635.00	1,467,253,273.48	466,375,762.07	3,219,535,541.77
Add: Changes in accounting policy										
Correction of previous years										
Combination of entities under common control										
Others										
II. Balance at beginning of year	869,382,102.40	360,917,434.35	99,934,300.00	-963,853.76	146,004.53	153,885,483.70	2,473,635.00	1,467,253,273.48	466,375,762.07	3,219,535,541.77
III. Movement of the year										
(Decrease represented by "-" signs)										
(1) Total comprehensive income	17,770,000.00	157,998,269.57	110,161,460.00	4,024,656.12	1,766,521.93	36,969,024.78	1,640,490.00	425,727,134.52	110,422,771.01	646,157,407.93
(2) Contribution from shareholders and reduction of capital	17,770,000.00	157,998,269.57	110,161,460.00						81,646,727.52	147,253,537.09
1. Injection of ordinary shares from shareholders										
2. Injection from holders of other equity instruments										
3. Share-based payment included in the amount of shareholders' equity	17,770,000.00	145,920,662.06	110,161,460.00							53,529,202.06
4. Others		12,077,607.51							81,646,727.52	93,724,335.03
(3) Profits appropriation						36,969,024.78	1,640,490.00	-108,086,682.94	-14,545,990.04	-84,023,158.20
1. Withdrawn from surplus reserve						36,969,024.78		-36,969,024.78		
2. Withdrawn from general risk reserve							1,640,490.00	-1,640,490.00		
3. Distribution to holders (or shareholders)								-69,477,168.16	-14,545,990.04	-84,023,158.20
4. Others										
(4) Internal transfer of shareholders' equity										
1. Transfer of capital reserve to share capital										
2. Transfer of surplus reserve to share capital										
3. Surplus reserve to compensate deficit										
4. Others										
(5) Special reserve					1,766,521.93					1,766,521.93
1. Withdrawn during this year					2,609,474.34					2,609,474.34
2. Usage during this year					842,952.41					842,952.41
(6) Others										
IV. Balance at end of year	887,152,102.40	518,915,703.92	210,095,760.00	3,060,802.36	1,912,526.46	190,854,508.48	4,114,125.00	1,892,980,408.00	576,798,533.08	3,865,692,949.70

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Last Year									
	Attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Balance at the end of last year	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
Add: Changes in accounting policy										
Correction of previous years										
Combination of entities under common control										
Others										
II. Balance at beginning of year	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
III. Movement of the year										
(Decrease represented by "-" signs)	521,545,261.00	-513,793,247.85	-22,767,200.00	-225,541.66	146,004.53	20,653,570.69	2,473,635.00	257,254,677.49	70,138,033.94	380,959,593.14
(1) Total comprehensive income				-225,541.66				332,534,009.33	52,640,057.95	384,948,525.62
(2) Contribution from shareholders and reduction of capital	-165,000.00	7,917,013.15	-22,767,200.00						62,214,257.26	92,733,470.41
1. Injection of ordinary shares from shareholders									8,480,000.00	8,480,000.00
2. Injection from holders of other equity instruments										
3. Share-based payment included in the amount of shareholders' equity	-165,000.00	7,917,013.15	-22,767,200.00							30,519,213.15
4. Others									53,734,257.26	53,734,257.26
(3) Profits appropriation						20,653,570.69	2,473,635.00	-75,279,331.84	-44,716,281.27	-96,868,407.42
1. Withdrawn from surplus reserve						20,653,570.69		-20,653,570.69		
2. Withdrawn from general risk reserve							2,473,635.00	-2,473,635.00		
3. Distribution to holders (or shareholders)								-52,152,126.15	-44,716,281.27	-96,868,407.42
4. Others										
(4) Internal transfer of shareholders' equity	521,710,261.00	-521,710,261.00								
1. Transfer of capital reserve to share capital	521,710,261.00	-521,710,261.00								
2. Transfer of surplus reserve to share capital										
3. Surplus reserve to compensate deficit										
4. Others										
(5) Special reserve					146,004.53					146,004.53
1. Withdrawn during this year					619,267.34					619,267.34
2. Usage during this year					473,262.81					473,262.81
(6) Others										
IV. Balance at end of year	869,382,102.40	360,917,434.35	99,934,300.00	-963,853.76	146,004.53	153,885,483.70	2,473,635.00	1,467,253,273.48	466,375,762.07	3,219,535,541.77

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	The Year							
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at the end of last year	869,382,102.40	427,106,920.28	99,934,300.00			139,839,728.58	1,254,876,760.73	2,591,271,211.99
Add: Changes in accounting policy								
Correction of previous years								
Others								
II. Balance at beginning of year	869,382,102.40	427,106,920.28	99,934,300.00			139,839,728.58	1,254,876,760.73	2,591,271,211.99
III. Movement of the year (Decrease represented by "-" signs)								
(1) Total comprehensive income				3,509,701.20		34,503,504.80	241,054,375.04	332,596,783.10
(2) Contribution from shareholders and reduction of capital	17,770,000.00	145,920,662.06	110,161,460.00	3,509,701.20			345,035,048.00	348,544,749.20
1. Injection of ordinary shares from shareholders								
2. Injection from holders of other equity instruments								
3. Share-based payment included in the amount of shareholders' equity	17,770,000.00	145,920,662.06	110,161,460.00					53,529,202.06
4. Others								
(3) Profits appropriation						34,503,504.80	-103,980,672.96	-69,477,168.16
1. Withdrawn from surplus reserve						34,503,504.80	-34,503,504.80	
2. Distribution to shareholders							-69,477,168.16	-69,477,168.16
3. Others								
(4) Internal transfer of shareholders' equity								
1. Transfer of capital reserve to share capital								
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to compensate deficit								
4. Others								
(5) Special reserve								
1. Withdrawn during this year								
2. Usage during this year								
(6) Others								
IV. Balance at end of year	887,152,102.40	573,027,582.34	210,095,760.00	3,509,701.20		174,343,233.38	1,495,931,135.77	2,923,867,995.09

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Year 2016

Prepared by: Dongjiang Environmental Company Limited

Unit: RMB

Item	Last Year							Total shareholders' equity
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Balance at the end of last year	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
Add: Changes in accounting policy								
Correction of previous years								
Others								
II. Balance at beginning of year	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
III. Movement of the year								
(Decrease represented by "-" signs)	521,545,261.00	-508,333,558.64	-22,767,200.00			20,653,570.69	133,730,010.05	190,362,483.10
(1) Total comprehensive income							206,535,706.89	206,535,706.89
(2) Contribution from shareholders and reduction of capital	-165,000.00	13,376,702.36	-22,767,200.00					35,978,902.36
1. Injection of ordinary shares from shareholders								
2. Injection from holders of other equity instruments								
3. Share-based payment included in the amount of shareholders' equity	-165,000.00	13,376,702.36	-22,767,200.00					35,978,902.36
4. Others								
(3) Profits appropriation						20,653,570.69	-72,805,696.84	-52,152,126.15
1. Withdrawn from surplus reserve						20,653,570.69	-20,653,570.69	
2. Distribution to shareholders							-52,152,126.15	-52,152,126.15
3. Others								
(4) Internal transfer of shareholders' equity	521,710,261.00	-521,710,261.00						
1. Transfer of capital reserve to share capital	521,710,261.00	-521,710,261.00						
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to compensate deficit								
4. Others								
(5) Special reserve								
1. Withdrawn during this year								
2. Usage during this year								
(6) Others								
IV. Balance at end of year	869,382,102.40	427,106,920.28	99,934,300.00			139,839,728.58	1,254,876,760.73	2,591,271,211.99

Legal representative:
Liu Ren

Chief Financial Officer:
Li Pu Lin

Head of Financial Section:
Wang Min Yan



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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), hereinafter referred to 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 (the “Company Law”) on 18 July 2002. The unified social credit code is 91440300715234767U. The legal representative is Mr. Liu Ren. 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.

As at 31 December 2016, the share capital and shareholding structure of the Company were as follows:

	Number of Shares (shares)	Proportion of Shareholdings (%)
Shares subject to selling restrictions		
1. Incentive restricted shares	27,795,000.00	3.13
2. Restricted shares held by senior management	222,740,780.00	25.11
3. Individual restricted shares before IPO	–	–
	250,535,780.00	28.24
Shares not subject to selling restrictions		
1. RMB ordinary shares	436,478,822.00	49.20
2. Overseas listed foreign shares	200,137,500.00	22.56
	636,616,322.00	71.76
III. Total shares	887,152,102.00	100.00

As at 31 December 2016, the Company had 887,150,000 shares in total, of which 636,620,000 shares were tradable shares, representing 71.76% of total share capital of the Company; 250,540,000 shares were non-tradable shares, representing 28.24% of total share capital of the Company. In the views of the Directors of the Company, as at 31 December 2016, Guangdong Rising Assets Management Co., Ltd. (“Guangdong Rising Assets”) has acquired the majority of seats in the Board of the Company and thus becomes the controlling shareholder. The actual controller is the State-owned Assets Supervision and Administration Commission of Guangdong Province.

As at 31 December 2015, the Company had a registered capital of RMB869,382,102.00. In 2016, the Board of the Company passed the resolution to grant restricted shares to some of its employees and repurchased some of the restricted shares that no longer met the incentive criteria. As at 31 December 2016, the registered capital of the Company changed to RMB887,152,102.00. For details, please refer to Note VI. 39.

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

I. GENERAL INFORMATION *(Continued)*

The Company and its subsidiaries (collectively referred to as the “**Company**”) are engaged in environmental protection industry. The operation scope mainly includes: disposal of waste and recycling (permits are applied separately); treatment of wastewater, waste gas and noise; design, construction and operation of environmental facilities; trading of chemicals (operation permit is required for operation of dangerous goods business); production and trading of environmental material, recycled products and environmental equipment (production site license shall be applied separately); development, promotion and application of new environmental products and technologies; establishment of industrial enterprises (specific projects shall make application separately); import and export of goods and technology (not including distribution of goods exclusively managed and controlled by the state); property leasing.

The major products of the Company include dozens series of inorganic salts, organic solvents, basic industrial oil which are widely applicable in animal feeds, agricultural pesticides, wood preservatives, dyes and pharmaceutical industries; and power generation from methane in landfill sites.

The Company has established functional departments such as Guangdong Department, Eastern China Department, Jiangxi Department, Hubei Department, Northern China Department, Fujian Department, Environmental Service Business Department, Corporate Management Department, Financial Management Department, Investment Development Department, Legal Affairs Department, Human Resources Department, Audit Department and EHS Department. Major branches include Shajing Treatment Base, Engineering Branch, Zhuzhou Branch and Huabao Technology (Huizhou Branch).

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company covers 65 companies including Dongjiang Heritage, Longgang Dongjiang, Huizhou Dongjiang, Qiandeng Wastes Treatment, Qingyuan Xinlv, Jiaying Deda, Dongguan Hengjian, Xiamen Oasis Environmental (full name of subsidiaries listed under Note V.1). Compared with last year, 8 subsidiaries including Nantong Hui Tian Ran, Rudong Daheng, Hengshui Ruitao, Dongheng Konggang, Zhejiang Jianglian, Huaxin Environmental, Huatai Environmental and Weifang Blue Sea were added as a result of business combination of enterprises not under common control, of which Huaxin Environmental and Huatai Environmental were indirectly held through Zhejiang Jianglian; 5 subsidiaries including Qianhai Dongjiang, Baoan Dongjiang, Zhenjiang Dongjiang, Jingzhou Dongjiang and Nantong Dongjiang were newly established; 1 subsidiary namely Xiamen Dongjiang was established by way of demerger, 3 subsidiaries including Qingyuan Dongjiang, Hubei Dongjiang and Dongjiang Songzao were disposed.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis for preparation

The financial statements of the Company are prepared based on the going concern and the transaction and trade actually occurred and in line with Accounting Standards for Business Enterprises 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 Publicly Offering Securities, No.15 – General Provisions for Financial Statement (revised in 2014) issued by China Securities Regulatory Commission, Hong Kong Companies Ordinance and the disclosure regulations of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange as well as the accounting policies and estimates set out in Note IV “Significant Accounting Policies and Accounting Estimates” to the financial statement of the Company.

2. Going concern

The Company evaluated its ability to continue as a going concern for the 12 months starting from 31 December 2016 and has not discovered any matters or circumstances that cast significant doubt on its ability to continue as a going concern. Therefore, the financial statements are prepared based on going concern assumptions.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statements for the year 2016 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 Company as at 31 December 2016.

2. Accounting period

The accounting year is from 1 January to 31 December.

3. Operating cycle

The Company’s business has a relatively short operating cycle, with 12 months as the liquidity classification criterion for assets and liabilities. The exact operating cycle is determined based on the development project and uses the operating cycle as the liquidity classification criterion for assets and liabilities.

4. Reporting currency

The functional currency of the Company and its domestic subsidiaries is Renminbi. The functional currency for the overseas subsidiaries is the currency of the country in which they operate.

The financial statements of the Company are expressed in RMB.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

The assets and liabilities obtained by the Company (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 in the consolidated financial statements. 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.

6. Preparation of consolidated financial statements

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

The scope of consolidation for the consolidated financial statements is determined on the control basis. Control refers to the power that the investor has over the investee; it means that the investor enjoys variable returns by taking part in the relevant activities of the investee and is capable of using its power over the investee to influence the amount of return. In case of any change to the relevant facts and circumstances, which results in changes of the above elements of control, the Company will perform re-evaluation.

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".



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

6. Preparation of consolidated financial statements *(Continued)*

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.

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 Company 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 Company before combination, from the date of obtaining original shareholding and the date on which the Company 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 Company 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

6. Preparation of consolidated financial statements *(Continued)*

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 Company 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.

For loss of control by the Company 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.

7. Classification of joint arrangement and accounting method for joint operation

Joint arrangement of the Company includes joint operation and joint venture. As for joint operation projects, the Company, 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

8. Cash and cash equivalents

Cash in the cash flow statement of the Company 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.

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

(1) Foreign currency transactions

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

(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.

10. Financial assets and financial liabilities

When the Company 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 Company 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 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. 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 of the period 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 Company manages together and there is objective evidence that the Company 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 Company'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 Company mainly includes listed equity instrument investments under financial assets held for trading. The Company 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

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

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.

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 Company 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 Company 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

(1) *Financial assets (Continued)*

2) *Recognition basis of transfer of financial assets and measure method (Continued)*

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.

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

Other than financial assets at fair value through profit or loss of the period, the Company 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial assets and financial liabilities (Continued)

(2) Financial Liabilities

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

Financial liabilities of the Company 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.

(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 Company, 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 Company 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Bad debts provision for receivables

Receivables include accounts receivable and other receivables, etc. The Company'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 Company.

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



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Bad debts provision for receivables (Continued)

(2) Receivables provided for bad debts based on portfolio of credit risks characteristics (Continued)

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

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 Company (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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

12. Inventories

The inventories of the Company 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.

13. Loan loss provision

According to "Loan Risk Classification Guideline" and "Loan Loss Provision Guidance" by the People's Bank of China, the Company divided loans into normal class, attention, subprime, suspicious and loss, and make provision for loan loss according to category. At the end of every month, classify loans according to the loans classify measure, and make provision for each difference according the results. The provision is made according to the regulations of "Management Measures of Provision of Financial Enterprise Reserves Fund" issued by the Ministry of Finance (Cai Jin [2012] No. 20) since 1 July 2012, the proportion of provision is: normal provision, provision for loan balance of 0%; for loans of concern type, provision of 2%; for subprime loans, the provision percentage is 30%; for suspicious loans, provision of 60%; for loss loans, provision of 100%. For subprime and suspicious loans, provision can be adjusted upward or downward of 20%, according to loss.

In accordance with the above Management Measures of Provision of Financial Enterprise Reserves Fund, general risk provision is made based on 1.5% of loan balance as at the end of the period and is accounted for with reference to the requirements of the measures.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

14. Long-term equity investment

Long-term investment of the Company 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 Company 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 Company'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 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

14. Long-term equity investment *(Continued)*

For shareholding of the investee not 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 Company 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 Company, 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

14. Long-term equity investment *(Continued)*

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 transferred to investment income for the period on disposal.

When the Company loss 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.

15. Investment properties

The investment properties of the Company 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 Company by reference to similar properties of same location and similar usage on the open market using the market comparison approach or income approach.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

16. Fixed assets

Fixed assets of the Company 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.

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

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

The Company 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 Company'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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

17. 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 Company 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.

18. Borrowing Costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can reached usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in 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 Company 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.

19. Intangible assets

The intangible assets of the Company 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

19. Intangible assets *(Continued)*

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.

20. Research and development expenditure

The Company divides the expenditure for internal research and development projects into research phase expenditure and development phase expenditure.

The research phase expenditure is included in profit and loss for the period when it occurs.

The development phase expenditure that meets all of the following conditions is capitalized: it completes an intangible asset so that it is technically feasible to be used or sold; it is with the intention of completing an intangible asset for use or sale; the intangible asset can produce economic benefits, including the case where it is proven that a market for the products produced from the intangible asset or the intangible asset itself exists, or in the case where the intangible asset is to be used internally, then the usability of the intangible asset can be proved; there is sufficient technical, financial, and other resources to support the completion of the development of the intangible asset and there is capability to use or sell such intangible asset; expenditure for the development phase of the intangible asset can be reliably measured. Development phase expenditure that does not meet the abovementioned conditions is included in current profits and losses.

The relevant projects of the Company that meet the abovementioned conditions enter into the development phase once they are approved after technical feasibility and economic feasibility study.

Capitalised development phase expenditure is listed as development expenditure in the balance sheet and transfer to intangible assets from the date when the project meets the conditions for its intended use.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

21. Long-term assets impairment

The Company 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 Company 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.

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.

22. Long-term unamortized expense

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 unamortized expense are no longer beneficial to the subsequent accounting periods, the unamortised balance will then be transferred to profit or loss for the period.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

23. Employee benefits

Employee benefits of the Company 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 basic pension insurance, unemployment 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.

Termination benefits are the compensation to employees when the Company 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.

24. Contingent liabilities

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

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

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



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

25. 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 at the date of grant. 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 Company 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 sheet 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 Company remeasures the fair value of liabilities, with changes accounted for in the profit and loss of the period.

Where the Company cancels an equity instrument during the vesting period (except for cancellation due to unfulfillment of vesting conditions), 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.

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 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

27. Principles of recognition and measurement of revenue

The business revenue of the Company are generated mainly from sales of goods, rendering of services, waste electronics dismantling subsidies, transfer of assets use rights and interest income, from small-scale loans. 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 Company 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 Company 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

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

27. Principles of recognition and measurement 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 Company and the amount of revenue can be reliably estimated.

(5) Interest income from small-scale loans

Interest income from small-scale loans: when the Company lending loans, the income is recognized according to effective interest rate. When calculation, it takes into account the contract terms of the loans, including expenses which attributable to effective interest rate components and all transaction costs. The effective inters rate is the interest rate of the financial instruments during the expected duration or a shorter period, during which the expected future cash inflow or outflow is discounted to net book value of financial instruments.

28. Government grants

Government grants received by the Company 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.

29. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income 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 Company recognizes the deferred income 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 income 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 income tax assets or deferred income tax liability. On the balance sheet date, deferred income tax assets and deferred income tax liability are measured at applicable tax rate which is relevant to the period of expected assets return or pay liability.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

29. Deferred income tax assets and deferred income tax liabilities (Continued)

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

30. Leasing

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

The Company, 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 Company'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.

31. Safety production fees

According to the regulations of "Management Measures of Extraction and Usage of Enterprise Safety Production Costs" (Cai Qi [2012] No.16) issued by Ministry of Finance and State Administration of Work Safety, the safety production expenses shall use sale income of last year of the Company as the basic number, and shall extract every month according to the standards below by using excess regressive method:

No.	Annual sale volume	Provision proportion (%)
1	Below RMB10 million	4.00
2	RMB10 million to RMB100 million (inclusive)	2.00
3	RMB100 million to RMB1,000 million (inclusive)	0.50
4	RMB1,000 million above	0.20

The safety production fees extracted is included in the costs of related products or current profit or loss, it is also included in the special reserves. When using the safety production fees, for those belongs to spending costs, it shall be write-down directly from special reserves. When using the extracted safety production fees which forms fixed assets, it shall be confirmed as fixed assets through collection of expenses from construction in progress, and after the safety project is completed and reached the expected condition for use. At the same time, according to the cost of fixed assets which formed and write-down from special reserves, confirm the same amount of accumulated depreciation. The fixed assets will no longer be depreciated in the future.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

32. Notes on significant accounting estimates

In the preparation of the financial statements, based on past experience and other factors, including the reasonable expectation of future events, the management of the Company needs to make estimates and assumptions that affect the application of accounting policies and the amount of assets, liabilities, income and expenses. The actual circumstance might be different from these estimates. The management of the Company makes on-going assessment on the key assumptions and judgement of uncertainties related to the estimates. The impact of change of accounting estimates will be recognised in the period in which the changes take place and the future period.

(1) Impairment of receivables

The Company makes the estimate based on the age of the accounts receivable, customers' financial position, and the past experience of guarantees provided by the customers (if any) according to the current market situation. The Company regularly re-evaluates the sufficiency of the provision for bad debts of receivables. If the applied assumptions and estimates change, such change will affect the provision for bad debts of the receivables in the period in which the changes take place.

(2) Provision for impairment of inventory

The Company regularly estimates the net realisable value of the inventory and recognizes the impairment loss of inventory based on the excess of inventory cost over the net realisable value.

When estimating the net realisable value of inventory for raw materials, work-in-process and finished goods, the net realisable value is the estimated selling price of similar products minus the cost, selling expenses and relevant taxes to be incurred at the time of completion. When the actual selling price or the cost is different from the previous estimate, the management will make corresponding adjustment on the net realisable value. Therefore, the result from estimation based on past experience might be different from the actual result and lead to adjustment of the carrying value of inventory in the balance sheet. Accordingly, the provision for impairment loss of inventory may change for the above reasons. The adjustment of provision for inventory impairment will affect the profit and loss of the period in which the estimate changes.

(3) Provision for impairment of long-term assets

For the impairment test of long-term assets, including goodwill, fixed assets and intangible asset, the Company needs to calculate the recoverable amount for the groups of asset groups, asset groups, or assets (hereinafter collectively referred to as "asset"). The calculation of the present value of the expected future cash flow of the assets requires the Company to make basic assumptions and accounting estimates. The calculation of the present value of the expected future cash flow mainly involves the estimate of expected future cash flow of the asset, useful life of the assets and discount rate estimate. The result of estimate made based on past experience might be different from the actual result in subsequent periods. Such differences will affect the profit and loss of the period in which the estimate changes.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

33. 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*

There was no change in significant accounting estimates during the year.

V. TAX

1. Major taxes and tax rates

Type of taxes	Tax base	Tax rate
PRC Enterprise Income Tax	Assessable income	25%
Value Added Tax	Balance of sales tax after VAT or sales amount	17%, 13%, 11%, 6%, 5%, 3%
Business Tax	Assessable income	5%, 3%
City Maintenance and Construction Tax	Assessable turnover	7%, 5%, 1%
Education Surcharge	Assessable turnover	3%
Local education Surcharge	Assessable turnover	2%
Hong Kong Profit Tax	Assessable income	16.5%

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Full Implementation of Pilot Reform for Transition from Business Tax to Value-added Tax" (Cai Shui [2016] No. 36), effective from 1 May 2016, business tax is replaced by value-added tax and the business of the Company which were subjected to business tax are now subjected to value-added tax.

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 cities 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

Item	Name of taxable entities	Actual implementation tax rate	Notes
1	The Company	15%	2(1)a
2	Shenzhen Dongjiang Environment Recycled Resources Co., Ltd. (Resource Recycling)	25%	
3	Shenzhen Dongjiang Heritage Technologies Co., Ltd. (Dongjiang Heritage)	15%	2(1)b
4	Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. (Longgang Dongjiang)	12.5%	2(1)c
5	Yunnan Dongjiang Environmental Technologies Co., Ltd. (Yunnan Dongjiang)	25%	
6	Huizhou Dongjiang Environment Technology Co., Ltd. (Huizhou Dongjiang)	15%	2(1)d
7	Kunshan Qiadeng Three Wastes Treatment Co., Ltd. (Qiadeng Wastes Treatment)	15%	2(1)e
8	Shenzhen Huabao Technology Ltd. (Huabao Technology)	25%	
9	Qingyuan Dongjiang Environmental Technologies Co., Ltd. (Qingyuan Dongjiang)	15%	Disposed of during the year 2(1)f
10	Qingdao Dongjiang Environmental Recycled Power Ltd. (Qingdao Dongjiang)	25%	
11	Hunan Dongjiang Environmental Protection Investment Development Ltd. (Hunan Dongjiang)	12.5%	2(1)g
12	Chengdu Hazardous Waste Treatment Centre Co., Ltd. (Chengdu Hazardous Waste)	25%	
13	Shenzhen Dongjiang Renewable Energy Ltd. (Renewable Energy)	25%	
14	Shaoguan Dongjiang Environmental Technology Co., Ltd. (Shaoguan Dongjiang)	25%	
15	Shaoguan Green Recycling Resource Development Co., Ltd. (Shaoguan Green)	25%	
16	Shenzhen Dongjiang Properties Service Co., Ltd. (Dongjiang Properties)	20%	2(1)h
17	Shenzhen Baoan Dongjiang Environmental Renewable Energy Ltd. (Baoan Energy)	25%	
18	Dongjiang Environmental (HK) Ltd. (Dongjiang HK)	16.5%	
19	Hong Kong Lik Shun Services Ltd. (Lik Shun Services)	16.5%	
20	Huizhou Dongjiang Logistic Ltd. (Dongjiang Transport)	25%	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

Item	Name of taxable entities	Actual implementation tax rate	Notes
21	Shenzhen Dongjiang Products Trading Ltd. (Products Trading)	25%	
22	Chongqing Dongjiang Songzao Renewable Energy Development Ltd. (Dongjiang Songzao)	25%	Disposed of during the year
23	Zhuhai Qingxin Industrial Environment Ltd. (Zhuhai Qingxin)	25%	
24	Hubei Dongjiang Environmental Ltd. (Hubei Dongjiang)	25%	Disposed of during the year
25	Qingyuan Xinlv Environmental Technology Ltd. (Qingyuan Xinlv)	15%	2(1)i
26	Jiaxing Deda Resource Recycling Ltd. (Jiaxing Deda)	15%	2(1)j
27	Jiangmen Dongjiang Environmental Technology Ltd. (Jiangmen Dongjiang)	–	2(1)k
28	Dongguan Hengjian Environment Technology Co., Ltd. (Dongguan Hengjian)	25%	
29	Guangdong Dongjiang Shangtian Environmental Restoration Ltd. (Dongjiang Shangtian)	25%	
30	Shenzhen Dongjiang Kaida Transport Co., Ltd. (Dongjiang Kaida)	25%	
31	Yancheng Coastal Solid Waste Disposal Co., Ltd. (Coastal Solid Waste)	15%	2(1)l
32	Nanchang Xinguan Energy Development Co., Ltd. (Nanchang Xinguan)	25%	
33	Hefei Xinguan Energy Development Co., Ltd. (Hefei Xinguan)	25%	
34	Xiamen Oasis Environmental Industrial Co., Ltd. (Xiamen Oasis Environmental)	25%	
35	Fujian Oasis Solid Waste Treatment Co., Ltd. (Fujian Oasis Solid Waste)	–	2(1)m



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

Item	Name of taxable entities	Actual implementation tax rate	Notes
36	Sanming Oasis Resources Circuit Recycling Co., Ltd. (Sanming Oasis Resources)	25%	
37	Xiamen Oasis Environmental Technology Co., Ltd. (Xiamen Oasis Environmental)	25%	
38	Longyan Oasis Environmental Technology Co., Ltd. (Longyan Oasis Environmental)	12.5%	2(1)n
39	Nanping Oasis Environmental Technology Co., Ltd. (Nanping Oasis Environmental)	25%	
40	Sanming Oasis Environmental Technology Co., Ltd. (Sanming Oasis Environmental)	25%	
41	Karamay Wosen Environmental Technology Co., Ltd. (Wosen Environmental)	–	2(1)o
42	Jiangmen Dongjiang Lvlvda Fine Chemical Co., Ltd. (Jiangmen Dongjiang Lvlvda)	25%	
43	Jiangxi Dongjiang Environmental Technology Co., Ltd. (Jiangxi Dongjiang)	–	2(1)p
44	Shaoxing Dongjiang Environmental Engineering Co., Ltd. (Shaoxing Dongjiang)	25%	
45	Jiangxi Kangtai Environmental Co., Ltd. (Jiangxi Kangtai)	25%	
46	Jiangxi Kangtai Environmental Construction Technology Co., Ltd. (Kangtai Environmental)	25%	
47	Shenzhen Dongjiang Huiyuan Micro Finance Co., Ltd. (Huiyuan Micro Finance)	25%	
48	Shenzhen Hengjian Tongda Investment Management Co., Ltd. (Hengjian Tongda)	25%	
49	Dongguan Humen Water Co., Ltd. (Humen Green)	25%	
50	Hubei Tianyin Circulation Economic Development Co., Ltd. (Hubei Tianyin)	25%	
51	Hubei Tianyin Technology Co., Ltd. (Tianyin Technology)	25%	
52	Hubei Tianyin Hazardous Waste Centralized Disposal Co., Ltd. (Tianyin Hazardous Waste)	25%	
53	Hubei Tianyin Waste Vehicle Recycling and Dismantling Co., Ltd. (Tianyin Vehicle Dismantling)	25%	
54	Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd. (Zhuhai Yongxingsheng)	25%	
55	Xiantao Luyi Environmental Technology Co., Ltd. (Luyi Environmental)	25%	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

V. TAX (Continued)

1. Major taxes and tax rates (Continued)

Item	Name of taxable entities	Actual implementation tax rate	Notes
56	Nantong Hui Tian Ran Solid Waste Landfills Co., Ltd. (Nantong Hui Tian Ran)	–	2(1)q
57	Rudong Daheng Hazardous Waste Treatment Co., Ltd. (Rudong Daheng)	25%	
58	Hengshui Ruitao Environmental Technology Co., Ltd. (Hengshui Ruitao)	25%	
59	Jiangsu Dongheng Environmental Holdings Co., Ltd. (Dongheng Konggang)	25%	
60	Shenzhen Qianhai Dongjiang Environment Technology Service Co., Ltd. (Qianhai Dongjiang)	25%	
61	Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd. (Baoan Dongjiang)	25%	2(1)r
62	Zhejiang Jianglian Environmental Investment Co., Ltd. (Zhejiang Jianglian)	25%	
63	Shaoxing Huaxin Environmental Technology Co., Ltd. (Huaxin Environmental)	25%	
64	Shaoxing Huatai Environmental Technology Co., Ltd. (Huatai Environmental)	25%	
65	Zhenjiang Dongjiang Environmental Technology Development Co., Ltd. (Zhenjiang Dongjiang)	25%	
66	Weifang Dongjiang Environmental Blue Sea Environmental Protection Co., Ltd. (Weifang Blue Sea)	25%	
67	Xiamen Dongjiang Environmental Technology Co., Ltd. (Xiamen Dongjiang)	25%	
68	Jingzhou Dongjiang Environmental Technology Co., Ltd. (Jingzhou Dongjiang)	25%	
69	Nantong Dongjiang Environmental Technology Co., Ltd. (Nantong Dongjiang)	25%	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

V. TAX (Continued)

2. Tax incentives

(1) EIT tax incentives

- a) The Company is entitled to 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) Dongjiang Huarui is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate during the year 2015 to 2017, and EIT reduction of 50% on research and development fees before tax.
- c) Longgang Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2012 to 2014, and 50% EIT reduction from 2015 to 2017.
- d) Huizhou Dongjiang is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, 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) Qiandeng Wastes Treatment is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018.
- f) Qingyuan Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements, where its waste household appliances projects enjoy 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. It is also entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2015 to 2017, 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.
- g) Hunan Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2011 to 2013, and 50% EIT reduction from 2014 to 2016.
- h) Pursuant to Cai Shui [2015] No. 34, qualified small and micro-enterprises with annual assessable revenue below RMB200,000 (inclusive) enjoy 50% reduction of assessable revenue and an EIT rate of 20% from 1 January 2015 to 31 December 2017. Dongjiang Properties is a small-scale enterprise with low profitability, hence it enjoys 50% reduction of its assessable revenue and an EIT rate of 20%.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

V. TAX (Continued)

2. Tax incentives (Continued)

(1) EIT tax incentives (Continued)

- i) Qingyuan Xinlv is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018, 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) Jiaxing Deda is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018.
- k) Jiangmen Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2015 to 2017, and 50% EIT reduction from 2018 to 2020.
- l) Coastal Solid Waste is entitled to tax incentives for new and high technology enterprises at 15% EIT tax rate from 2016 to 2018.
- m) Fujian Oasis Solid Waste is entitled to income tax incentive on environmental protection projects that meet certain requirements and enjoys full EIT exemption from 2014 to 2016, and 50% EIT reduction from 2017 to 2019.
- n) Longyan Oasis Environmental enjoys income tax incentives on environmental protection projects that meet certain requirements and enjoys full EIT exemption from 2011 to 2013 and 50% EIT reduction from 2014 to 2016.
- o) Wosen Environmental is entitled to income tax incentives on environmental protection projects that meets certain requirements, and enjoyed EIT exemption from 2015 to 2017 and 50% EIT reduction from 2018 to 2020.
- p) Jiangxi Dongjiang is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021.
- q) Nantong Hui Tian Ran is entitled to income tax incentive on environmental protection and energy saving and water saving projects that meet certain requirements and enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021.
- r) Baoan Dongjiang is entitled to tax incentives where it enjoys 90% reduction of EIT tax on assessable total revenue from resources recycling business and EIT reduction of 50% on research and development fees before tax.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

V. TAX (Continued)

2. Tax incentives (Continued)

(2) VAT tax incentive

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, Qingdao Dongjiang, Renewable Energy, Baoan Energy, Nanchang Xinguan, Hefei Xinguan were entitled to the preferential tax treatment of 100% VAT refund upon collection for the income of power generation using methane from waste fermentation during the period from January to December 2016.

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, Shajing Treatment Base, Huizhou Dongjiang, Qiandeng Wastes Treatment, Jiaxing Deda, Dongguan Hengjian, Baoan Dongjiang were entitled to the preferential tax treatment of 30% VAT refund upon collection for the sales of products of comprehensive recycling during the period from January to December 2016.

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, Longgang Dongjiang, Hunan Dongjiang, Shaoguan Green, Jiangmen Dongjiang, Coastal Solid Waste, Xiamen Oasis Environmental, Longyan Oasis Environmental, Nanping Oasis Environmental, Sanming Oasis Environmental, Jiangxi Dongjiang, Jiangxi Kangtai, Zhuhai Yongxingsheng, Rudong Daheng, Hengshui Ruitao, Baoan Dongjiang and Huaxin Environmental were entitled to the preferential tax treatment of 70% VAT refund upon collection for the waste treatment and disposal business during the period from January to December 2016.

Pursuant to the “Notice on Catalogue of Preferential VAT Treatment for Products and Services of Comprehensive Utilization of Resources” (Cai Shui [2015] No. 78) issued by the Ministry of Finance and the State Administration of Taxation, the Company, Shajing Treatment Base, Engineering Branch, Huizhou Dongjiang, Qiandeng Wastes Treatment, Jiangmen Dongjiang, Xiamen Oasis Environmental, Jiangxi Dongjiang, Humen Green and Zhuhai Yongxingsheng were entitled to the preferential tax treatment of 70% VAT refund upon collection for the sewage treatment business during the period from January to December 2016.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 2016; “end of the year” means 31 December 2016; “the Year” means the period from 1 January 2016 to 31 December 2016; “last year” means 1 January 2015 to 31 December 2015. Presentation currency is Renminbi.

1. Monetary Fund

Item	Balance at the end of year	Balance at the beginning of year
Cash	729,725.40	521,496.27
Bank deposits	1,128,276,484.75	814,872,336.82
Other monetary fund	31,066,918.32	42,335,470.80
Total	1,160,073,128.47	857,729,303.89
Including: total amount of other deposits overseas	10,052,382.14	5,073,640.21

As the end of the year, the restricted monetary fund of the Company were RMB20,414,561.53 (last year: RMB41,767,769.31) which mainly includes guarantee deposits and security deposit of bank acceptance bills.

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

(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	1,667,820.00	1,546,950.00
Including: equity instrument investments	1,667,820.00	1,546,950.00
Total	1,667,820.00	1,546,950.00

(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)	1,667,820.00	1,546,950.00
Total	1,667,820.00	1,546,950.00

At the end of the year, the market value of listed investment was RMB1,667,820.00 (last year: RMB1,546,950.00).



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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	Amount at the end of year	Amount at the beginning of year
Bank acceptance notes	43,656,934.87	37,323,244.22
Commercial acceptance notes	170,000.00	–
Total	43,826,934.87	37,323,244.22

(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	60,326,917.32	–
Commercial acceptance notes	–	–
Total	60,326,917.32	–

(3) As at the end of the year, the above notes receivable of the Company are all aged within 180 days.

4. Accounts receivable

Item	Amount at the end of year	Amount at the beginning of year
Accounts receivable	510,979,845.03	726,651,054.71
Less: bad debt provision	17,629,638.34	17,779,826.26
Net amount	493,350,206.69	708,871,228.45



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 Company 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 Company 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 Company 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 presented based on the invoice date is as follows:

Age	Balance at the end of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	331,444,047.28	3,550,262.47	1.07
91-180 days	29,404,001.48	512,309.25	1.74
181-365 days	25,815,120.02	399,073.78	1.55
1-2 years	110,911,487.62	3,116,000.59	2.81
2-3 years	6,689,468.79	3,336,272.41	49.87
Over 3 years	6,715,719.84	6,715,719.84	100.00
Total	510,979,845.03	17,629,638.34	3.45

Age	Balance at the beginning of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	367,305,579.37	2,277,426.51	0.62
91-180 days	124,124,924.62	798,558.14	0.64
181-365 days	192,897,824.71	922,399.01	0.48
1-2 years	30,674,782.15	2,798,018.43	9.12
2-3 years	4,899,582.53	4,235,062.84	86.44
Over 3 years	6,748,361.33	6,748,361.33	100.00
Total	726,651,054.71	17,779,826.26	2.45



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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

Category	Balance at the end of year		Bad debt provision		Book value
	Book balance		Proportion of provisions		
	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	505,699,036.76	98.97	12,348,830.07	2.44	493,350,206.69
Accounts receivable that are individually insignificant but are individually provided for bad debts	5,280,808.27	1.03	5,280,808.27	100.00	-
Total	510,979,845.03		17,629,638.34		493,350,206.69

Category	Balance at the beginning of year		Bad debt provision		Book value
	Book balance		Proportion of provisions (%)		
	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	720,796,937.22	99.19	11,925,708.77	1.65	708,871,228.45
Accounts receivable that are individually insignificant but are individually provided for bad debts	5,854,117.49	0.81	5,854,117.49	100.00	-
Total	726,651,054.71		17,779,826.26		708,871,228.45



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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)

- 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	233,102,635.19	3,496,539.55	1.50
91-180 days	17,298,199.90	518,945.99	3.00
181-365 days	6,932,669.28	346,633.46	5.00
1-2 years	15,162,560.02	3,032,512.00	20.00
2-3 years	6,660,148.79	3,330,074.40	50.00
Over 3 years	1,624,124.67	1,624,124.67	100.00
Total	280,780,337.85	12,348,830.07	

(3) Ageing 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	98,341,412.09	215,477,145.27
91-180 days	12,105,801.58	97,506,320.66
181-365 days	18,827,413.24	174,449,844.73
1-2 years	95,644,072.00	16,684,689.99
Net amount	224,918,698.91	504,118,000.65

Overdue but without impairment accounts receivables are related to related parties and government agencies, 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 RMB6,177,032.49, and reversed or recovered bad debt provision of RMB0.00.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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)

(5) Accounts receivable written off during the Year

Item	Amount written off
Accounts receivable written off	6,422,780.29

Including significant accounts receivables written off:

Name	Nature of accounts receivable	Amount	Reason of write off	Implementation	Whether arisen from related party transaction
Daye Hua Sheng Mining Co., Ltd.	Payments for goods	1,616,239.80	Irrecoverable	Report to the Board	No
Wintek (China) Technology Ltd. (聯勝(中國)科技有限公司)	Treatment fees	1,604,798.80	Irrecoverable	Report to the Board	No
Kerong Circuit Board (Shenzhen) Co., Ltd.	Treatment fees and construction fees	1,340,764.57	Irrecoverable	Report to the Board	No
Baoan Shajing Shatou Baoxun Electronic Factory	Treatment fees	609,884.88	Irrecoverable	Report to the Board	No
Shenzhen Longgang Kangzi Yuba Plastic and Hardware Manufacturing Plant	Treatment fees	202,264.28	Irrecoverable	Report to the Board	No
Shenzhen Jinyuan Printed Circuit Board Co., Ltd.	Treatment fees	193,042.13	Irrecoverable	Report to the Board	No
Daye Haimian Trading Co., Ltd.	Payments for goods	165,618.56	Irrecoverable	Report to the Board	No
Shenzhen Longgang Kangzi Sanli Hardware Manufacturing Plant	Treatment fees	150,649.00	Irrecoverable	Report to the Board	No
Doumen Qianwu Haixin Waste Collection Station	Treatment fees	124,250.97	Irrecoverable	Report to the Board	No
Yangxin Yinyuan Environmental Technology Co., Ltd.	Payments for goods	100,000.00	Irrecoverable	Report to the Board	No
Total		6,107,512.99			



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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)

(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	36,885,885.30	Within 1 year	7.22	–
	95,634,652.00	1-2 years	18.72	–
No. 2	32,580,686.22	Within 1 year	6.38	–
No. 3	21,551,083.74	Within 1 year	4.22	–
No. 4	20,000,000.00	Within 1 year	3.91	300,000.00
No. 5	11,431,902.00	Within 1 year	2.24	182,975.06
Total	218,084,209.26		42.69	482,975.06

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	46,088,321.24	78.62	41,430,271.09	56.81
1-2 years	5,352,006.65	9.13	22,908,401.98	31.41
2-3 years	453,970.42	0.77	3,256,654.99	4.47
Over 3 years	6,732,331.20	11.48	5,331,751.25	7.31
Total	58,626,629.51	100.00	72,927,079.31	100.00

Significant prepayment aged over 1 year mainly includes the CDM fees paid by Qingdao Dongjiang to Qingdao Solid Waste Treatment Co., Limited, the land premium paid to Taocheng Branch of Hengshui Land Resources Bureau by Hengshui Ruitao and the payments for wastes to suppliers by Xiamen Dongjiang.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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	6,525,448.02	Over 3 years	11.13
No. 2	3,400,000.00	Within 1 year	5.80
No. 3	105,900.00	Within 1 year	0.18
	2,408,400.00	1-2 years	4.11
No. 4	2,000,000.00	1-2 years	3.41
No. 5	1,577,660.38	Within 1 year	2.69
Total	16,017,408.40		27.32

6. Interest receivable

(1) Categories of interest receivable

Item	Amount at the end of year	Amount at the beginning of year
Interest from fixed deposits	612,851.17	6,956,697.92
Interest from small-scale loans	–	404,127.00
Total	612,851.17	7,360,824.92

(2) At the end of the year, there is no interest receivable that is overdue.

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

7. Other receivables

Item	Amount at the end of year	Amount at the beginning of year
Other receivables	260,166,909.36	119,516,863.91
Less: Provision for bad debts	9,424,215.56	7,996,801.31
Net amount	250,742,693.80	111,520,062.60

(1) *Age analysis of other receivables*

Age	Balance at the end of year		
	Other receivables	Bad debt provision	Proportion of provisions (%)
0-90 days	154,765,091.02	2,147,864.13	1.39
91-180 days	2,923,520.66	15,779.01	0.54
181-365 days	37,564,503.18	11,620.89	0.03
1-2 years	14,526,583.52	397,279.31	2.73
2-3 years	37,398,059.33	1,297,921.20	3.47
Over 3 years	12,989,151.65	5,553,751.02	42.76
Total	260,166,909.36	9,424,215.56	3.62

Age	Balance at the beginning of year		
	Other receivables	Bad debt provision	Proportion of provisions (%)
0-90 days	53,865,500.97	9,833.75	0.02
91-180 days	11,671,223.32	3,889.15	0.03
181-365 days	12,200,186.37	306,175.40	2.51
1-2 years	19,380,188.51	433,749.27	2.24
2-3 years	10,094,296.52	519,827.38	5.15
Over 3 years	12,305,468.22	6,723,326.36	54.64
Total	119,516,863.91	7,996,801.31	6.69



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

7. 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	-	-	-	-	-
Other receivables that are provided for bad debts on credit risks portfolio basis	254,239,702.88	97.72	3,497,009.08	1.38	250,742,693.80
Other receivables that are individually insignificant but are individually provided for bad debts	5,927,206.48	2.28	5,927,206.48	100.00	-
Total	260,166,909.36		9,424,215.56		250,742,693.80

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	113,386,095.93	94.87	1,866,033.33	1.65	111,520,062.60
Other receivables that are individually insignificant but are individually provided for bad debts	6,130,767.98	5.13	6,130,767.98	100.00	-
Total	119,516,863.91		7,996,801.31		111,520,062.60



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

7. Other receivables (Continued)

(2) Other receivables by categories

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

Age	Balance at the end of year		
	Other receivables	Provision for bad debts	Proportion of provision (%)
0-90 days	116,524,274.57	1,747,864.13	1.50
91-180 days	525,967.23	15,779.01	3.00
181-365 days	232,417.72	11,620.89	5.00
1-2 years	486,396.59	97,279.31	20.00
2-3 years	2,028,382.40	1,014,191.20	50.00
Over 3 years	610,274.54	610,274.54	100.00
Total	120,407,713.05	3,497,009.08	

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

Bad debt provision of RMB3,673,484.02 was withdrawn during the year, and bad debt provision of RMB700,000.00 was recovered or reversed during the year.

(4) Other receivable written during the year

Item	Amount written off
Other receivables written off	1,505,750.00

Including significant other receivables written off:

Name	Nature of other receivables	Amount of write off	Reason of write off	Implementation of write off	Whether arisen from related party transaction
Wuhan Qiangsheng Environment Product Co., Ltd.	Other	1,000,000.00	Irrecoverable	Report to the Board	No
Li Weijian	Other	445,710.00	Irrecoverable	Report to the Board	No
Total		1,445,710.00			



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

7. Other receivables (Continued)

(5) Other receivables categorized by nature

Nature	Balance at the end of year	Balance at the beginning of year
Guarantee deposits	77,245,089.77	62,627,529.84
Performance compensation	–	17,664,528.32
Provisions	7,806,764.50	7,269,989.74
Payment on behalf of third parties	30,556,658.32	3,883,852.30
Others	36,140,096.77	28,070,963.71
Considerations of equity transfer and current accounts with former subsidiaries*1	108,418,300.00	–
Total	260,166,909.36	119,516,863.91

*1. Considerations of equity transfer and current accounts with former subsidiaries represent the consideration arising from transfer of Qingyuan Dongjiang, equity of Hubei Dongjiang and Sound (Tianjin) Renewable Resources Investment Holdings Co., Ltd. by the Company and the internal loans to former subsidiaries. Details are as follows:

Item	Nature	Amount
Considerations receivable for equity transfer of Hubei Dongjiang and Qingyuan Dongjiang	Considerations of equity transfer	37,990,000.00
Debts receivable for transfer of Hubei Dongjiang and Qingyuan Dongjiang	Current accounts with former subsidiaries	99,228,300.00
Receipt in advance for equity transfer of Xiamen Oasis	Considerations of equity transfer	-48,000,000.00
Equity transfer deposit received in advance due to minority shareholders of Xiamen Oasis	Considerations of equity transfer	19,200,000.00
Total		108,418,300.00

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

7. Other receivables (Continued)

(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	Considerations of equity transfer and current accounts with former subsidiaries	108,418,300.00	Within 1 year	41.67	1,626,274.50
No. 2	Payment on behalf of third parties	26,491,600.00	2-3 years	10.18	–
No. 3	Security deposits	15,000,000.00	Within 1 year	5.77	–
No. 4	Security deposits	2,405,471.57	Within 1 year	0.92	–
No. 5	Security deposits	3,747,064.82	2-3 years	1.44	–
		6,000,000.00	1-2 years	2.31	–
Total		162,062,436.39		62.29	1,626,274.50

(7) Account receivables related to government grants

Name	Projects receiving grants	Balance at the end of the year	Age	Receiving time	Expected Amount	Basis
Huizhou Finance Bureau	VAT Refund upon collection	1,163,620.40	Within 1 year	2017	1,163,620.40	Cai Shui [2015] No. 78 *1
Total		1,163,620.40				

*1. Huizhou Dongjiang, a subsidiary of the Company, recognised income from VAT refund based on the VAT paid which is entitled to refund (for products of comprehensive resources utilization and sewage treatment business) in October and November 2016.

(8) As at the end of the year, there is no staff borrowings receivable.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

8. Inventories

(1) Categories of inventories

Item	Book balance	Provision of impairment at the end of year	Book value
Raw material	185,987,850.73	323,438.55	185,664,412.18
Work-in-progress	2,574,923.98	–	2,574,923.98
Finished goods	48,603,012.57	–	48,603,012.57
Low-valued consumables	10,662,595.05	–	10,662,595.05
Goods in transit	19,665,635.77	–	19,665,635.77
Total	267,494,018.10	323,438.55	267,170,579.55

Item	Book balance	Provision of impairment at the beginning of year	Book value
Raw material	185,867,628.23	1,167,923.33	184,699,704.90
Work-in-progress	7,418,446.57	–	7,418,446.57
Finished goods	50,770,675.63	473,982.62	50,296,693.01
Low-valued consumables	7,876,380.48	–	7,876,380.48
Goods in transit	18,978,275.75	–	18,978,275.75
Total	270,911,406.66	1,641,905.95	269,269,500.71

(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 transferral	Other transfer	
Raw material	1,167,923.33	–	–	844,484.78	–	323,438.55
Finished goods	473,982.62	–	–	473,982.62	–	–
Total	1,641,905.95	–	–	1,318,467.40	–	323,438.55



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

8. Inventories (Continued)

(3) *Withdrawal of impairment provision of inventory*

Item	Basis of recognition of net realisable value	Reason for reversal or transferral during the year
Raw material	The estimated selling prices of products less estimated cost incurred until completion of work	Raw materials have been sold
Finished goods	Estimated price less relevant taxes	Finished goods have been sold

9. Loans

Item	Amount at the end of year		
	Amount	Proportion of provisions (%)	Provision for loans loss
Normal type	274,275,000.00	0.00	–
Concern type	–	2.00	–
Subprime type	–	30.00	–
Suspicious type	–	60.00	–
Loss type	–	100.00	–
Total	274,275,000.00	–	

Item	Amount at the beginning of year		
	Amount	Proportion of provisions (%)	Provision for loans loss
Normal type	164,909,000.00	0.00	–
Concern type	–	2.00	–
Subprime type	–	30.00	–
Suspicious type	–	60.00	–
Loss type	–	100.00	–
Total	164,909,000.00	–	

Loan balance at the end of the year means the various types of small-scale credit loans distributed by Huiyuan Small Loans, a subsidiary of the Company.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

10. 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 VI.13)	16,930,533.96	29,880,000.00	Construction fee
Total	16,930,533.96	29,880,000.00	

11. Other current assets

Item	Amount at the end of year	Amount at the beginning of year
Bank financial products	96,500,000.00	16,000,000.00
Discounted amortization	544,509.29	1,527,629.67
Input tax deductible	47,372,372.22	42,904,746.19
Others	–	1,048,343.77
Total	144,416,881.51	61,480,719.63

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, Shenzhen Jingtian Sub-branch	Bu Bu Sheng Jin 8688 of Go Fortunes of China Merchants Bank (招商銀行點金公司理財之步步生金8688)	40,000,000.00	2016-12-30	2017-1-20	Principal-guaranteed with floating return
China Merchants Bank, Shenzhen Jingtian Sub-branch	RMB Golden Pond Financial Product 7001 of China Merchants Bank (招商銀行人民幣點金池理財7001號)	40,000,000.00	2016-12-28	2017-1-17	Principal-guaranteed with floating return
Industrial and Commercial Bank of China, Karamay Oilfield Branch	“Ri Sheng Yue Heng” Step-up Renminbi Financial Product for Legal Persons (“日升月恒”收益遞增型法人人民幣理財產品)	3,500,000.00	2016-4-5	No fixed term	Principal-guaranteed with floating return
China Merchants Bank, Shenzhen Shajing Sub-branch	Bu Bu Sheng Jin 8688 of Go Fortunes of China Merchants Bank (招商銀行點金公司理財之步步生金8688)	13,000,000.00	2016-11-15	2017-12-30	Principal-guaranteed with floating return
Total		96,500,000.00			



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

12. Available-for-sale financial assets

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

Item	Balance at the end of year		
	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	14,931,700.00	–	14,931,700.00
Including: measured at cost	14,931,700.00	–	14,931,700.00
Total	14,931,700.00	–	14,931,700.00

Item	Balance at the beginning of year		
	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	14,431,700.00	–	14,431,700.00
Including: measured at cost	14,431,700.00	–	14,431,700.00
Total	14,431,700.00	–	14,431,700.00

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

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	14,931,700.00	14,431,700.00
Total	14,931,700.00	14,431,700.00

13. 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	242,041,592.21	208,331,741.32
Less: Amount due within 1 year and showed as non-current assets due within one year (Note VI.10)	16,930,533.96	29,880,000.00
Receivables for rendering of services to be recovered by installments due after 1 year	225,111,058.25	178,451,741.32



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

13. Long-term accounts receivable (Continued)

(1) Age analysis of long-term receivables

Item	Amount at the end of year	Amount at the beginning of year
0-90 days	67,706,876.02	106,936,811.36
180-360 days	4,370,561.41	–
1-2 years	102,385,154.82	70,248,599.96
2-3 years	61,722,669.96	31,146,330.00
Over 3 years	5,856,330.00	–
Total	242,041,592.21	208,331,741.32

(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 (%)
Huizhou Zhongxing New Communication Equipment Co., Ltd. (惠州中興新通訊設備有限公司)	45,000,000.00	18.59	36,000,000.00	17.28
Yangxin Urban Construction Investment and Development Co., Ltd. (陽新縣城鎮建設投資開發有限公司)	44,963,288.28	18.58	–	–
Lianping Zhongxin Wastewater Treatment Plant (連平忠信鎮污水廠)	39,913,289.08	16.49	37,972,925.00	18.23
Lianping County Municipal Wastewater Treatment Plant (連平縣生活污水處理廠)	29,102,555.83	12.02	27,687,750.00	13.29
Heyuan High-Tech Development Zone Co., Ltd. (河源市高新技術開發區有限公司)	19,750,000.00	8.16	45,800,000.00	21.98
Xinfeng Zhaotai Investment Co., Ltd. (信豐兆泰投資有限公司)	18,292,438.42	7.56	17,277,046.92	8.29
Heshan Industrial Investment Co., Ltd. (鶴山市工業投資有限公司)	12,230,681.74	5.05	–	–
Xinfeng Xunjixing Circuits Technology Ltd. (信豐迅捷興電路科技有限公司)	12,131,405.00	5.01	16,797,335.00	8.06
Jiangmen Sungde Circuits Technology Ltd. (江門崇達電路技術有限公司)	7,120,000.00	2.94	9,510,000.00	4.56
Huizhou Special Electronic Technology Co., Ltd. (惠州市特創電子科技有限公司)	6,390,731.86	2.64	8,842,388.40	4.24
Dongguan Department of Finance Treasury Payment Center (東莞市財政局國庫支付中心)	5,507,202.00	2.28	3,994,296.00	1.92
Shaoguan Haoteli Electronic Co., Ltd. (韶關好特利電子有限公司)	940,000.00	0.39	1,650,000.00	0.81
Datong Circuit Board (Shenzhen) Co., Ltd. (大通電路板(深圳)有限公司)	700,000.00	0.29	2,800,000.00	1.34
Total	242,041,592.21	100.00	208,331,741.32	100.00

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

13. Long-term accounts receivable (Continued)

(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.

14. Long-term equity investments

(1) Categories of long-term equity investments

Investee	Movement during the Year										Balance at the end of year	Impairment provision at the end of year
	Balance at the beginning of year	Additional investments	Decrease in investments	Gain and loss of investment recognized under equity approach	Adjustments to other comprehensive income	Movement in other equity interests	Declaration or payment of cash dividend or profit	Impairment provision	Others			
Joint venture												
Dongjiang Veolia	67,701,431.53	-	-	13,440,008.58	-	-	-22,500,000.00	-	-	-	58,641,440.11	-
Associates												
Shenzhen Micronutrients	6,836,176.66	-	-	7,876,935.27	-	-	-3,512,511.35	-	-	-	11,200,600.58	529,649.00
Shenzhen Resource	29,748,327.07	-	-	-4,207,997.68	-	-	-	-	-	-	25,540,329.39	-
Hengshui Ruitao	30,120,395.00	-	-	-519,094.50	-	-	-	-	-29,601,300.50	-	-	-
Chaoyue Dongchuang	697,494.27	-	-	-163,871.25	-	-	-	-	-	-	533,623.02	-
Fujian Dongjiang	-	42,500,000.00	-	-340,819.77	-	-	-	-	-	-	42,159,180.23	-
Total	135,103,824.53	42,500,000.00	-	16,085,160.65	-	-	-26,012,511.35	-	-29,601,300.50	-	138,075,173.33	529,649.00

During the year, the Company made additional equity investment to Hengshui Ruitao and increased the shareholding percentage to 85.00%. Hengshui Ruitao was included in the scope of consolidated financial statements, please refer to Note VII.1 for detail.

For details of joint ventures and associates, please refer to Note VIII.3.

(2) Analysis of long-term equity investments

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	138,075,173.33	135,103,824.53
Total	138,075,173.33	135,103,824.53



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

15. Investment properties

(1) Investment properties measured at fair value

Item	Buildings and constructions	Total
I. Balance at the beginning of year	53,870,800.00	53,870,800.00
II. Movement of the year	–	–
Add: Acquisition	–	–
Transfer from inventory\fixed assets\work-in-progress	11,494,986.20	11,494,986.20
Addition from business combination	–	–
Less: Disposal	–	–
Other transfer	–	–
Add: change in fair value	1,023,176.00	1,023,176.00
III. Balance at the end of year	66,388,962.20	66,388,962.20

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 Company. 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)	66,388,962.20	53,870,800.00
Total	66,388,962.20	53,870,800.00

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

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

16. 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	875,826,912.39	654,426,560.61	56,862,855.03	129,293,703.68	150,718,750.32	1,867,128,782.03
2. Increase during the year	250,027,603.91	266,161,805.45	16,089,879.83	25,419,321.99	89,158,899.33	646,857,510.51
(1) Acquisition	21,649,904.01	54,287,918.02	9,293,769.24	17,181,645.55	17,933,397.08	120,346,633.90
(2) Transfer from work-in-progress	168,742,766.22	144,543,809.03	3,217,108.09	3,283,345.27	60,133,873.33	379,920,901.94
(3) Addition from business combination	59,102,217.58	62,967,307.75	3,256,031.43	4,951,131.17	10,923,386.27	141,200,074.20
(4) Others	532,716.10	4,362,770.65	322,971.07	3,200.00	168,242.65	5,389,900.47
3. Decrease during the year	273,614,440.45	111,604,702.83	11,957,527.27	12,797,637.17	42,058,682.26	452,032,989.98
(1) Disposal or retirement	10,950,872.87	41,137,967.92	3,457,769.72	8,488,293.23	8,207,516.23	72,242,419.97
(2) Decrease from business combination	180,346,891.21	56,585,639.90	5,773,812.21	1,727,208.32	17,611,213.14	262,044,764.78
(3) Transfer to work-in-progress	70,821,690.17	11,617,676.99	364,595.46	1,374,800.00	12,980,729.61	97,159,492.23
(4) Others	11,494,986.20	2,263,418.02	2,361,349.88	1,207,335.62	3,259,223.28	20,586,313.00
4. Balance at the end of year	852,240,075.85	808,983,663.23	60,995,207.59	141,915,388.50	197,818,967.39	2,061,953,302.56
II. Accumulated depreciation						
1. Balance at the beginning of year	116,794,254.38	247,863,800.22	28,893,483.85	74,399,360.19	46,989,710.56	514,940,609.20
2. Increase during the year	54,840,202.04	98,783,635.61	10,437,751.97	22,935,168.58	29,739,466.74	216,736,224.94
(1) Provision	38,514,697.97	80,215,257.46	9,133,394.69	20,039,162.34	27,461,033.85	175,363,546.31
(2) Additional from business combination	14,777,932.73	18,300,221.50	1,183,838.75	2,533,193.68	2,209,226.72	39,004,413.38
(3) Others	1,547,571.34	268,156.65	120,518.53	362,812.56	69,206.17	2,368,265.25
3. Decrease during the year	26,269,354.44	33,229,915.10	5,956,184.73	7,677,148.51	12,168,559.82	85,301,162.60
(1) Disposal or retirement	2,439,782.87	17,887,440.02	2,980,844.70	5,417,834.57	6,021,957.65	34,747,859.81
(2) Decrease from business combination	15,971,243.68	12,294,649.89	2,040,224.71	1,083,310.11	4,344,294.95	35,733,723.34
(3) Transfer to work-in-progress	2,726,989.77	2,904,863.58	41,347.25	142,892.33	1,536,460.88	7,352,553.81
(4) Others	5,131,338.12	142,961.61	893,768.07	1,033,111.50	265,846.34	7,467,025.64
4. Balance at the end of year	145,365,101.98	313,417,520.73	33,375,051.09	89,657,380.26	64,560,617.48	646,375,671.54
III. Impairment provision						
1. Balance at the beginning of year	19,368,338.88	31,825,268.57	-	367,481.18	463,354.97	52,024,443.60
2. Increase during the year	61,742.68	350,722.17	-	-	-	412,464.85
(1) Provision	-	-	-	-	-	-
(2) Addition from business combination	61,742.68	350,722.17	-	-	-	412,464.85
(3) Others	-	-	-	-	-	-
3. Decrease during the year	9,508,123.72	24,086,875.05	-	84,180.00	405,494.04	34,084,672.81
(1) Disposal or retirement	-	145,234.86	-	84,180.00	-	229,414.86
(2) Decrease from business combination	9,508,123.72	23,941,640.19	-	-	405,494.04	33,855,257.95
(3) Others	-	-	-	-	-	-
4. Balance at the end of year	9,921,957.84	8,089,115.69	-	283,301.18	57,860.93	18,352,235.64
IV. Book value						
1. Book value at the end of year	696,953,016.03	487,477,026.81	27,620,156.50	51,974,707.06	133,200,488.98	1,397,225,395.38
2. Book value at the beginning of year	739,664,319.13	374,737,491.82	27,969,371.18	54,526,862.31	103,265,684.79	1,300,163,729.23



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

16. Fixed assets (Continued)

(1) Breakdown of fixed assets (Continued)

Depreciation and amortization of fixed assets recognized as profit or loss during the year was RMB175,363,546.31 (last year: RMB143,263,126.73).

Addition to fixed assets during the year includes transfer from construction in progress of RMB379,920,901.94.

Loss from disposal of fixed assets during the year was RMB17,333.353.95.

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

(3) Fixed assets held under financial lease

Year end	Original book value	Accumulated depreciation	Impairment provision	Book value
Transportation facilities	11,461,755.57	5,914,530.31	–	5,547,225.26
Total	11,461,755.57	5,914,530.31	–	5,547,225.26

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

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



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

16. Fixed assets (Continued)

(5) Fixed assets without property rights certificates (Continued)

The fixed assets included buildings with book value RMB351,652,987.39 (Amount at the beginning of the year: RMB282,526,224.05), their application of the property rights has not processed or is in process. In the light of the assets below 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 for not obtaining proper ownership certificates
Warehouse and workshop of Jiangmen Dongjiang, a subsidiary	32,549,963.59	Unable to obtain ownership certificate as land use right certificate was pledged to bank
Office building and workshop of Coastal Solid Waste, a subsidiary	24,242,046.00	Application in progress
Office building and workshop of Wosen Environmental, a subsidiary	43,438,167.49	Application in progress
Factory of detoxification project of Jiangxi Dongjiang, a subsidiary	5,662,643.19	Application in progress
Factory and office building of Jiangmen Dongjiang, a subsidiary	62,565,013.90	Unable to obtain ownership certificate as land use right certificate was pledged to bank
Six-storey office building of Shaoguan Green, a subsidiary	1,724,913.36	Application in progress
Environmental protection workshop, factory and complex building of Xiamen Oasis, a subsidiary	27,128,429.55	Application in progress
Office building and factory of Zhuhai Yongxingsheng, a subsidiary	98,731,395.60	Application in progress
Incineration plant and warehouse of Fujian Oasis, a subsidiary	9,530,020.30	Application in progress
Factory of Jiangxi Project of Baoan Dongjiang, a subsidiary	5,662,643.19	Application in progress
Factory and dormitory of Baoan Dongjiang, a subsidiary	20,650,950.15	Application in progress
Factory of Zhejiang Jianglian, a subsidiary	5,136,744.98	Application in progress
Phase II factory of Zhejiang Jianglian, a subsidiary	14,630,056.09	Application in progress
Total	351,652,987.39	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

17. 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)	172,849,602.03	-	172,849,602.03	154,909,569.44	-	154,909,569.44
Dongheng Konggang project (Dongheng Konggang)	169,381,158.90	-	169,381,158.90	-	-	-
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	166,813,160.97	-	166,813,160.97	57,011,436.35	-	57,011,436.35
Property construction phase II (Xiamen Oasis)	147,841,714.82	-	147,841,714.82	143,232,588.75	-	143,232,588.75
Tianyin office, factory and greening project (Hubei Tianyin)	85,153,492.51	-	85,153,492.51	16,064,101.90	-	16,064,101.90
Luohu Xiaping kitchen waste project (Headquarter)	74,253,247.05	-	74,253,247.05	53,323,673.61	-	53,323,673.61
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	71,550,154.34	-	71,550,154.34	7,798,162.73	-	7,798,162.73
Hui Tian Ran landfill site (Nantong Hui Tian Ran)	59,029,185.82	-	59,029,185.82	-	-	-
Weifang Dongjiang project (Weifang Blue Sea)	47,247,782.31	-	47,247,782.31	-	-	-
Incineration plant (Shaoguan Green)	46,159,213.85	-	46,159,213.85	28,988,384.42	-	28,988,384.42
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	42,162,162.16	-	42,162,162.16	-	-	-
Technical renovation project (Huizhou Dongjiang)	39,732,989.85	-	39,732,989.85	35,901,440.72	-	35,901,440.72
Xiantao environmental protection project (Luyi Environmental)	39,649,996.08	-	39,649,996.08	12,225,045.82	-	12,225,045.82
Tianyin car dismantling project (Tianyin car dismantling)	36,054,928.38	-	36,054,928.38	24,139,462.76	-	24,139,462.76
Technical renovation project (Baoan Dongjiang)	30,334,190.87	-	30,334,190.87	21,101,157.15	-	21,101,157.15
Plasma pilot project (Longgang Dongjiang)	28,573,733.68	-	28,573,733.68	10,066,794.72	-	10,066,794.72
Recycling project (Shaoguan Green)	28,048,856.06	-	28,048,856.06	10,692,539.44	-	10,692,539.44
Wastewater treatment project (Shaoguan Green)	26,274,220.17	-	26,274,220.17	24,235,502.53	-	24,235,502.53



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

17. 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
Plant and road construction project phase III (Coastal Solid Waste)	25,819,831.40	-	25,819,831.40	9,484,684.89	-	9,484,684.89
Dongguan Hengjian renovation project (Dongguan Hengjian)	23,808,343.52	-	23,808,343.52	2,419,762.97	-	2,419,762.97
Jiangmen project (Jiangmen Dongjiang)	20,047,647.67	-	20,047,647.67	74,651,306.74	-	74,651,306.74
Shaoguan Green hazardous waste landfill project (Shaoguan Green BOT)	19,749,704.10	-	19,749,704.10	19,642,433.35	-	19,642,433.35
Hengshui project (Hengshui Ruitao)	16,510,812.79	-	16,510,812.79	-	-	-
Fengcheng Dongjiang Environmental industry base detoxification project (Jiangxi Dongjiang)	5,297,737.28	-	5,297,737.28	56,695,942.06	-	56,695,942.06
Technical renovation project (Qingyuan Xinlv)	2,607,512.40	-	2,607,512.40	8,051,661.24	-	8,051,661.24
Fengcheng Dongjiang Environmental industry base recycling (Jiangxi Dongjiang)	1,059,451.00	-	1,059,451.00	-	-	-
Other small projects in total	29,611,281.75	15,000.00	29,596,281.75	150,192,354.69	15,000.00	150,177,354.69
Total	1,455,622,111.76	15,000.00	1,455,607,111.76	920,828,006.28	15,000.00	920,813,006.28



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

17. Construction in progress (Continued)

(2) Movement of major construction in progress

Name	Amount at	Increase during the year	Decrease during the year		Amount at the end of year
	the beginning of year		Transfer to fixed assets	Other decrease	
Hazardous waste disposal centre in Northern Guangdong (Shaoguan Green)	154,909,569.44	17,940,032.59	-	-	172,849,602.03
Dongheng Konggang project (Dongheng Konggang)	-	169,381,158.90	-	-	169,381,158.90
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	57,011,436.35	109,801,724.62	-	-	166,813,160.97
Property construction phase II (Xiamen Oasis)	143,232,588.75	4,609,126.07	-	-	147,841,714.82
Tianyin office, factory and greening project (Hubei Tianyin)	16,064,101.90	92,346,131.93	23,256,741.32	-	85,153,492.51
Luohu Xiaping kitchen waste project (Headquarter)	53,323,673.61	20,929,573.44	-	-	74,253,247.05
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	7,798,162.73	72,227,186.00	8,475,194.39	-	71,550,154.34
Hui Tian Ran landfill site (Nantong Hui Tian Ran)	-	59,029,185.82	-	-	59,029,185.82
Weifang Dongjiang project (Weifang Blue Sea)	-	47,247,782.31	-	-	47,247,782.31
Incineration plant (Shaoguan Green)	28,988,384.42	17,170,829.43	-	-	46,159,213.85
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	-	42,162,162.16	-	-	42,162,162.16
Technical renovation project (Huizhou Dongjiang)	35,901,440.72	11,982,949.98	8,151,400.85	-	39,732,989.85
Xiantao environmental protection project (Luyi Environmental)	12,225,045.82	27,424,950.26	-	-	39,649,996.08
Tianyin car dismantling project (Tianyin car dismantling)	24,139,462.76	11,915,465.62	-	-	36,054,928.38
Technical renovation project (Baoan Dongjiang)	21,101,157.15	26,091,688.10	16,858,654.38	-	30,334,190.87
Plasma pilot project (Longgang Dongjiang)	10,066,794.72	18,506,938.96	-	-	28,573,733.68
Recycling project (Shaoguan Green)	10,692,539.44	17,356,316.62	-	-	28,048,856.06
Wastewater treatment project (Shaoguan Green)	24,235,502.53	2,038,717.64	-	-	26,274,220.17
Plant and road construction project phase III (Coastal Solid Waste)	9,484,684.89	81,817,904.03	65,482,757.52	-	25,819,831.40
Dongguan Hengjian renovation project (Dongguan Hengjian)	2,419,762.97	21,389,935.34	-	1,354.79	23,808,343.52
Jiangmen project (Jiangmen Dongjiang)	74,651,306.74	35,601,078.18	90,204,737.25	-	20,047,647.67
Shaoguan Green hazardous waste landfill project (Shaoguan Green BOT)	19,642,433.35	107,270.75	-	-	19,749,704.10
Hengshui project (Hengshui Ruitao)	-	18,845,921.10	2,335,108.31	-	16,510,812.79
Fengcheng Dongjiang Environmental industry base detoxification project (Jiangxi Dongjiang)	56,695,942.06	94,474,372.76	-	145,872,577.54	5,297,737.28
Technical renovation project (Qingyuan Xinlv)	8,051,661.24	7,921,610.86	13,365,759.70	-	2,607,512.40
Fengcheng Dongjiang Environmental industry base recycling project (Jiangxi Dongjiang)	-	1,059,451.00	-	-	1,059,451.00
Total	770,635,651.59	1,029,379,464.47	228,130,353.72	145,873,932.33	1,426,010,830.01

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

17. 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)	185,000,000.00	93.43	93.43	52,578,372.33	3,299,959.79	5.10	Borrowing
Dongheng Konggang project (Dongheng Konggang)	200,000,000.00	84.69	84.69	1,466,666.70	1,466,666.70	5.50	Borrowing, own funds
Tianyin hazardous waste project (Tianyin hazardous waste disposal)	301,984,923.42	55.24	55.24	9,537,988.24	6,242,497.26	5.50	Borrowing, own funds
Property construction phase II (Xiamen Oasis)	148,000,000.00	99.89	99.89	15,308,638.23	4,158,477.83	5.50	Borrowing
Tianyin office, factory and greening project (Hubei Tianyin)	110,000,000.00	98.55	98.55	12,928,942.13	7,412,710.38	5.50	Borrowing, own funds
Luohu Xiaping kitchen waste project (Headquarter)	91,000,000.00	81.60	81.60	-	-	-	Surplus proceeds, own funds
Yongxingsheng renovation project (Zhuhai Yongxingsheng)	100,000,000.00	80.03	80.03	860,521.88	860,521.88	5.10	Borrowing, own funds
Hui Tian Ran landfill site (Nantong Hui Tian Ran)	167,000,000.00	35.35	35.35	2,595,970.37	2,595,970.37	5.10	Borrowing, own funds
Weifang Dongjiang project (Weifang Blue Sea)	100,000,000.00	47.25	47.25	183,333.33	183,333.33	5.50	Borrowing, own funds
Incineration plant (Shaoguan Green)	60,000,000.00	76.93	76.93	-	-	-	Own funds
Jingzhou Dongjiang project (Jingzhou Dongjiang BOT)	150,000,000.00	28.11	28.11	-	-	-	Own funds
Technical renovation project (Huizhou Dongjiang)	70,017,676.00	68.39	68.39	-	-	-	Own funds
Xiantao environmental protection project (Luyi Environmental)	90,000,000.00	44.06	44.06	282,486.12	282,486.12	5.50	Borrowing, own funds
Tianyin car dismantling project (Tianyin car dismantling)	38,000,000.00	94.88	94.88	4,651,459.82	1,115,082.76	5.50	Borrowing, own funds
Technical renovation project (Shajing Base)	50,020,000.00	94.35	94.35	-	-	-	Own funds
Plasma pilot project (Longgang Dongjiang)	60,000,000.00	47.62	47.62	-	-	-	Own funds
Recycling project (Shaoguan Green)	40,000,000.00	70.12	70.12	-	-	-	Own funds
Wastewater treatment project (Shaoguan Green)	28,572,200.00	91.96	91.96	-	-	-	Own funds
Plant and road construction project phase III (Coastal Solid Waste)	265,099,500.00	34.44	34.44	1,374,450.00	1,244,952.50	5.50	Borrowing, own funds
Dongguan Hengjian renovation project (Dongguan Hengjian)	100,000,000.00	23.81	23.81	197,083.34	194,469.21	5.50	Borrowing
Jiangmen project (Jiangmen Dongjiang)	300,000,000.00	67.33	67.33	12,257,513.26	2,666,270.89	5.10	Borrowing
Shaoguan Green hazardous waste landfill project (Shaoguan Green BOT)	30,000,000.00	65.83	65.83	-	-	-	Own funds
Hengshui project (Hengshui Ruitao)	90,000,000.00	20.94	20.94	-	-	-	Own funds
Fengcheng Dongjiang Environmental industry base detoxification project (Jiangxi Dongjiang, the Company)	220,000,000.00	68.71	68.71	2,672,145.50	2,342,543.82	5.10	Borrowing, own funds
Technical renovation project (Qingyuan Xinlv)	28,000,000.00	57.05	57.05	-	-	-	Own funds
Fengcheng Dongjiang Environmental industry base recycling project (Jiangxi Dongjiang)	300,000,000.00	0.35	0.35	-	-	-	Own funds
Total	3,322,694,299.42			116,895,571.25	34,065,942.84		



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

18. Intangible assets

(1) Breakdown of intangible assets:

Item	Land use rights	Patent	Non-patent technology	BOT operating rights	Total
I. Original book value					
1. Balance at the beginning of year	351,180,816.55	1,434,830.15	8,809,338.67	594,003,677.42	955,428,662.79
2. Increased during the year	78,551,379.31	571,981.13	1,951,033.45	142,346,143.49	223,420,537.38
(1) Acquisition	36,650,638.82	571,981.13	1,913,786.45	139,114,952.67	178,251,359.07
(2) Addition from business combination	41,900,740.49	-	12,247.00	-	41,912,987.49
(3) Others	-	-	25,000.00	3,231,190.82	3,256,190.82
3. Decrease during the year	20,132,883.21	28,900.10	39,720.00	-	20,201,503.31
(1) Disposal	-	-	-	-	-
(2) Decrease from business combination	20,107,883.21	28,900.10	39,720.00	-	20,176,503.31
(3) Others	25,000.00	-	-	-	25,000.00
4. Balance at the end of year	409,599,312.65	1,977,911.18	10,720,652.12	736,349,820.91	1,158,647,696.86
II. Accumulated amortisation					
1. Balance at the beginning of year	25,988,837.50	633,599.49	1,773,906.70	164,590,488.05	192,986,831.74
2. Increase during the year	9,511,616.29	204,556.22	1,031,821.88	100,612,925.70	111,360,920.09
(1) Provision	7,456,317.70	204,556.22	996,054.50	99,080,585.92	107,737,514.34
(2) Addition from business combination	2,055,298.59	-	28,267.38	-	2,083,565.97
(3) Others	-	-	7,500.00	1,532,339.78	1,539,839.78
3. Decrease during the year	1,508,595.11	2,890.01	66,314.97	-	1,577,800.09
(1) Disposal	-	-	-	-	-
(2) Decrease from business combination	1,501,095.11	2,890.01	66,314.97	-	1,570,300.09
(3) Others	7,500.00	-	-	-	7,500.00
4. Balance at the end of year	33,991,858.68	835,265.70	2,739,413.61	265,203,413.75	302,769,951.74
III. Impairment provision					
1. Balance at the beginning of year	-	-	-	27,532,216.34	27,532,216.34
2. Increase during the year	-	-	-	-	-
(1) Provision	-	-	-	-	-
3. Decrease during the year	-	-	-	-	-
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	375,607,453.97	1,142,645.48	7,981,238.51	443,614,190.82	828,345,528.78
2. Book value at the beginning of year	325,191,979.05	801,230.66	7,035,431.97	401,880,973.03	734,909,614.71

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

Depreciation and amortization of intangible assets recognized as profit and loss during the year was RMB107,737,514.34 (Amount of last year: RMB63,711,660.95).

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

18. Intangible assets (Continued)

(2) Land use rights without property rights certificates

The intangible assets included land use rights with book value of RMB16,060,416.67 (amount at the beginning of the year: RMB0.00) and the application of the land use rights is in process. In the light of the assets below are acquired according to related legal agreements, the Directors of the Company believed that there is no substantive legal obstacle in the transfer of land use rights or affecting the normal use of the land use rights by the Company, no significant impact to the Company's normal operations, and that impairment provision of intangible assets is not required and no significant additional costs will be incurred.

Item	Book value	Reason for not obtaining proper ownership certificate
Tianyin Hazardous Waste *1	16,060,416.67	In progress

*1. Tianyin Hazardous Waste is a subsidiary of Hubei Tianyin, which is a subsidiary of the Company.

(3) Impairment provision of intangible assets

	Balance at the beginning of year	Increase provision during the year	Decrease disposal during the year	Balance at the end of year
BOT operating rights				
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 RMB0.00 (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 31 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 Company 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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

19. Development expenditure

Item	Increase during the year			Decrease during the year			Balance at the end of year
	Balance at the beginning of year	Internal development expenditure	Other increase	Recognized as intangible assets	Transfer to profit or loss for the period	Other decrease	
Research on diffusion dialysis technology in nitric acid recycling	-	3,480,815.29	-	-	-	-	3,480,815.29
Phosphoric acid recycling pilot test project	-	2,610,611.50	-	-	-	-	2,610,611.50
Research on preparation of feed grade dicalcium phosphate with waste acid containing phosphate	-	1,740,407.64	-	-	-	-	1,740,407.64
Research on cascade recycling and reuse technology of acid etching solution	-	1,115,384.71	-	-	-	-	1,115,384.71
Research on crystallization optimization in neutralizing treatment of hydrochloric acid, sulphuric acid and mixed acids	-	870,203.83	-	-	-	-	870,203.83
863 project (southern cities anaerobic digestion of sludge and safe operation technology and equipment)	-	70,000.00	-	-	-	-	70,000.00
Total	-	9,887,422.97	-	-	-	-	9,887,422.97



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

20. 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
Wosen Environmental	14,369,932.91	–	–	14,369,932.91
Jiangxi Kangtai	5,131,308.16	–	–	5,131,308.16
Hengjian Tongda	136,773,774.37	–	–	136,773,774.37
Hubei Tianyin	54,255,302.08	–	–	54,255,302.08
Zhuhai Yongxingsheng	141,616,697.35	–	–	141,616,697.35
Green Environmental	10,800,000.00	–	–	10,800,000.00
Weifang Blue Sea	–	52,000,000.00	–	52,000,000.00
Hengshui Ruitao	–	44,065,339.97	–	44,065,339.97
Zhejiang Jianglian	–	39,770,465.88	–	39,770,465.88
Huaxin Environmental *1	–	69,183,492.34	–	69,183,492.34
Rudong Daheng	–	73,360,982.19	–	73,360,982.19
Nantong Hui Tian Ran	–	149,998,274.76	–	149,998,274.76
Dongheng Konggang	–	12,232,241.72	–	12,232,241.72
Total	731,376,967.66	440,610,796.86	–	1,171,987,764.52

*1. The goodwill of Huaxin Environmental was generated from the acquisition of Huaxin Environmental by Zhejiang Jianglian.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

20. Goodwill (Continued)

(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
Hubei Tianyin	10,598,716.99	–	–	10,598,716.99
Total	53,127,404.64	–	–	53,127,404.64

At the end of the year, the Company reviewed the goodwill generated from acquisition of all subsidiaries and did not find any indications of significant impairment of goodwill. The Directors are of the view that additional provision for goodwill impairment is not required.

In regard to significant goodwill, the Company engaged Guangzhou Hengding Property, Land and Assets Appraisal Co., Ltd. (廣州衡鼎房地產土地與資產評估有限公司), an independent third party, to assess the net future cash flows recoverable of Hubei Tianyin, Hengjian Tongda, Zhejiang Jianglian, Huaxin Environmental, Zhuhai Yongxingsheng and Nantong Hui Tian Ran, and to estimate the future cash flow in the next ten years and the present value of the future cash flow recoverable at a discount rate of 10% to 13%.

For goodwill generated from acquisition of other companies, the Company estimated the future cash flow in the next ten years and determined the present value of future cash flow recoverable at a discount rate of 13.75%.

Impairment provision of goodwill provided during the year was RMB0.00 (amount of last year: RMB10,598,716.99).

21. Long-term unamortized 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
Facility improvement fees	2,658,623.78	1,889,510.17	1,080,049.18	–	3,468,084.77
Improvement fees	1,329,103.76	352,730.00	608,041.96	–	1,073,791.80
Others	538,576.44	1,439,728.88	1,492,286.58	–	486,018.74
Total	4,526,303.98	3,681,969.05	3,180,377.72	–	5,027,895.31

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

22. 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	40,850,448.29	9,006,132.15	36,635,340.43	7,545,913.14
Difference of fixed assets depreciation	943,156.19	141,473.42	6,658,021.55	998,703.23
Changes in fair value of financial assets at fair value through profit and loss of the period	5,375,060.00	806,259.00	5,495,930.00	824,389.50
Deferred income	24,145,083.03	3,700,029.13	12,247,563.24	1,928,801.16
Unrealised profit and loss on intra-group sales	2,481,175.96	620,293.99	2,945,422.93	441,813.44
Loss compensation	1,238,445.67	154,805.70	1,238,445.67	154,805.71
Share-based incentive	40,908,353.55	6,136,253.03	33,166,851.47	4,975,027.72
Total	115,941,722.69	20,565,246.42	98,387,575.29	16,869,453.90

(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	20,039,100.55	3,005,865.08	14,848,828.40	2,227,324.26
Total	20,039,100.55	3,005,865.08	14,848,828.40	2,227,324.26



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

22. 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	32,955,945.14	86,787,805.23
Deductible losses	126,378,730.07	89,967,567.39
Total	159,334,675.21	176,755,372.62

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
2016	–	14,098,064.43	
2017	19,591,481.53	23,099,439.28	
2018	11,769,638.93	14,971,346.58	
2019	17,274,707.76	18,456,588.15	
2020	22,926,015.34	19,342,128.95	
2021	54,816,886.51	–	
Total	126,378,730.07	89,967,567.39	

23. Other non-current assets

Item	Balance at the end of year	Balance at the beginning of year
Payment for construction or equipment	173,249,401.27	139,842,153.84
Equity-based payment for acquisitions	24,180,001.00	185,167,400.00
Total	197,429,402.27	325,009,553.84



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

24. Short-term borrowings

(1) *Category of short-term borrowings*

Category of borrowings	Balance at the end of year	Balance at the beginning of year
Pledged borrowings	60,000,000.00	75,000,000.00
Guaranteed borrowings	17,890,200.00	16,756,000.00
Credit borrowings	1,657,971,988.25	1,179,439,143.96
Total	1,735,862,188.25	1,271,195,143.96

Pledged borrowings: as at the end of the year, short-term borrowings of RMB50,000,000.00 was secured by pledge of 18 buildings of Xiamen Oasis Environmental of book value of RMB113,127,100.00; short-term borrowings of RMB10,000,000.00 was secured by pledge of 4 dormitories of Xiamen Oasis Environmental valued at RMB20,134,800.00.

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 2016, weighted average rate of short-term borrowings was 4.56% per annum (31 December 2015: 5.27%).

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

25. Accounts payable

(1) *Accounts payable*

Item	Amount at the end of year	Amount at the beginning of year
Raw material	340,231,613.10	231,273,927.81
Construction	179,520,813.84	127,291,483.26
Treatment fee	96,606,547.90	22,901,712.37
Equipment	65,586,873.07	28,455,433.56
Others	31,311,606.22	37,021,563.12
Total	713,257,454.13	446,944,120.12



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

25. Accounts payable (Continued)

(2) Age analysis of accounts payable

As at 31 December 2016, 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	502,093,003.85	249,270,602.41
91-180 days	34,813,625.89	29,663,005.53
181-365 days	17,598,104.95	119,855,422.05
1-2 years	113,712,804.54	23,759,344.96
2-3 years	26,185,318.41	8,767,376.92
Over 3 years	18,854,596.49	15,628,368.25
Total	713,257,454.13	446,944,120.12

(3) Significant accounts payable aged over 1 year

Name	Balance at the end of year	Reason for not yet settled or carried forward		
		Within 1 year	Over 1 year	
Hunan Zhongmai Construction Co., Ltd. (湖南中邁建設有限公司)	10,000,000.00	-	10,000,000.00	Not yet due
BMEI Co., Ltd. (北京機電院高技術股份有限公司)	10,049,159.30	-	10,049,159.30	Not yet due
Shenzhen Crystal Energy Co., Ltd. (深圳市捷晶能源科技有限公司)	6,731,400.01	2,549,831.00	4,181,569.01	Not yet due
Xin Zhongtian Environment Protection Co., Ltd. (新中天環保股份有限公司)	6,438,000.00	1,283,083.00	5,154,917.00	Not yet due
Zhe Jiang Bada Construction Group Co., Ltd. (浙江八達建設集團有限公司)	4,449,556.10	-	4,449,556.10	Not yet due
Zhongsan Dibaolong Water Treatment Facilities Co., Ltd. (中山迪寶龍水處理設備有限公司)	3,554,950.00	-	3,554,950.00	Not yet due
Shanghai SENON Machinery Co., Ltd. (上海神農機械有限公司)	2,978,414.53	-	2,978,414.53	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)	2,010,000.00	-	2,010,000.00	Not yet due
Shenzhen Fengrun Environmental Technology Co., Ltd. (深圳市豐潤環保科技有限公司)	1,786,307.40	-	1,786,307.40	Not yet due
Total	47,997,787.34	3,832,914.00	44,164,873.34	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

26. Receipts in advance

(1) *Receipts in advance*

Item	Balance at the end of year	Balance at the beginning of year
Payments for goods	21,486,530.93	12,358,532.70
Treatment fees	78,263,689.71	64,238,563.53
Construction	19,750,000.00	–
Interest	2,697,626.67	1,654,028.17
Others	469,853.87	309,635.97
Total	122,667,701.18	78,560,760.37

(2) As at the end of the year, there is no significant receipts in advance aged over 1 year.

27. 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 emolument	43,265,170.48	383,382,464.51	377,652,290.39	48,995,344.60
Post-employment benefit – defined contribution schemes	-16,762.51	22,501,620.87	22,455,583.24	29,275.12
Termination benefits	160,000.00	3,722,642.77	3,882,642.77	–
Total	43,408,407.97	409,606,728.15	403,990,516.40	49,024,619.72



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

27. 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	42,640,464.35	332,617,847.99	327,289,273.36	47,969,038.98
Staff welfare	387,181.01	28,735,805.03	28,618,491.97	504,494.07
Social Insurance	-2,839.07	9,891,812.74	9,884,266.74	4,706.93
Including: Medical insurance	-1,611.57	8,206,126.13	8,203,598.03	916.53
Injury Insurance	-501.35	968,953.37	964,872.92	3,579.10
Maternity insurance	-726.15	716,733.24	715,795.79	211.30
Housing provident fund	-8,160.80	8,958,705.64	8,956,452.69	-5,907.85
Union operation cost and staff education cost	248,524.99	3,178,293.11	2,903,805.63	523,012.47
Total	43,265,170.48	383,382,464.51	377,652,290.39	48,995,344.60

(3) Defined contribution schemes

The Company participates in the social insurance schemes established by government authorities as required. Pursuant to such schemes, the Company makes contribution to the schemes in accordance with the relevant local government regulations. Apart from making the above contributions, the Company does not undertake further payment obligation. The corresponding expenses are charged to the profit or loss or the cost of relevant assets for the period in which they incurred.

The contribution payable to pension, annuity and unemployment insurance schemes by the Company during the year is as follows

Item	Balance at the beginning of year	Increase during the year	Decrease during the year	Balance at the end of year
Basic pension	-16,638.30	20,942,085.72	20,896,192.60	29,254.82
Unemployment insurance	-124.21	971,947.23	971,802.72	20.30
Mandatory provident fund	-	587,587.92	587,587.92	-
Total	-16,762.51	22,501,620.87	22,455,583.24	29,275.12

Contribution payable to defined contribution schemes by the Company was RMB22,501,620.87 for the year (2015: RMB14,807,597.58). As at 31 December 2016, the Company has an outstanding balance of RMB29,275.12 (as at 31 December 2015: RMB-16,762.51) payable which is overdue in the reporting period. The amount payable was paid subsequent to the reporting period.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

28. Tax payable

Item	Amount at the end of year	Amount at the beginning of year
VAT	20,350,045.92	14,112,934.08
EIT	63,093,520.12	27,105,731.58
Business tax	–	5,306,050.71
Individual income tax	1,110,255.45	1,827,732.94
Urban maintenance and construction tax	1,469,532.89	1,538,293.96
Education surcharge	1,084,184.42	1,218,481.20
Land use tax	3,915,272.07	428,490.74
Property tax	2,850,423.29	442,047.76
Stamp duty	27,240.26	60,132.96
Others	370,427.24	19,740.30
Total	94,270,901.66	52,059,636.23

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

29. Interest payable

Item	Balance at the end of year	Balance at the beginning of year
Interest payable on bank borrowings	492,344.62	4,549,891.86
Total	492,344.62	4,549,891.86

30. Dividend payable

Item	Balance at the end of year	Balance at the beginning of year
Dividend of ordinary shares	2,240,850.00	8,199,300.00
Total	2,240,850.00	8,199,300.00

As at the end of the year, there is no significant dividend payable overdue for over 1 year.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

31. 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	210,095,760.00	99,934,300.00
Subscription margin for non-public issue of shares	–	69,084,840.00
Equity-based payment for acquisitions	94,247,728.64	64,982,116.00
Guaranteed deposits	22,441,101.30	22,746,946.02
Provisions	1,706,189.24	1,673,178.96
Receipts on behalf of third parties	6,047,753.14	262,256.87
Others	51,837,829.34	55,072,939.30
Total	386,376,361.66	313,756,577.15

(2) Significant other payables aged over 1 year

Name	Balance at the end of year	Within 1 year	Over 1 year	Reason for not yet settled or carried forward
Zhejiang Hualian Group Co., Ltd.	24,018,127.84	11,990,127.84	12,028,000.00	Amount due to minority interests prior to acquisition of subsidiary
Sichuan Xingli Wheel Co., Ltd.	4,400,000.00	–	4,400,000.00	These subsidiaries have ceased operation, hence it is uncertain whether payment is required.
The People's Government of Qingbaijiang, Chengdu Province	1,600,000.00	–	1,600,000.00	
Shenzhen Lvlvda Environmental Co., Ltd.	3,414,260.00	–	3,414,260.00	Amount due to minority interest by subsidiary
Total	33,432,387.84	11,990,127.84	21,442,260.00	

32. 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.34)	294,791,061.75	352,185,366.57
Long-term payables due within 1 year (Note VI.36)	1,755,243.70	5,915,746.37
Total	296,546,305.45	358,101,112.94



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

33. 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.37)	7,063,249.92	15,233,332.16
Unrecognised gain on sale and lease-back transaction under finance lease due within 1 year	–	757,934.52
Total	7,063,249.92	15,991,266.68

(2) Government grants

Government grant item	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
Clinical waste treatment plant project	481,644.00	–	481,644.00	474,895.60	474,895.60	Related to asset
Waste electrical appliances recycle treatment plant renovation and expansion project	452,202.84	–	452,202.84	452,202.84	452,202.84	Related to asset
Recycling system building project of Resource Recycling	373,394.76	–	373,394.76	373,394.76	373,394.76	Related to asset
Xiang'an District Xinxu Town subsidy	134,000.00	–	134,000.00	134,000.00	134,000.00	Related to asset
Subsidies for clinical waste treatment	25,000.00	–	25,000.00	25,000.00	25,000.00	Related to asset
Special construction funds from NDRC	900,000.00	–	900,000.00	900,000.00	900,000.00	Related to asset
Resource-saving and environmental protection project funds for Qingyuan Dongjiang	1,999,999.84	–	1,333,333.36	-666,666.48	–	Related to asset
Industrial park development subsidy funds	546,780.66	–	546,780.60	546,780.54	546,780.60	Related to asset
Resource saving and environment protection engineering funding of Renewable Energy	849,999.96	–	849,999.96	849,999.96	849,999.96	Related to asset
Special funds of Shenzhen government for energy-saving and emission-reduction projects	80,000.00	–	80,000.00	80,000.03	80,000.03	Related to asset
Special Funds of Shenzhen Environmental Protection Project	400,000.00	–	400,000.00	399,999.94	399,999.94	Related to asset



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

33. Other current liabilities (Continued)

(2) Government grants (Continued)

Government grant item	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
Economy recycling and energy saving and emission reduction special funds /RO membrane	86,000.00	-	86,000.00	86,000.03	86,000.03	Related to asset
Dismantling of waste household appliances project	503,932.48	-	251,966.24	-251,966.24	-	Related to asset
Environmental special fund for Baoan Energy	300,000.00	-	300,000.00	300,000.00	300,000.00	Related to asset
Wastewater treatment re-construction projects	0.02	-	0.02	-	-	Related to asset
Special funds for environmental protection projects	356,083.08	-	356,083.08	356,083.08	356,083.08	Related to asset
Guangdong province major Sci & Tech project (recycling of waste printed circuit board)	190,000.00	-	190,000.00	-	-	Related to asset
Efficient low consumption electronics industry wastewater denitrification and dephosphorization technology development and application	490,000.00	-	490,000.00	-	-	Related to asset
Other resource exploration electrical information (Xiaping kitchen waste)	5,000,000.00	-	-	-5,000,000.00	-	Related to asset
Sludge reduction project of Shajing Base	710,000.00	-	710,000.00	-	-	Related to asset
Land return fund and farmland occupied tax, deed tax return	1,094,294.52	-	1,094,294.52	1,338,094.48	1,338,094.48	Related to asset
2013 support enterprise development funds	260,000.00	-	260,000.00	260,000.00	260,000.00	Related to asset
2014 economy recycling development special fund	-	-	-	389,314.19	389,314.19	Related to asset
Compensation for demolition	-	-	-	97,484.41	97,484.41	Related to asset
Total	15,233,332.16	-	9,314,699.38	1,144,617.14	7,063,249.92	

Other movement represents transfer from reclassification of deferred income of RMB7,063,249.86, transfer to deferred income of RMB5,000,000.00 and decrease from disposal of subsidiaries of RMB918,632.72.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

34. Long-term borrowings

Item	Amount at the end of year	Amount at the beginning of year
Long-term bank borrowings	692,702,048.74	730,797,820.90
Less: Amount due within one year and showed under non-current liabilities due within one year (Note VI.32)	294,791,061.75	352,185,366.57
Long-term borrowings due after one year	397,910,986.99	378,612,454.33

(1) Categories of borrowings

Categories of borrowings	Amount at the end of year	Amount at the beginning of year
Secured borrowings (Note 1)	105,204,338.31	292,704,938.00
Pledged borrowings (Note 2)	130,779,000.00	148,500,000.00
Guaranteed borrowings (Note 3)	307,318,710.43	89,592,882.90
Credit borrowings	149,400,000.00	200,000,000.00
Total	692,702,048.74	730,797,820.90
The carrying value of the above borrowings are payable as follows:		
Within 1 year	294,791,061.75	352,185,366.57
1-2 years	92,904,921.67	184,059,571.23
2-5 years	282,670,847.72	194,552,883.10
Over 5 years	22,335,217.60	–
Total	692,702,048.74	730,797,820.90

Interest rate for long-term bank borrowing was 4.04%-7.04%, with weighted average rate of 5.77% (2015: interest rate for long-term borrowings was 4.99%-7.20%, with weighted average rate of 5.97%).



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

34. Long-term borrowings (Continued)

(1) Categories of borrowings (Continued)

Note 1: Secured borrowings were primarily secured with 40% equity of Shaoguan Green held by the Company, 100% equity of Rudong Daheng and Nantong Hui Tian Ran held by the Company and the profits receivable of Dongguan Humen Town owned by Humen Green and Ningzhou Sewage Treatment Plant (Phase I) BOT project, with an appraised value of RMB148,883,200.00 during the concession period.

Note 2: Pledged borrowings were primarily 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, 18 buildings with an appraised value of RMB113,127,100.00 held by Xiamen Oasis Environmental, property and land with an appraised value of RMB173,798,600.00 held by Hubei Tianyin, property and land with an appraised value of RMB72,672,900.00 held by Tianyin Hazardous Waste Disposal, property and land with an estimated value of RMB11,682,900.00 held by Rudong Daheng and all properties with the estimated value of RMB95,019,374.00 held by Li Yonghan, a natural person, and Zhuhai Yongxingsheng.

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

35. Bond payables

(1) Categories of bond payables

Item	Balance at the end of year	Balance at the beginning of year
2014 Corporate Bond (first tranche) of Dongjiang Environmental Company Limited	357,165,749.95	356,373,249.26
Total	357,165,749.95	356,373,249.26
The carrying value of the above bonds are repayable as follows:		
Within 1 year	—	—
After 1 year from the balance sheet date but within 2 years	—	—
After 2 years from the balance sheet date but within 5 years	357,165,749.95	356,373,249.26
After 5 years from the balance sheet date	—	—
Less: Amount due within one year shown under current liabilities	—	—
Amount shown under non-current liabilities	—	—

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

35. Bond payables (Continued)

(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 provision 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	1 August 2014	5 years	350,000,000.00	356,373,249.26	-	23,542,500.69	-	22,750,000.00	-	357,165,749.95
Total	350,000,000.00			350,000,000.00	356,373,249.26	-	23,542,500.69	-	22,750,000.00	-	357,165,749.95

In 2014, the Company issued five years bonds with total 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 Company was approximately RMB346 million, with actual interest rate of 6.78%.

36. Long-term payables

Item	Balance at the end of year	Balance at the beginning of year
Financial lease payables	3,802,556.75	9,477,228.72
Less: amount due within 1 year (note VI.32)	1,755,243.70	5,915,746.37
Amount due after 1 year	2,047,313.05	3,561,482.35
Others	-	787,520.00
Total	2,047,313.05	4,349,002.35



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

36. Long-term payables (Continued)

(1) Breakdown of financial lease payables

Financial lease payable is the net 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 0.89451)	Amount in RMB	Foreign currency (HKD) (exchange rate 0.8378)	Amount in RMB
China Merchants Bank Financial Leasing Co., Ltd.	-	-	-	2,319,363.50
China Construction Bank (Asia) Corporation Limited	2,478,672.92	2,217,197.71	4,713,037.11	3,948,582.49
The Bank of East Asia, Limited	174,343.06	155,951.61	1,431,701.89	1,199,479.84
Wing Hang Bank Limited	-	-	372,372.76	311,973.90
OCBC Wing Hang Bank Limited	1,597,978.14	1,429,407.43	2,026,532.57	1,697,828.99
Total		3,802,556.75		9,477,228.72

(2) The Company 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:

Item	Balance at the end of year	Amount at the beginning of year
Within 1 year	1,813,081.42	5,926,289.37
1-2 year	1,467,912.38	1,643,964.51
2-3 year	464,787.40	1,374,849.91
Over 3 years	116,196.85	542,667.93
Sub-total	3,861,978.05	9,487,771.72
Less: unrecognized finance cost	59,421.30	10,543.00
Total	3,802,556.75	9,477,228.72

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



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

37. 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	124,524,127.11	40,037,030.74	11,851,383.13	152,709,774.72	
Total	124,524,127.11	40,037,030.74	11,851,383.13	152,709,774.72	

(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
Clinical waste treatment plant project	1,829,151.74	-	-	474,895.60	1,354,256.14	Related to asset
Waste electric recycle treatment plant reconstruct and expansion project	1,963,459.25	-	-	452,202.84	1,511,256.41	Related to asset
Recycling system building project of Resource Recycling	2,486,467.92	-	-	373,394.76	2,113,073.16	Related to asset
Xiang'an District Xinxu Town subsidy	782,666.67	-	-	134,000.00	648,666.67	Related to asset
Subsidies for clinical waste treatment	100,000.00	-	-	25,000.00	75,000.00	Related to asset
Subsidies for purchasing environmental friendly vehicles from Hong Kong government	14,910.75	447.14	15,357.89	-	-	Related to asset
Special construction funds from NDRC	4,875,000.00	-	-	900,000.00	3,975,000.00	Related to asset
Special subsidies for Northern Guangdong sewage treatment	5,000,000.00	-	-	-	5,000,000.00	Related to asset
Northern Guangdong project	4,636,000.00	-	-	-	4,636,000.00	Related to asset
Industrial park development subsidy funds	20,641,006.36	-	-	546,780.54	20,094,225.82	Related to asset



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

37. Deferred income (Continued)

(2) Government grant projects (Continued)

	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
Government grant projects						
Resource saving and environment protection engineering funding of Resource Recycling	3,195,833.58	-	-	849,999.96	2,345,833.62	Related to asset
Special funds for Shenzhen Environmental Protection Project	2,400,000.00	-	-	399,999.94	2,000,000.06	Related to asset
Special funds of Shenzhen government for energy-saving and emission-reduction projects	480,000.00	-	-	80,000.03	399,999.97	Related to asset
Dismantling of waste household appliances project	4,123,643.77	-	-	4,123,643.77	-	Related to asset
Wastewater treatment re-construction projects	0.01	-	-	-	0.01	Related to asset
Special funds for environmental protection projects for the Company	6,498,516.35	-	-	356,083.08	6,142,433.27	Related to asset
Other resource exploration electrical information (Xia Ping kitchen waste)	-	5,000,000.00	-	-	5,000,000.00	Related to asset
Environmental special fund for Baoan Energy	1,225,000.00	-	-	300,000.00	925,000.00	Related to asset
Technical research project on control the contamination during recycling process of waste electronic appliances and environmental safety control of product resources	580,000.00	725,000.00	-	-	1,305,000.00	Related to asset
2014 economy recycling development special fund	1,000,000.00	-	121,855.54	97,484.41	780,660.05	Related to asset



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

37. Deferred income (Continued)

(2) Government grant projects (Continued)

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
Economy recycling and energy saving special funds/RO membrane	293,833.31	-	-	86,000.03	207,833.28	Related to asset
Special funds for energy saving and development of environmental protection industry in Shenzhen	5,000,000.00	-	-	-	5,000,000.00	Related to asset
Technical research on control the contamination during recycling process of waste electronic appliances and environmental safety control of product resources	430,000.00	440,000.00	-	-	870,000.00	Related to asset
Hazardous waste wastewater treatment technology engineering laboratory project in Shenzhen	4,752,019.75	247,980.25	-	-	5,000,000.00	Related to asset
Supporting project for 863 planning	80,000.00	-	-	-	80,000.00	Related to asset
Land return fund and farmland occupied tax, deed tax return	51,248,284.32	12,190,000.00	40,633.36	1,338,094.48	62,059,556.48	Related to asset
2013 support enterprise development funds	888,333.33	260,000.00	628,333.33	-	-	Related to asset
Research on cascade recycling and reuse technology of acid etching solution -Project	-	1,500,000.00	-	-	1,500,000.00	Related to asset
Integration and demonstration project of sludge reduction, nitrogen and phosphorus recycling, methane production and technology enhancement in municipal sewage treatment	-	1,600,000.00	-	-	1,600,000.00	Related to asset



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

37. Deferred income (Continued)

(2) Government grant projects (Continued)

	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
Government grant projects						
Food Waste Project of Shenzhen Environmental Hygiene Management Office	-	1,400,000.00	-	-	1,400,000.00	Related to asset
Compensation for demolition	-	3,933,603.35	486,642.71	389,314.19	3,057,646.45	Related to asset
Dongheng Konggang Industrial Park Technology Supporting Fund	-	13,000,000.00	-	-	13,000,000.00	Related to asset
Total	124,524,127.11	40,037,030.74	664,489.50	11,186,893.63	152,709,774.72	

Other movement represents transfer to other current liabilities of RMB7,063,249.86 (Note VI.33) and transfer from deferred income of RMB4,123,643.77 due to disposal of Hubei Dongjiang, a subsidiary during the year.

38. 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	252,644.91	1,010,579.43
Less: carry forward within 1 year and listed under current liability	252,644.91	757,934.52
Unrealized gain on sale and lease-back transaction under finance lease carry forward after 1 year	-	252,644.91
863 Project	2,813,900.00	2,224,277.36
Compensation for demolition	-	4,352,365.91
Total	2,813,900.00	6,829,288.18



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

39. 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	Movement during the year (+, -)					Sub-total	Balance at the end of year
		Issue of new shares	Grant of shares	Transfer of shares from reserve	Others			
Total amount of shares	869,382,102.40	18,140,000.00	-	-	-370,000.00	17,770,000.00	887,152,102.40	

On 8 November 2016, the Company convened the 62nd Meeting of the 5th session of the Board to consider and approve the "Resolution Regarding Adjustment of Participants and Number of Restricted Shares under the First Grant of the 2016 Restricted Share Incentive Scheme", which adjusted the number of participants and shares to be granted under the first grant of the share incentive scheme. Following the adjustment, the Company determined the first grant date of the Share Incentive Scheme to be 8 November 2016 and 18.14 million restricted shares were issued to 332 participants. Others were attributable to the repurchase and cancellation of 370,000 restricted shares not yet unlocked that are held by former participants who had left office during the period.

During last year

Item	Balance at the beginning of year	Movement during the year (+, -)					Sub-total	Balance at the end of year
		Issue of new shares	Grant of shares	Transfer of shares from reserve	Others			
Total amount of shares	347,836,841.40	-	-	521,710,261.00	-165,000.00	521,545,261.00	869,382,102.40	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

40. 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	327,750,582.86	151,937,014.10	1,680,246.59	478,007,350.37
Other capital reserves	33,166,851.49	7,741,502.06	–	40,908,353.55
Total	360,917,434.35	159,678,516.16	1,680,246.59	518,915,703.92

During the Year, increase in share premium under capital reserve was attributable to premium of share incentives, decrease in share premium was attributable to the repurchase and cancellation of restricted shares not yet unlocked that are held by former participants who had left office, 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	855,944,553.07	–	528,193,970.21	327,750,582.86
Other capital reserves	18,766,129.13	14,400,722.36	–	33,166,851.49
Total	874,710,682.20	14,400,722.36	528,193,970.21	360,917,434.35

41. 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	99,934,300.00	157,999,400.00	47,837,940.00	210,095,760.00
Total	99,934,300.00	157,999,400.00	47,837,940.00	210,095,760.00

The increase in treasury shares for the year was attributable to the repurchase obligation of restricted shares, and the decrease was attributable to discharge of repurchase obligation.

During the last year

Item	Amount at the beginning of the year	Increase during the year	Decrease during the year	Amount at the end of the year
Treasury shares	122,701,500.00	–	22,767,200.00	99,934,300.00
Total	122,701,500.00	–	22,767,200.00	99,934,300.00

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

42. Other comprehensive income

Item	Balance at the beginning of year	Incurred during the year, before income tax	Incurred during the year		Attributable to parent company after tax	Attributable to minority interests after tax	Balance at the end of year
			Incurring during the year	Less: amount previously recognized in other comprehensive income and transferred to profit and loss during the period			
I. Other comprehensive income that cannot be reclassified to profit and loss in future periods	-	-	-	-	-	-	-
II. Other comprehensive income that will be reclassified to profit and loss in future periods	-963,853.76	4,024,656.12	-	-	4,024,656.12	-	3,060,802.36
Including: exchange difference on translation of financial statement in foreign currency	-963,853.76	514,954.92	-	-	514,954.92	-	-448,898.84
The excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value	-	3,509,701.20	-	-	3,509,701.20	-	3,509,701.20
Total	-963,853.76	4,024,656.12	-	-	4,024,656.12	-	3,060,802.36



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

43. Special reserves

During the year

Item	Amount at the beginning of the year	Increase during the year	Decrease during the year	Amount at the end of the year
Safety production fees	146,004.53	2,609,474.34	842,952.41	1,912,526.46
Total	146,004.53	2,609,474.34	842,952.41	1,912,526.46

During last year

Item	Amount at the beginning of the year	Increase during the year	Decrease during the year	Amount at the end of the year
Safety production fees	–	619,267.34	473,262.81	146,004.53
Total	–	619,267.34	473,262.81	146,004.53

According to the regulations of “Management Measures of Extraction and Usage of Enterprise Safety Production Costs” (Cai Qi [2012]16) issued by Ministry of Finance and State Administration of Work Safety, Qingdeng Wastes Treatment, a subsidiary of the Company, used operation income of last year as the basis of provision, and extracted using excess regressive method every month. For details of the provision proportion, please refer to Note IV.31.

The scope of using the safety production fees mainly includes the expenses below: 1. improvement, renovation and maintenance of safety equipment, facilities expenses; 2. expenses for the equipment of necessary emergency rescue equipment, equipment and field operations personnel security items; 3. safety inspection and evaluation expenditure; 4. evaluation of major hazards, major accident hazards, rectification, monitoring expenditure; 5. safety skills training and emergency rescue drill expenditure; 6. other expenditures directly related to safety production.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

44. 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	153,885,483.70	36,969,024.78	–	190,854,508.48
Total	153,885,483.70	36,969,024.78	–	190,854,508.48

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	133,231,913.01	20,653,570.69	–	153,885,483.70
Total	133,231,913.01	20,653,570.69	–	153,885,483.70

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

45. General risk provision

During the year

Item	Amount at the end of the year	Amount at the beginning of the year	Provision proportion (%)
General risk provision	4,114,125.00	2,473,635.00	1.5
Total	4,114,125.00	2,473,635.00	

General risk provision represent loan risk provision made by Huiyuan Micro Finance, a subsidiary of the Company.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

46. Unallocated profit

During the year

Item	Amount	Percentage of withdrawal or allocation (%)
Amount at the end of last year	1,467,253,273.48	
Add: Unallocated profit adjustment at the beginning of year	–	
Amount at the beginning of the year	1,467,253,273.48	
Add: Net profit attributable to shareholders of the parent company during the year	533,813,817.46	
Less: Withdrawal of statutory surplus reserve	36,969,024.78	10
Appropriation to general risk provision	1,640,490.00	
Dividend payable of ordinary shares	69,477,168.16	
Amount at the end of the year	1,892,980,408.00	

During last year

Item	Amount	Percentage of withdrawal or allocation (%)
Amount at the end of last year	1,209,998,595.99	
Add: unallocated profit adjustment at the beginning of year	–	
Amount at the beginning of the year	1,209,998,595.99	
Add: Net profit attributable to shareholders of the parent company during the year	332,534,009.33	
Less: Withdrawal of statutory surplus reserve	20,653,570.69	10
Appropriation to general risk provision	2,473,635.00	
Dividend payable of ordinary shares	52,152,126.15	
Amount at the end of the year	1,467,253,273.48	

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

Dividends declared and paid and proposed to be paid during the Track Record Period are as follows:

(a) For the year ended 31 December 2016

Pursuant to the resolution passed at the Board meeting on 24 March 2016, and the shareholders' resolution passed at the 2015 Annual General Meeting, the First Class Meeting of Holders of A Shares in 2016 and the First Class Meeting of Holders of H Shares in 2016 dated 6 June 2016, the payment of cash dividend of RMB0.80 (including taxes) distributed by the Company to all shareholders for every 10 shares they held based on the total share capital of the Company of 869,382,102 shares was considered and approved. The total cash dividend to be distributed will be RMB69,550,568.16. The remaining distributable profit will be carried forward with no bonus shares will be awarded and no capital reserves will be converted into shares. In addition, the reversal of dividends of the restricted shares not yet unlocked that were held by former incentive participants who have resigned in 2016 was RMB73,400.00.

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

46. Unallocated profit (Continued)

(b) For the year ended 31 December 2015

Pursuant to the resolution passed at the Board meeting on 26 March 2015, and the shareholders' resolution passed at the 2014 Annual General Meeting, the First Class Meeting of Holders of A Shares in 2015 and the First Class Meeting of Holders of H Shares in 2015 dated 5 June 2015, the payment of cash dividend of RMB1.50 (including taxes) distributed by the Company to all shareholders for every 10 shares they hold based on the total share capital of the Company of 347,806,841 shares was considered and approved. The total cash dividend to be distributed will be RMB52,171,026.15 (2014: RMB3.00 per 10 shares). Besides, the reversal of the dividends of the unlocked restricted shares held by former incentive participants who have resigned in 2015 was RMB18,900.00.

47. 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	16,655,142.56	14,744,104.26
Longgang Dongjiang	46.00	94,864,203.68	76,681,915.74
Qingdeng Wastes Treatment	49.00	45,832,806.34	45,155,111.94
Kunshan Kunpeng	49.00	–	1,852,341.48
Hunan Dongjiang	5.00	735,523.08	631,349.91
Dongjiang Songzao	6.14	–	-697,060.20
Qingyuan Xinlv	37.50	38,777,063.34	35,574,715.66
Jiaxing Deda	49.00	29,124,114.17	25,735,467.20
Dongjiang Shangtian	49.00	3,311,588.76	3,789,134.77
Coastal Solid Waste	40.00	26,819,627.15	22,329,287.74
Xiamen Oasis Environmental	40.00	150,030,507.91	147,153,416.18
Wosen Environmental	17.18	8,538,099.01	7,690,385.59
Jiangmen Dongjiang Lvlvda	40.00	6,903,453.99	10,380,446.69
Shaoxing Dongjiang	48.00	-256,393.47	480,960.12
Jiangxi Kangtai	49.00	10,334,713.34	14,004,748.57
Green Environmental	45.00	24,092,797.79	24,093,030.94
Hubei Tianyin	40.00	10,357,221.54	16,829,798.61
Zhuhai Yongxingsheng	20.00	20,164,572.96	19,946,606.87
Humen Green	10.00	8,636,175.22	–
Hengshui Ruitao	15.00	7,470,587.65	–
Dongheng Konggang	43.75	27,777,645.53	–
Zhejiang Jianglian	40.00	27,106,685.87	–
Zhenjiang Dongjiang	40.00	1,522,658.84	–
Weifang Blue Sea	30.00	17,999,737.82	–
Total		576,798,533.08	466,375,762.07



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

48. Net current assets

Item	Amount at the end of year	Amount at the beginning of year
Current assets	2,711,693,259.53	2,322,817,913.73
Less: current liabilities	3,407,801,976.59	2,592,766,217.28
Net current assets	-696,108,717.06	-269,948,303.55

49. Total assets less current liabilities

Item	Amount at the end of year	Amount at the beginning of year
Total assets	8,189,148,516.08	6,685,217,204.54
Less: current liabilities	3,407,801,976.59	2,592,766,217.28
Total assets less current liabilities	4,781,346,539.49	4,092,450,987.26

50. 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	1,735,862,188.25	1,271,195,143.96
Long-term borrowings	692,702,048.74	730,797,820.90
Bonds payable	357,165,749.95	356,373,249.26
Obligations under finance lease	3,802,556.75	9,477,228.72
Total	2,789,532,543.69	2,367,843,442.84



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

50. Borrowings (Continued)

(1) Analysis of borrowings

Item	Amount at the end of year	Amount at the beginning of year
Bank borrowings		
– repayable within 1 year	2,030,653,250.00	1,623,380,510.53
– repayable after 1 year	397,910,986.99	378,612,454.33
Sub-total	2,428,564,236.99	2,001,992,964.86
Other borrowings		
– repayable within 1 year	1,755,243.70	5,915,746.37
– repayable after 1 year	359,213,063.00	359,934,731.61
Sub-total	360,968,306.70	365,850,477.98
Total	2,789,532,543.69	2,367,843,442.84

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).

(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	2,030,653,250.00	1,623,380,510.53
1-2 years	92,904,921.67	184,059,571.23
2-5 years	282,670,847.72	194,552,883.10
Over 5 years	22,335,217.60	–
Total	2,428,564,236.99	2,001,992,964.86

Other borrowings:

Item	Amount at the end of year	Amount at the beginning of year
On demand or within 1 year	1,755,243.70	5,915,746.37
1-2 years	1,403,884.31	1,643,964.51
2-5 years	357,809,178.69	358,290,767.10
Total	360,968,306.70	365,850,477.98



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

51. Operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	2,617,076,763.36	1,671,757,249.99	2,402,986,382.18	1,624,259,009.25
Other businesses	-	-	-	-
Total	2,617,076,763.36	1,671,757,249.99	2,402,986,382.18	1,624,259,009.25

Revenue from main businesses (turnover of the Company) represents the net amounts received and receivables for processing and sale of goods and rendering of services by the Company to outside customers, less trade discounts during the year.

(1) *Main businesses – by business categories*

Product name	Amount of the year		Amount of last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Industrial waste recycling	791,230,577.75	530,771,527.08	773,145,779.59	537,841,846.96
Industrial waste treatment and disposal	843,267,265.74	421,806,795.79	587,023,548.96	284,267,748.03
Municipal waste treatment and disposal	305,774,583.08	239,066,043.72	272,621,970.68	224,670,883.91
Renewable energy utilization	91,864,323.28	58,521,773.51	89,188,869.37	66,080,533.23
Environmental engineering and services	245,432,137.01	186,500,504.42	199,958,027.09	151,201,676.08
Trading and others	71,226,841.91	28,815,258.53	56,624,361.27	23,584,272.22
Dismantling household appliances	220,635,047.81	206,275,346.94	394,779,238.38	336,612,048.82
Interest income from small-scale loans	47,645,986.78	-	29,644,586.84	-
Total	2,617,076,763.36	1,671,757,249.99	2,402,986,382.18	1,624,259,009.25

(2) *Percentage of purchase from the largest supplier is 1.36%, where percentage of purchase from the five largest suppliers is 6.03%;*

Percentage of turnover or sales of the largest customers is 5.53%, where percentage of turnover or sales of the five largest customers is 18.99%.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

52. Gross profit

Item	Amount of the year	Amount of last year
Operating revenue	2,617,076,763.36	2,402,986,382.18
Less: operating costs	1,671,757,249.99	1,624,259,009.25
Gross profit	945,319,513.37	778,727,372.93

53. Sales tax and levies

Item	Amount of the year	Amount of last year
Business tax	1,194,585.07	4,658,821.81
Urban maintenance and construction tax	10,802,483.55	7,183,044.28
Education surcharge	8,660,224.57	5,451,599.62
Land use tax*	8,602,043.38	–
Property tax*	7,862,778.57	–
Stamp duty*	916,378.66	–
Others	68,506.25	87,921.60
Total	38,107,000.05	17,381,387.31

*Note: During the year, tax and levies increased significantly as compared to the last year due to the interpretation of the "Regulations for the Accounting Treatment of VAT" issued by the Accounting Department of the Ministry of Finance on 26 January 2017. The taxes recorded in the administrative expenses for the period are presented under tax and levies, and the comparative figures for the last period were not adjusted.

54. Selling expenses

Item	Amount of the year	Amount of last year
Total	57,847,413.77	53,479,226.74
Including:		
Salaries	26,759,952.29	25,370,258.97
Vehicle costs	4,411,744.10	4,534,702.98
Entertainment expenses	3,080,516.11	1,710,029.91
Transportation expenses	2,904,281.12	2,160,427.15
Traveling expenses	2,870,911.79	2,391,333.61
Staff welfare	2,313,196.45	1,354,783.56
Promotion and marketing fee	2,257,076.20	2,175,122.81



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

55. Administrative expenses

Item	Amount of the year	Amount of last year
Total	339,798,493.78	298,298,983.15
Including:		
Salaries	102,854,320.48	82,213,534.43
Research and development expenses	37,668,604.08	36,450,207.36
Depreciation expenses	31,560,523.42	30,857,963.90
Entertainment expenses	16,036,847.97	12,749,640.85
Staff welfare	15,207,886.99	12,781,694.08
Office expenses	11,222,050.94	7,738,078.60
Vehicle costs	10,525,863.46	10,109,769.06
Social insurance expenses	9,743,982.10	10,033,292.36

Administrative expenses for the year of the Company include:

Item	Amount of the year	Amount of last year
Auditors' remuneration		
– Audit service fee for annual report	1,132,075.47	1,009,433.96
– Audit service fee for internal control	330,188.68	283,018.87
– Other service fee	92,617.69	84,905.66
Total	1,554,881.84	1,377,358.49

56. Finance costs

(1) Breakdown of finance costs

Item	Amount of the year	Amount of last year
Interest expenses	102,061,330.71	80,785,635.94
Less: interest income	8,334,989.24	19,501,936.84
Add: exchange losses	721,234.08	262,723.41
Add: other expenses	1,638,192.83	2,964,914.07
Total	96,085,768.38	64,511,336.58



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

56. Finance costs (Continued)

(2) Breakdown of interest expenses

Item	Amount of the year	Amount of last year
Interests on bank borrowings and overdrafts	113,651,129.79	113,189,441.87
Bond interests calculated based on actual interest rates	23,542,500.69	23,490,694.11
Finance lease charge	229,424.58	760,473.15
Sub-total	137,423,055.06	137,440,609.13
Less: capitalized interests	35,361,724.35	56,654,973.19
Total	102,061,330.71	80,785,635.94

General borrowing cost capitalized during the year is calculated by applying a capitalization rate of 5.36% (last year: 5.79%).

(3) Breakdown of interest income

Item	Amount of the year	Amount of last year
Interest income from bank deposits	8,334,989.24	19,501,936.84
Total	8,334,989.24	19,501,936.84

57. Impairment loss of assets

Item	Amount of the year	Amount of last year
Provisions for bad debts	9,150,516.51	1,138,907.31
Impairment loss on inventories	–	473,982.62
Provisions for loans loss	–	–
Impairment loss on fixed assets	–	–
Impairment loss on intangible assets	–	–
Impairment loss on goodwill	–	10,598,716.99
Impairment loss on long-term deferred expenses	–	–
Total	9,150,516.51	12,211,606.92



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

58. 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	120,870.00	-507,510.00
Investment properties at fair value	1,023,176.00	–
Total	1,144,046.00	-507,510.00

59. Investment income

Item	Amount of the year	Amount of last year
Income from long-term equity investments under equity approach	16,085,160.64	29,255,113.68
Investment income from disposal of long-term equity investments	162,303,249.16	-784,932.10
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period	28,800.00	67,392.00
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period	–	–
Investment income from disposal of financial assets available-for-sale	–	–
Investment income from financial products	424,217.29	1,116,135.55
Total	178,841,427.09	29,653,709.13

Investment income generated from listed and unlisted investments during the year amounted to RMB28,800.00 and RMB178,812,627.09 respectively.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

60. 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	320,941.33	200,277.98	320,941.33
Including: Gain on disposal of fixed assets	320,941.33	200,277.98	320,941.33
Donations	-	18,535.00	-
Government grants	122,895,656.28	72,174,352.14	52,988,514.27
Inventory profit	1,341.94	19,871.77	1,341.94
Guaranteed performance compensation ^{*1}	-13,664,528.32	17,664,528.32	-13,664,528.32
Others	8,133,836.20	2,077,847.78	8,133,836.20
Total	117,687,247.43	92,155,412.99	47,780,105.42

*1. In 2015, Hubei Tianyin, a subsidiary of the Company, made provision for performance compensation due from minority shareholders for failing to meet the guarantee profit pursuant to the share transfer agreement. In 2016, the Company made certain changes to the former businesses based on operational needs and, following negotiation with the minority shareholders, lowered the original performance compensation, which led to reversal of performance compensation made for in 2015, hence the Company recorded the above negative performance compensation.

Amount charged to non-recurring profit or loss during the year was RMB47,780,105.42 (last year: RMB57,020,662.55).



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

60. 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
VAT refund upon collection	69,907,142.01	35,134,750.44	Cai Shui [2008] No.156, Cai Shui [2011] No.115, Cai Shui [2015] No. 78, Shen Guo Shui Luo Tui Di Shui [2015] No.0260	Related to income
Subsidies for Karamay Baijiantan Commission of Commerce and Informatization Project	9,939,146.00	-	Xin Ke Zheng Fa [2013] No. 1	Related to income
Industry development supporting fund	8,000,000.00	-	Memorandum of meeting of construction leading group of Jiangsu Province Rudong Coastal Economic Development Zone Party Branch Project	Related to income
Dongheng Konggang Industrial Park Technology Supporting Fund	6,000,000.00	-	Su Fa Gai Fu Wu Fa [2013] No. 1913 and Su Cai Jian [2013] No. 406	Related to income
Infrastructure construction incentive	3,908,700.00	-	Notice from the office of Fengcheng People's Government (Feng Fu Ban Chao Zi [2016] No. 362)	Related to income
4th and 5th batch of government-bank-enterprise cooperation special funds on strategic emerging industries	2,150,000.00	-	Yue Cai Gong [2014] No. 257	Related to income
Shenzhen Science and Technology Innovation Commission Demonstration Zone Research Fund (Corporate Research and Development Subsidy Fund)	1,893,000.00	-	Shen Fa [2016] No. 7	Related to income
Subsidy from Coastal Industrial Park Finance Bureau	1,886,000.00	-	Bin Huan Guan [2015] No. 123	Related to income
Shajing Treatment Base Expansion Project	1,760,000.00	-	Shen Fa Gai [2016] No. 1362	Related to income
Resource conservation and environmental protection project funds for Qingyuan Dongjiang	1,333,333.36	2,000,000.04	Qing Kai Cai [2011] No. 77 and Fa Gai Ban Huan Zi [2011] No. 1191	Related to asset
Land return fund and farmland occupied tax, deed tax return	1,134,927.88	1,062,403.39	Jiang Kai Guan Wen [2015] No. 6	Related to asset
Development fund received from management committee for environmental projects	1,000,000.00	-	Su Cai Jian [2016] No. 214	Related to income
Special construction funds from NDRC	900,000.00	900,000.00	Letter of accountability for utilization of Wuhua District special fund No. 2012022	Related to asset



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

60. 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
Funds for resource conservation and environmental protection project of Renewable Energy	849,999.96	849,999.96	Fa Gai Tou Zi [2010] No. 451 and Shen Fa Gai [2010] No. 582	Related to asset
Sludge reduction project of Shajing Base	710,000.00	-	Shen Fa Gai Wei [2015] No. 1495	Related to asset
Funds for Transformation Project of Provincial Enterprises and Replacement Project of Old Equipment for 2015	675,000.00	-	Yue Jing Xin Ji Gai [2015] No. 487, Notice of Fund Granting for Transformation Project of Provincial Enterprises in Guangdong Province for 2015 (upgrade and replacement project of old equipment)	Related to income
Subsidy for yellow label vehicles	628,400.00	-	Subsidy proposal for early phase out of commercial "yellow label" vehicles in Shenzhen, Shenzhen Incentive Measures for Early Phase Out of Commercial "Yellow Label" Vehicles (2013-2015)	Related to income
Karamay Baijiantan Finance Bureau construction fund for livelihood project Re-Employment Subsidy	550,677.46	159,103.00	Ke Ren She Fa [2012] No. 49	Related to income
EFTvOcs improvement project	550,000.00	-	He Huan Han [2016] No. 68	Related to income
Subsidy for industrial park development	546,780.60	546,780.60	Shao Cai Gong [2011] No. 154	Related to asset
Employment Stabilisation Subsidy	536,887.21	-	Shen Ren She Gui [2016] No. 1	Related to income
Research subsidy from Shenzhen Baoan Finance Bureau for proposed projects under the "industry, academia and research" technology collaboration project	500,000.00	-	Shen Bao Ke [2016] No. 10	Related to income
Government special fund (loss from operation suspension and external pre-repair and maintenance)	500,000.00	-	Shao Cheng Guan Cheng [2016] No. 27	Related to income
Development and application of high efficient and low consumption wastewater denitrification and dephosphorization technology in electronic industry	490,000.00	-	Shen Ke Ji Chuang Xin [2013] No. 179	Related to asset
Economy, Trade and Information Commission of Shenzhen Municipality brand building project	490,000.00	-	Shen Jing Mao Xin Xi Yu Suan Zi [2016] No. 252	Related to income



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

60. 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
Compensation for demolition	486,642.71	-	Agreement of compensation for demolition	Related to asset
Medical waste treatment plant project	481,644.00	505,141.24	Xia Fa Gai Tou Zi [2007] No. 649	Related to asset
Waste electrical appliance recycle and treatment plant renovation and expansion project	452,202.84	452,202.84	Fa Gai Ban Huan Zi [2011] No. 2934 and Xia Fa Gai Chan Ye [2012] No. 12	Related to asset
Shenzhen high and new technology industry special fund	426,400.00	-	Related to income	
Special fund for Shenzhen environmental projects	400,000.00	400,000.00	Fund utilisation contract for Shenzhen environmental projects	Related to asset
Fund for construction of recycling system of Resource Recycling	373,394.76	373,394.76	Cai Ban Jian [2012] No. 53, Cai Jian [2012] No. 176 and Xia Shang Wu Liu Tong [2012] No. 455	Related to asset
Other government grants (under RMB100,000)	361,448.42	148,816.61	Related to income	
2016 corporate research and development subsidy from Shenzhen Science and Technology Innovation Commission	361,000.00	-	"Notice of First Batch of Recipients of 2016 enterprise research and development subsidy from Shenzhen Science and Technology Innovation Commission" and Shen Fa [2016] No. 7	Related to income
Special funds for environmental protection projects	356,083.08	356,083.08	China National Environmental Protection Agency (Cai Jian [2005] No.767)	Related to asset
Special funds for Baoan Energy environmental protection projects	300,000.00	300,000.00	Administrative Measures of Special Funds for Environmental Protection Projects in Shenzhen	Related to asset
2013 Special fund for supporting enterprise development	260,000.00	151,666.67	E Cai Qi Fa [2013] No.111	Related to asset
Waste appliances disassembling project	251,966.24	331,857.50	Contract for waste appliances and electronic products disassembling and recycling investment project	Related to asset
EFT 2016 Heshan Industrial Enterprises Capital Increase and Capacity Expansion Project	200,000.00	-	He Fu Ban [2014] No. 33	Related to income
Guangdong Province Significant Technology Project (Recycling of waste printed circuit board)	190,000.00	-	Shen Ke Ji Chuang Xin [2012] No. 267	Related to asset
Incentive for projects of developing mid-to-small enterprises	150,000.00	-	Dong Jing Xin Han [2016] No. 321	Related to income



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

60. 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
Xiang'an District Xinxu Town subsidy	134,000.00	134,000.00	Related to asset	
2014 recycling economy development special fund	121,855.54	-	Shan Fa Gai [2014] No. 235	Related to asset
Service coupon awarded for scale expansion of micro and small enterprises	100,000.00	-	Dong Cai Han [2015] No. 2009	Related to income
Recycling economy, energy saving and emission reduction special funds/RO membrane	86,000.00	50,166.69	Shenzhen Development and Reform Commission "Notice of first batch of recipients of 2015 Shenzhen Recycling economy, energy saving and emission reduction special fund"	Related to asset
Energy saving and emission reduction special fund from Shenzhen government	80,000.00	80,000.00	Shen Fa Gai [2013] No. 547 and Shen Cai Jian [2012] No. 220	Related to asset
Unemployment insurance and employment stabilisation subsidy	77,821.38	-	"Xiamen Unemployment Insurance Regulations"	Related to income
2016 subsidies for municipal technology project	70,000.00	-	Shao Ke [2016] No. 44	Related to income
Subsidies for early phase out of yellow label vehicles	64,800.00	-	Zhu Ke Gong Mao Xin [2013] No. 93	Related to income
Government subsidy (safe production)	60,000.00	-	Shan An Jian [2015] No. 21	Related to income
2015 financial supporting fund for scientific and technology innovation	50,000.00	-	Shan Cai Qi [2016] No. 142	Related to income
Subsidies for early phase out of old automobiles	35,200.00	-	Su Fu Tong [2015] No. 24	Related to income
2016 Shenzhen patent subsidies from Market and Quality Supervision Commission of Shenzhen Municipality	34,000.00	-	Shen Cai Gui [2014] No. 18	Related to income
Subsidies for medical waste treatment	25,000.00	25,000.00	Min Cai Jian [2008] No.86 and Long Cai Jian [2008] No. 21	Related to asset
Unemployment insurance and employment stabilisation subsidy	19,744.92	-	Shan Ren She [2016] No. 54	Related to income
Patent subsidy for on-the-job inventions	16,100.00	-	Shan Ke [2016] No. 30	Related to income



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

60. 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
Subsidy from Hong Kong government for purchasing environmentally friendly vehicles	15,357.89	28,321.99	"Incentive Scheme to Replace Pre-Euro and Euro I Diesel Commercial Vehicles by New Commercial Vehicles" of the Environmental Protection Department of Hong Kong	Related to asset
2016 Nanshan District Innovation Special Subsidy from Science and Technology Bureau of Nanshan District, Shenzhen	15,000.00	-	"Administrative Measures of Special Fund for Innovation Industries Development of Nanshan District"	Related to income
Wastewater treatment renovation project	0.02	2,668,896.66	Shenzhen Environmental Protection Bureau and Shen Fu [2006] No. 196	Related to asset
2015 provincial environmental protection special fund and sewage charge	-	5,000,000.00	Shao Cai Gong [2015] No. 65	Related to income
Phase II of sludge treatment project at Shenzhen Fuyong river sludge treatment plant	-	5,000,000.00	Shenzhen environmental protection special fund utilisation contract 2012-01	Related to asset
Northern Guangdong hazardous waste incineration and physical and chemical treatment and disposal project – 4th batch of financial subsidies of 2014	-	4,540,000.00	Yong Cai Gong [2015] No. 1 and Yue Jing Xin Chuang Xin [2014] No. 479	Related to income
Northern Guangdong hazardous waste incineration and physical and chemical treatment and disposal project – 4th batch of financial subsidies of 2015	-	1,830,000.00	Yue Cai Gong [2014] No. 257 and Yue Jing Xin Chuang Xin Han [2015] No. 378	Related to income
Research on industrialization technology of municipal sludge anaerobic digestion	-	1,500,000.00	Shen Ke Ji Chuang Xin [2013] No. 77 and Contract of Shenzhen Technology Research Fund Project	Related to asset
Subsidies for strategic emerging industries	-	1,400,000.00	Xin Cai Jian [2015] No. 417	Related to income
Financial return land use tax	-	1,295,700.00	Jiang Kai Guan Wen [2015] No. 6	Related to income
Old circuit board recycling project	-	1,000,000.00	Qing Cai Gong [2014] No. 70	Related to income
Economy, Trade and Information Commission of Shenzhen Municipality (Shenzhen Strategic Emerging Industries and Future Industries Development Special Fund)	-	900,000.00	Shen Jing Mao Xin Xi Yu Suan Zi [2015] No. 237	Related to income



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

60. 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
Special fund for high and new technology	-	750,000.00	Yue Ke Gui Hua Zi [2010] No. 126, documents of Guangdong Science and Technology Department and Department of Finance	Related to asset
2011 Environmental Charity Industry Technology Research and Development Project "Environmental Risk Assessment and Management on Waste Treatment and Disposal from Daily Life and Consumption"	-	653,000.00	Huan Ban Han [2015] No. 1427	Related to income
Dongjiang Environmental Brand Building Project, 4th batch of brand building supporting program for biological industry in 2014	-	470,000.00	Shen Jing Mao Xin Xi Yu Suan Zi [2015] No. 107	Related to income
Development Fund for high and new technology enterprises	-	277,400.00	Qing Gao Cai [2015] No. 68	Related to income
2015 development fund for enterprises in high and new technology zone	-	224,000.00	Qing Gao Cai [2015] No. 80	Related to income
2014 taxpayer incentives of Xiang'an District	-	160,000.00	Xia Xiang Wei [2015] No. 28	Related to income
High and new technology project special fund	-	129,000.00	Zhe Ke Fa Ji [2014] No. 157	Related to income
Scientific and technology innovation financial supporting fund	-	120,000.00	Jia Ke Gao [2014] No. 82	Related to income
Technology innovation subsidy	-	100,000.00	Shao Ke [2015] No. 72	Related to income
Development incentives for scale expansion of micro and small enterprises from Dongguan Economy & Information Technology Bureau	-	100,000.00	Dong Fu [2015] No. 30	Related to income
Copper-containing sludge project	-	66,666.67	Shenzhen Environmental Projection Bureau and Cai Jian [2006] No. 318	Related to asset
Total	122,895,656.28	72,174,352.14		

(3) Others

Other non-operating income during the year include gain from disposal of properties amounting to RMB0.00 (last year: RMB0.00).



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

61. 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	17,654,295.28	1,134,330.53	17,654,295.28
Including: loss on disposal of fixed assets	17,654,295.28	1,134,330.53	17,654,295.28
Donations	2,211,500.00	2,438,858.50	2,211,500.00
Inventory loss	2,931,242.29	–	2,931,242.29
Others	5,496,339.74	1,200,024.65	5,496,339.74
Total	28,293,377.31	4,773,213.68	28,293,377.31

The amount charged to non-recurring profit or loss during the year was RMB28,293,377.31 (last year: RMB4,773,213.68).

62. Income tax expenses

(1) *Income tax expenses*

Item	Amount of the year	Amount of last year
Current income tax – EIT of the PRC	102,213,894.85	64,303,232.13
– The PRC	102,213,894.85	64,303,232.13
– Hong Kong	–	–
Overprovision (underprovision) of income tax in the previous year	-4,157,597.26	-502,783.89
– The PRC	-4,157,597.26	-502,783.89
Deferred income tax	-1,486,732.90	378,539.19
Total	96,569,564.69	64,178,987.43



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

62. 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	673,705,415.68	449,353,054.71
Income tax expenses calculated at statutory /applicable tax rates	101,055,812.35	67,402,958.21
Effect of different tax rate applicable to subsidiaries	44,585,993.47	18,482,989.51
Effect of overprovision (underprovision) of income tax in the previous year	-4,157,597.26	-502,783.89
Effect of non-taxable income	-20,619,799.93	-10,824,467.03
Effect of non-deductible costs, expenses and losses	7,590,811.47	2,242,191.20
Effect of utilization of unrecognized deductible losses of deferred income tax assets in the previous period	-2,951,802.66	-5,786,699.22
Effect of deductible temporary difference or deductible loss of unrecognized deferred income tax assets of the year	16,689,883.90	2,272,690.99
Effect of additional research and development expenditure deduction	-4,273,302.27	-957,392.37
Effect of special tax exemption	-41,350,434.38	-8,150,499.97
Changes of balance of deferred income tax asset/liability caused by tax rate changed	-	-
Other adjustments	-	-
Income tax expenses	96,569,564.69	64,178,987.43

63. Depreciation and amortization

Depreciation/amortization recognized under the income statement of the year was RMB286,281,438.87 (last year: RMB209,296,310.64).

64. Operating lease expenses

Operating lease expenses of the year was RMB16,690,198.94 (last year: RMB23,066,615.32), including rental expenses of industrial equipment and machineries of RMB731,320.02 (last year: RMB11,705,500.35).



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

65. Rental income

The rental income of building of the year was RMB11,259,675.39 (last year: RMB9,325,771.07).

66. 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	533,813,817.46	332,534,009.33
Consolidated net profit attributable to ordinary shareholders of the parent company (net of non-recurring profit or loss)	379,234,585.42	297,685,602.55
Weighted average number of issued ordinary shares of the parent company	858,305,019.00	850,503,269.00
Basic earnings per share (RMB/share)	0.62	0.39
Basic earnings per share (RMB/share) (net of non-recurring profit or loss)	0.44	0.35

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	850,607,102.00	338,571,841.00
Adjustment from transfer of reserve capital to share	–	510,364,261.00
Number of shares increased for unlocking of restricted shares (the first batch)	8,325,000.00	1,671,000.00
Number of months starting from the next month of the unlocking restricted shares (first batch) to the end of the reporting period	11	11
Number of shares increased for unlocking of restricted shares (the second batch)	800,000.00	425,000.00
Number of months starting from the next month of the unlocking restricted shares (second batch) to the end of the reporting period	1	1
Subtotal of unlocking restricted shares	7,697,917.00	1,567,167.00
Number of issued ordinary shares at the end of year	858,305,019.00	850,503,269.00

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

66. Earnings per share (Continued)

(2) Diluted earnings per share

Basic earnings per share was same as the diluted earnings per share for the two years ended 31 December 2016 as there were no diluting events during both years.

67. Other comprehensive income

Item	Amount of the year	Amount of last year
Exchange difference on translation of financial statements in foreign currency	514,954.92	-225,541.66
The excess of fair value over carrying value as at the date of transfer from owner-occupied properties to investment properties measured at fair value	3,509,701.20	–
Less: net amount of disposal of overseas operations charged to profit or loss of the period	–	–
Total	4,024,656.12	-225,541.66

For details, please refer to “VI.42 Other comprehensive income”.

68. Dividend

Dividend of the year is as follows:

Item	Amount of the year	Amount of last year
Interim dividend declared and distributed of RMB0.00 per share (2015: RMB0.00)	–	–
Final dividend proposed after the balance sheet date of RMB0.121 per share (2015: RMB0.08)	107,309,709.34	69,550,568.16
Total	107,309,709.34	69,550,568.16

The Board recommends the payment of a cash dividend of RMB1.204 (inclusive of tax) for every 10 share of the Company (2015: RMB0.80 for every 10 shares) held by all shareholders of the Company based on the total number of shares of 887,152,102 shares of the Company as at 31 December 2016, net of 295,000 restricted shares proposed to be repurchased and cancelled (i.e., 886,857,102 shares), with the total amount of cash dividend to be paid amounting to RMB106,777,595.08 which was approved by the shareholders at the 2016 annual general meeting of the Company. No capital reserves will be converted into shares and no bonus shares will be awarded.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

69. 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	57,261,259.52	54,602,001.03
Interest income	8,334,989.24	19,501,936.84
Current accounts with other companies and individuals	-	11,614,753.64
Total	65,596,248.76	85,718,691.51

2) Other cash payments relating to operating activities

Item	Amount of the year	Amount of last year
Current accounts with other companies and individuals	67,621,585.27	276,216,043.69
Other expenses	34,509,611.79	27,454,651.81
Transportation expenses	22,454,948.57	20,640,947.09
Entertainment expenses	19,117,364.08	14,459,670.76
Office expenses	12,945,430.43	8,709,016.18
Research and development expenses	10,910,854.56	9,884,808.41
Intermediate brokerage fee	7,803,159.59	4,302,390.14
Traveling expenses	7,622,516.42	6,720,059.62
Securities service fees	6,641,093.62	4,876,648.35
Maintenance fee	6,065,673.21	3,092,228.49
Utilities	4,666,786.16	4,166,237.01
Consultation fee	4,372,340.46	3,408,393.31
Rent	4,224,254.82	6,624,973.96
Security expenses	3,818,165.87	1,980,600.63
Promotion and marketing expenses	2,257,076.20	2,175,122.81
Total	215,030,861.05	394,711,792.26



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

69. 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 received in relation to investing activities:

Item	Amount of the year	Amount of last year
Wealth management products	–	125,000,000.00
Receipt of borrowings paid by Sound on behalf of Qingyuan Dongjiang and Hubei Dongjiang	148,842,400.00	–
Considerations for equity transfer and deposits	48,000,000.00	20,804,820.69
Total	196,842,400.00	145,804,820.69

4) Other cash payments relating to investing activities

Item	Amount of the year	Amount of last year
Consideration for equity transfer	–	14,837,500.00
Deposits for equity transfer	–	–
Total	–	14,837,500.00

5) Other cash receipts relating to financing activities

Item	Amount of the year	Amount of last year
Subscription margin for non-public issue of shares	–	69,084,840.00
Guaranteed deposits	30,000,000.00	30,000,000.00
Total	30,000,000.00	99,084,840.00

6) Other cash payments relating financing activities

Item	Amount of the year	Amount of last year
Payment in relation to finance lease	–	10,039,425.67
Subscription margin for non-public issue of shares	69,084,840.00	–
Issuance of corporate bonds and other intermediary brokerage fees	–	13,500,000.00
Guarantee deposits	3,679,090.73	70,238,950.44
Total	72,763,930.73	93,778,376.11



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

69. 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
1. Net profit adjusted as cash flow of operating activities:		
Net Profit	577,135,850.99	385,174,067.28
Add: Impairment loss for assets	9,150,516.51	12,211,606.92
Depreciation of fixed assets	175,363,546.31	143,263,126.73
Consumption of oil and gas assets	-	-
Depreciation of productive biological assets	-	-
Amortization of intangible assets	107,737,514.34	63,711,660.95
Amortization of long-term unamortized expenses	3,180,377.72	2,321,522.96
Amortization of unamortized expenses	-	-
Accrued expenses	-	-
Loss from disposal of fixed assets, intangible assets and other long term assets (gain represented in "-" sign)	17,333,353.95	934,052.55
Loss on written off of disposal fixed assets (gain represented in "-" sign)	-	-
Gain/loss of changes in fair value (gain represented in "-" sign)	-1,144,046.00	507,510.00
Finance costs (gain represented in "-" sign)	102,061,330.71	80,785,635.94
Investment loss (gain represented in "-" sign)	-178,841,427.09	-29,653,709.13
Decrease in deferred income tax assets (increase represented in "-" sign)	-3,700,344.02	598,354.94
Increase in deferred income tax liabilities (decrease represented in "-" sign)	778,540.82	234,809.63
Decrease in inventories (increase represented in "-" sign)	-28,617,966.85	35,773,250.26
Decrease in operating receivables (increase represented in "-" sign)	-338,290,249.16	-421,653,902.54
Increase in operating payables (decrease represented in "-" sign)	247,697,201.71	-46,424,536.34
Others		
Net cash flow generated from operating activities	689,844,199.94	227,783,450.15
2. Significant non-cash investing and financing transactions		
Debts transferred to capital	-	-
Convertible corporate bonds due within 1 year	-	-
Fixed assets under finance lease	-	1,926,940.00
3. Net changes in cash and cash equivalents		
Cash balance at the end of the period	1,139,658,566.94	815,961,534.58
Less: cash balance at the beginning of the period	815,961,534.58	1,024,299,018.53
Add: balance of cash equivalents at the end of the period	-	-
Less: balance of cash equivalents at the beginning of the period	-	-
Net increase in cash and cash equivalents	323,697,032.36	-208,337,483.95



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

69. 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 for acquisition of subsidiaries and other operating units	827,058,000.00	544,384,297.00
2. Cash and cash equivalents paid for acquisition of subsidiaries and other operating units	345,690,600.00	467,570,931.00
Less: cash and cash equivalents held by subsidiaries and other operating units	73,628,532.42	98,599,681.61
3. Net cash paid for acquisition of subsidiaries and other operating units	272,062,067.58	368,971,249.39
4. Net assets of subsidiaries acquired	281,028,900.36	164,404,850.47
Current assets	171,566,578.81	197,613,634.56
Non-current assets	375,407,000.91	495,328,278.82
Current liabilities	222,289,814.36	320,556,140.39
Non-current liabilities	43,654,865.00	207,980,922.52
Information of disposal of subsidiaries and other operating units		
1. Consideration for disposal of subsidiaries	365,525,600.00	–
2. Cash and cash equivalents received upon disposal of subsidiaries and other operating units	327,535,600.00	–
Less: cash and cash equivalents held by subsidiaries and other operating units	9,437,118.42	–
3. Net cash received upon disposal of subsidiaries and other operating units	318,098,481.58	–
4. Net assets of subsidiaries disposed of	203,251,798.36	–
Current assets	350,063,848.49	–
Non-current assets	216,476,511.41	–
Current liabilities	357,458,765.05	–
Non-current liabilities	5,829,796.49	–



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

69. 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	1,139,658,566.94	815,961,534.58
Including: Cash on hand	729,725.40	521,496.27
Bank deposits readily available for payments	1,128,276,484.75	814,872,336.82
Other monetary fund readily available for payments	10,652,356.79	567,701.49
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 period	1,139,658,566.94	815,961,534.58
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.

70. Restricted assets in respect of ownership or use rights

Item	Book value at the end of year	Reason for restriction
Monetary fund	20,414,561.53	Fulfillment and bank acceptances margin
Construction-in-progress	223,717,414.88	Pledged borrowings of Xiamen Oasis and Hubei Tianyin
Fixed assets	132,774,970.72	Pledged borrowings of Hubei Tianyin, Zhuhai Yongxingsheng and Rudong Daheng
Intangible assets	85,352,623.39	Pledged borrowings of the Company, Hubei Tianyin and Rudong Daheng



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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

71. 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
Monetary fund	11,239,267.73	0.89451	10,053,637.38
Including: Hong Kong Dollars	11,237,129.08	0.89451	10,051,724.33
US Dollars	2,138.65	6.9370	14,835.82
Accounts receivable – HKD	5,497,853.21	0.89451	4,917,884.67
Other receivables – HKD	9,368,443.01	0.89451	8,380,165.96
Short-term borrowings – HKD	20,000,000.00	0.89451	17,890,200.00
Accounts payable – HKD	2,680,857.19	0.89451	2,398,053.57
Tax payable – HKD	-345,105.31	0.89451	-308,700.15
Other payables – HKD	16,345,236.19	0.89451	14,620,977.22
Non-current liabilities due within			
1 year – HKD	1,962,240.44	0.89451	1,755,243.70
Long-term payables – HKD	2,288,753.68	0.89451	2,047,313.05



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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
Nantong Hui Tian Ran	28 January 2016	180,000,000.00	100.00	Equity transfer and capital increase	28 January 2016	Transfer of control	13,027,865.05	19,909,871.82
Rudong Daheng	1 January 2016	98,800,000.00	100.00	Equity transfer	1 January 2016	Transfer of control	19,702,034.92	-6,597,871.67
Hengshui Ruitao	17 March 2016	84,601,300.50	85.00	Equity transfer and capital increase	17 March 2016	Transfer of control	10,546,118.31	1,264,790.66
Dongheng Konggang	23 March 2016	45,000,000.00	56.25	Equity transfer and capital increase	23 March 2016	Transfer of control	260,194.18	5,162,487.59
Zhejiang Jianglian	24 May 2016	75,558,000.00	60.00	Equity transfer	24 May 2016	Transfer of control	22,514,156.12	8,121,792.57
Weifang Blue Sea	17 June 2016	94,000,000.00	70.00	Equity transfer	17 June 2016	Transfer of control	-	-873.93

(2) Combination costs and goodwill

Item	Nantong Hui Tian Ran	Rudong Daheng	Hengshui Ruitao	Dongheng Konggang	Zhejiang Jianglian	Weifang Blue Sea
Cash	180,000,000.00	98,800,000.00	55,000,000.00	45,000,000.00	75,558,000.00	94,000,000.00
Fair value of non-cash assets	-	-	-	-	-	-
Fair value of debts issued or assumed	-	-	-	-	-	-
Fair value of equity securities issued	-	-	-	-	-	-
Fair value of contingent considerations	-	-	-	-	-	-
Fair value of equity held before acquisition as at the acquisition date	-	-	29,601,300.50	-	-	-
Total combination costs	180,000,000.00	98,800,000.00	84,601,300.50	45,000,000.00	75,558,000.00	94,000,000.00
Less: share of fair value of identifiable net assets acquired	30,001,725.24	25,439,017.81	40,535,960.53	32,767,758.27	35,787,534.12	42,000,000.00
Goodwill	149,998,274.76	73,360,982.19	44,065,339.97	12,232,241.73	39,770,465.88	52,000,000.00



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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	Nantong Hui Tian Ran		Rudong Daheng		Hengshui Ruitao		Dongheng Konggang		Zhejiang Jianglian		Weifang Blue Sea	
	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 acquisition date	as at acquisition date	as at acquisition date	as at acquisition date	as at acquisition date	as at acquisition date	as at acquisition date	as at acquisition date	as at acquisition date	as at acquisition date	as at acquisition date	as at acquisition date
Assets:												
Monetary fund	3,145.63	3,145.63	1,132.72	1,132.72	1,731.57	1,731.57	1,571.67	1,571.67	824.37	824.37	1,806.90	1,806.90
Notes receivable	-	-	10.00	10.00	-	-	-	-	-	-	-	-
Accounts receivable	-	-	126.68	126.68	27.11	27.11	-	-	79.88	79.88	-	-
Prepayment	-	-	-	-	1,769.40	1,769.40	177.03	177.03	228.58	228.58	2,554.37	2,554.37
Other receivables	11.08	11.08	579.86	579.86	35.26	35.26	673.72	673.72	513.50	513.50	1.00	1.00
Inventories	-	-	19.40	19.40	82.16	82.16	-	-	54.76	54.76	-	-
Other current assets	-	-	-	-	-	-	-	-	-	-	-	-
Long-term receivable	-	-	-	-	-	-	-	-	-	-	-	-
Long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-
Fixed assets	-	-	5,660.60	5,660.60	1,806.76	1,806.76	41.00	41.00	4,481.62	4,481.62	3,000.00	3,000.00
Work-in-progress	683.64	683.64	151.73	151.73	32.34	32.34	10,658.43	10,658.43	155.89	155.89	3.17	3.17
Intangible assets	2,379.91	2,379.91	504.23	504.23	-	-	-	-	980.53	980.53	-	-
Goodwill	-	-	-	-	-	-	-	-	6,918.35	6,918.35	-	-
Long-term unamortized expenses	-	-	-	-	82.50	82.50	-	-	-	-	-	-
Liabilities:												
Short-term borrowings	-	-	-	-	-	-	-	-	1,210.00	1,210.00	500.00	500.00
Bill payables	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	1,483.70	1,483.70	-3.48	-3.48	4,924.09	4,924.09	2,810.42	2,810.42	-	-
Receipt in advance	-	-	45.70	45.70	-	-	-	-	271.67	271.67	-	-
Employee benefits payables	-	-	-	-	16.79	16.79	-	-	79.78	79.78	-	-
Tax payables	-0.04	-0.04	29.97	29.97	21.07	21.07	-	-	32.03	32.03	-	-
Other payables	3,220.13	3,220.13	581.95	581.95	763.78	763.78	2,372.38	2,372.38	3,868.99	3,868.99	0.04	0.04
Long-term loans	-	-	3,500.00	3,500.00	-	-	-	-	-	-	-	-
Deferred income	-	-	-	-	-	-	-	-	-	-	865.49	865.49
Net assets	3,000.17	3,000.17	2,543.90	2,543.90	4,768.94	4,768.94	5,825.38	5,825.38	5,964.59	5,964.59	5,999.91	5,999.91
Less: minority interests	-	-	-	-	715.34	715.34	2,548.60	2,548.60	2,385.84	2,385.84	1,799.91	1,799.91
Net assets acquired	3,000.17	3,000.17	2,543.90	2,543.90	4,053.60	4,053.60	3,276.78	3,276.78	3,578.75	3,578.75	4,200.00	4,200.00



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)

2. Disposal of subsidiaries

Name of subsidiary	Consideration for equity disposal	Proportion of equity disposed of (%)	Way of disposal	Time of loss of control	Basis of determination of loss of control	Difference between consideration and net assets of subsidiaries attributable to the disposal of investment under consolidated financial statements	Remaining shareholding as at the date of loss of control	Carrying value of remaining shareholding as at the date of loss of control	Fair value of remaining shareholding as at the date of loss of control	Gain or loss from remeasurement of remaining shareholding at fair value	Determination of fair value of remaining shareholding as at the date of loss of control	Transfer of other comprehensive income to investment related to equity investment of former subsidiaries
Qingyuan Dongjiang	290,259,800.00	100.00	Disposal	24 August 2016	Transfer of control	80,248,376.42	-	-	-	-	-	-
Hubei Dongjiang	75,265,800.00	100.00	Disposal	16 August 2016	Transfer of control	80,537,745.81	-	-	-	-	-	-
Dongjiang Songzao	50,000.00	100.00	Disposal	25 August 2016	Transfer of control	1,517,126.93	-	-	-	-	-	-

3. Changes in scope of combination due to other reasons

Name	Acquisition method	Date of equity acquisition	Capital injection	Proportion of capital injection (%)
Qianhai Dongjiang	Newly established subsidiary	28 November 2014	3,000,000.00	100.00
Baoan Dongjiang	Newly established subsidiary	14 December 2015	60,000,000.00	100.00
Zhenjiang Dongjiang	Newly established subsidiary	3 May 2016	600,000.00	60.00
Jingzhou Dongjiang	Newly established subsidiary	24 October 2016	10,000,000.00	100.00
Nantong Dongjiang	Newly established subsidiary	23 September 2016	132,000,000.00	100.00



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Company

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of share holding (%)		Acquisition method
								Direct	Indirect	
Resource Recycling	LLC	Chen Shu Sheng	91440300755694530Q	Shenzhen	Shenzhen	100.00	Industrial	100.00	-	Wholly-owned
Dongjiang Heritage	LLC	Li Yong Peng	91440300755672809L	Shenzhen	Shenzhen	2,500.00	Industrial	62.00	-	Wholly-owned
Longgang Dongjiang	LLC	Liao Ruo An	914403007504983972	Shenzhen	Shenzhen	10,000.00	Industrial	54.00	-	Wholly-owned
Yunnan Dongjiang	LLC	Xie Heng Hua	91530102560058446N	Kunming	Kunming	1,000.00	Industrial	100.00	-	Wholly-owned
Huizhou Dongjiang	LLC	Li Yong Peng	91441300738594407X	Huizhou	Huizhou	500.00	Industrial	100.00	-	Wholly-owned
Qiandeng Wastes Treatment	LLC	Liao He Ping	91320583762827004C	Kunshan	Kunshan	3,000.00	Industrial	51.00	-	Wholly-owned
Huabao Technology	LLC	Chen Fang	91440300783926298G	Shenzhen	Shenzhen	1,000.00	Services	100.00	-	Combination not under common control
Qingdao Dongjiang	LLC	Jia Zi Liang	91370222675268718B	Qingdao	Qingdao	1,500.00	Industrial	100.00	-	Wholly-owned
Hunan Dongjiang	LLC	Jia Zi Liang	914305006685850459	Zhaoyang	Zhaoyang	1,000.00	Industrial	95.00	-	Wholly-owned
Chengdu Treatment Centre	LLC	Li Yong Peng	91510100728085895U	Chengdu	Chengdu	1,000.00	Industrial	100.00	-	Wholly-owned
Renewable Energy	LLC	Jia Zi Liang	914403007865604042	Shenzhen	Shenzhen	9,032.45	Industrial	100.00	-	Wholly-owned
Shaoguan Dongjiang	LLC	Chen Shu Sheng	91440200782025746P	Shaoguan	Shaoguan	500.00	Industrial	100.00	-	Wholly-owned
Shaoguan Green	LLC	Chen Shu Sheng	9144022979299871X2	Shaoguan	Shaoguan	20,873.35	Industrial	100.00	-	Combination not under common control
Dongjiang Properties	LLC	Yao Qiong	91440300699086185K	Shenzhen	Shenzhen	100.00	Services	100.00	-	Wholly-owned
Baoan Energy	LLC	Jia Zi Liang	91440300674839742Q	Shenzhen	Shenzhen	1,000.00	Industrial	100.00	-	Wholly-owned
Dongjiang HK	LLC	Not Available	Not Available	Hong Kong	Hong Kong	HKD2,470.00	Services	100.00	-	Wholly-owned
Lik Shun Services	LLC	Not Available	Not Available	Hong Kong	Hong Kong	HKD1,000.00	Services	-	100.00	Combination not under common control
Dongjiang Transport	LLC	Li Yong Peng	91441300688636380C	Huizhou	Huizhou	3,400.00	Services	100.00	-	Wholly-owned
Products Trading	LLC	Li Yong Peng	914403005827118052	Shenzhen	Shenzhen	200.00	Trading	100.00	-	Wholly-owned
Zhuhai Qingxin	LLC	Wen Wei	91440400732179587R	Zhuhai	Zhuhai	900.00	Industrial	100.00	-	Combination not under common control
Qingyuan Xinlv	LLC	Chen Shu Sheng	91441803MA4UTUXA36	Qingyuan	Qingyuan	5,216.00	Industrial	62.50	-	Combination not under common control



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 the Company (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of share holding (%)		Acquisition method
								Direct	Indirect	
Jiaxing Deda	LLC	Liao He ping	91330421254836027Y	Jiashan County	Jiashan County	4,200.00	Industrial	51.00	-	Combination not under common control
Jiangmen Dongjiang	LLC	Li Yong Peng	91440784056831604R	Jiangmen	Jiangmen	5,000.00	Industrial	100.00	-	Wholly-owned
Dongguang Hengjian	LLC	Li Yong Peng	914419007829645409	Dongguang	Dongguang	3,900.00	Industrial	100.00	-	Combination not under common control
Dongjiang Shangtian	LLC	Chen Shu Sheng	914403000886409419	Shenzhen	Shenzhen	1,000.00	Services	51.00	-	Wholly-owned
Dongjiang Kaida	LLC	Li Yong Peng	91440300306164059L	Shenzhen	Shenzhen	100.00	Services	100.00	-	Wholly-owned
Coastal Solid Waste	LLC	Liao He ping	91320922750000210G	Yancheng	Yancheng	870.00	Industrial	60.00	-	Combination not under common control
Nanchang Xinguan	LLC	Jia Zi Liang	913601087814528186	Nanchang	Nanchang	1,000.00	Industrial	-	100.00	Combination not under common control
Hefei Xinguan	LLC	Jia Zi Liang	91340122796420596F	Hefei	Hefei	1,000.00	Industrial	-	100.00	Combination not under common control
Xiamen Oasis Environmental	Other company limited by shares	Chen Shu Sheng	913502007054598748	Xiamen	Xiamen	4,500.00	Industrial	60.00	-	Combination not under common control
Fujian Oasis Solid Waste Disposal	LLC	Ji Ren Wang	91350700591740421Y	Nanping	Nanping	2,000.00	Industrial	-	60.00	Indirectly owned
Sanming Oasis Resources Recycling	LLC	Ji Ren Wang	91350400593453311T	Sanming	Sanming	200.00	Industrial	-	60.00	Indirectly owned
Xiamen Oasis Environmental Technology	LLC	Ji Ren Wang	9135021373786142XF	Xiamen	Xiamen	120.00	Industrial	-	60.00	Indirectly owned
Longyan Oasis Environmental Technology	LLC	Huang Chen Dong	91350800777548892H	Longyan	Longyan	300.00	Industrial	-	60.00	Indirectly owned



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 the Company (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of share holding (%)		Acquisition method
								Direct	Indirect	
Nanping Oasis Environmental Technology	LLC	Huang Chen Dong	91350700777506879J	Nanping	Nanping	500.00	Industrial	-	60.00	Indirectly owned
Sanming Oasis Environmental Technology	LLC	Hong Jian Kang	913504007661523311	Sanming	Sanming	400.00	Industrial	-	54.00	Indirectly owned
Wosen Environmental Technology	LLC	Li Yong Peng	91650204057725598E	Kelamayi	Kelamayi	5,000.00	Industrial	82.82	-	Combination not under common control
Jiangmen Dongjiang Lvlvda	Other company limited by shares	Li Yong Peng	914407843148389654	Jiangmen	Jiangmen	3,000.00	Industrial	-	60.00	Wholly-owned
Jiangxi Dongjiang	LLC	Xie Heng Hua	913609813147107422	Fengcheng	Fengcheng	5,000.00	Industrial	100.00	-	Wholly-owned
Shaoxing Dongjiang	Other company limited by shares	Yan Wen Jian	913306003077281947	Shaoxing	Shaoxing	200.00	Industrial	52.00	-	Wholly-owned
Jiangxi Kangtai	Joint stock company with limited liability	Xie Heng Hua	91360405662009186U	Jiujiang	Jiujiang	2,081.63	Industrial	51.00	-	Combination not under common control
Kangtai Environmental	LLC	Zhou Bei Fa	91360100669759916E	Jiujiang	Jiujiang	200.00	Industrial	-	51.00	Indirectly owned
Huiyuan Small-scale Loans	LLC	Cao Tingwu	91440300326399963T	Shenzhen	Shenzhen	30,000.00	Financial	100.00	-	Wholly-owned
Hengjian Tongda	LLC	Wu Wenjian	9144030032622379XY	Shenzhen	Shenzhen	1,000.00	Industrial	100.00	-	Combination not under common control
Humen Green	LLC	Wu Wenjian	91441900789434892W	Dongguan	Dongguan	5,800.00	Industrial	-	100.00	Indirectly owned
Hubei Tianyin	Other company limited by shares	Zhang Yu Peng	914210245942289253	Jingzhou	Jingzhou	4,875.50	Industrial	60.00	-	Combination not under common control
Tianyin Technology	LLC	Zhang Yu Peng	9142102459423865XH	Jingzhou	Jingzhou	2,000.00	Industrial	-	60.00	Indirectly owned



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 the Company (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of share holding (%)		Acquisition method
								Direct	Indirect	
Tianyin Hazardous	LLC	Zhang Yu Peng	91421024058128760H	Jingzhou	Jingzhou	2,000.00	Industrial	-	60.00	Indirectly owned Waste Disposal
Tianyin Vehicle Dismantle	LLC	Zhang Yu Peng	9142102409586322XD	Jingzhou	Jingzhou	1,000.00	Industrial	-	60.00	Indirectly owned
Zhuhai Yongxingsheng	Other company limited by shares	Cheng Longying	914404007122356683	Zhuhai	Zhuhai	4,500.00	Industrial	80.00	-	Combination not under common control
Green Environmental	Other company limited by shares	Sheng Mingying	9142900458545869X8	Xiantao	Xiantao	3,444.00	Industrial	55.00	-	Combination not under common control
Nantong Hui Tian Ran	LLC	Li Kai Yan	913206233139399241	Rudong County	Rudong County	3,000.00	Industrial	100.00	-	Combination not under common control
Rudong Daheng	LLC	Li Kai Yan	91320623734404100L	Jurong	Jurong	3,000.00	Industrial	100.00	-	Combination not under common control
Hengshui Ruitao	LLC	Duan Chun Fa	91131102078790102Q	Hengshui	Hengshui	4,000.00	Industrial	85.00	-	Combination not under common control
Dongheng Konggang	LLC	Ren Ren	913211835810772678	Jurong	Jurong	4,571.89	Real estate	56.25	-	Combination not under common control
Qianhai Dongjiang	LLC	Zhou Yao Ming	91440300319760853N	Shenzhen	Shenzhen	5,000.00	Services	100.00	-	Wholly-owned
Baoan Dongjiang	LLC	Chen Shu Sheng	914403003594785297	Shenzhen	Shenzhen	6,000.00	Industrial	100.00	-	Wholly-owned
Zhejiang Jianglian	LLC	Liao He Ping	91330621329938926E	Shaoxing	Shaoxing	5,000.00	Financial	60.00	-	Combination not under common control
Huaxin Environmental	Individual limited company	Zhang Dong Liang	913306217772014427	Shaoxing	Shaoxing	500.00	Industrial	-	60.00	Indirectly owned
Huatai Environmental	Private limited company	Du Li Fu	91330621322989819K	Shaoxing	Shaoxing	200.00	Services	-	36.00	Indirectly owned
Zhenjiang Dongjiang	LLC	Hu Jiu Kun	91321183MA1MK96R1B	Jurong	Jurong	200.00	Services	60.00	-	Wholly-owned



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 the Company (Continued)

Name of subsidiaries	Company type	Legal person	Unified social credit code	Major place of operation	Place of registration	Registered capital (RMB'0,000)	Business nature	Proportion of share holding (%)		Acquisition method
								Direct	Indirect	
Weifang Blue Sea	Other company limited by shares	Li Kai Yan	91370786MA3BYD8Y26	Changyi	Changyi	4,000.00	Industrial	70.00	-	Combination not under common control
Xiamen Dongjiang	LLC	Chen Shu Sheng	91350200MA2XRMYY2R	Xiamen	Xiamen	1,000.00	Industrial	60.00	-	By way of demerger
Jingzhou Dongjiang	LLC	He Dong Lin	91421024MA48DEC061	Jiangling County	Jiangling County	1,000.00	Industrial	100.00	-	Wholly-owned
Nantong Dongjiang	LLC	Lu Jiang	91320623MA1MUTMU7E	Rudong County	Rudong County	USD2,000.00	Services	-	100.00	Wholly-owned

(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%	1,911,038.30	-	16,655,142.57
Longgang Dongjiang	46%	18,182,287.94	-	94,864,203.68
Qiandeng Wastes Treatment	49%	14,744,823.30	25,000,000.00	45,832,806.34
Qingyuan Xinlv	37.50%	3,202,347.67	-	38,777,063.34
Xiamen Oasis Environmental	40%	3,171,911.91	-	149,739,913.74
Zhuhai Yongxingsheng	20%	217,966.09	-	20,164,572.96



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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

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	52,245,822.79	3,209,157.24	55,454,980.03	11,625,657.47	-	11,625,657.47
Longgang Dongjiang	97,808,790.13	125,151,037.44	222,959,827.57	9,125,464.52	7,607,833.31	16,733,297.83
Qiandeng Wastes Treatment	103,378,199.90	30,446,211.43	133,824,411.33	37,070,545.40	3,217,526.46	40,288,071.86
Qingyuan Xinlv	93,659,423.44	34,748,441.41	128,407,864.85	25,002,362.60	-	25,002,362.60
Xiamen Oasis Environmental	257,211,056.10	319,972,860.24	577,183,916.34	186,631,879.62	16,202,252.38	202,834,132.00
Zhuhai Yongxingsheng	16,467,434.67	180,573,812.80	197,041,247.47	82,039,382.69	14,179,000.00	96,218,382.69

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	49,683,235.72	4,052,985.89	53,736,221.61	14,935,947.21	-	14,935,947.21
Longgang Dongjiang	65,288,160.94	121,692,504.46	186,980,665.40	12,107,015.26	8,173,833.31	20,280,848.57
Qiandeng Wastes Treatment	73,889,752.26	42,379,765.47	116,269,517.73	23,390,223.52	726,004.53	24,116,228.05
Qingyuan Xinlv	98,231,988.32	30,316,024.25	128,548,012.57	33,682,104.10	-	33,682,104.10
Xiamen Oasis Environmental	211,110,649.70	311,441,895.82	522,552,545.52	137,447,795.37	18,361,745.58	155,809,540.95
Zhuhai Yongxingsheng	44,904,879.08	127,240,038.76	172,144,917.84	72,411,883.49	-	72,411,883.49

Name of subsidiaries	Incurred during the year				Incurred last year			
	Operating income	Net profit	Total		Operating income	Net profit	Total	
			consolidated income	Cash flow from operating activities			consolidated income	Cash flow from operating activities
Dongjiang Heritage	78,951,545.29	5,029,048.16	5,029,048.16	8,592,582.64	77,572,312.17	7,895,248.42	7,895,248.42	1,135,717.57
Longgang Dongjiang	86,568,458.43	39,526,712.91	39,526,712.91	27,732,805.98	82,639,182.50	34,259,040.22	34,259,040.22	53,818,734.84
Qiandeng Wastes Treatment	181,810,666.70	30,091,476.13	30,091,476.13	35,598,825.27	211,487,108.32	26,492,297.86	26,492,297.86	26,827,498.54
Qingyuan Xinlv	181,215,634.31	8,539,593.78	8,539,593.78	3,270,094.29	165,514,684.98	489,937.32	489,937.32	12,027,245.39
Xiamen Oasis Environmental	154,372,285.26	7,929,779.77	7,929,779.77	43,286,921.49	247,369,615.31	27,053,679.81	27,053,679.81	26,390,497.08
Zhuhai Yongxingsheng	28,024,137.22	1,089,830.43	1,089,830.43	29,114,394.10	7,759,347.07	2,824,690.46	2,824,690.46	-25,075,661.24

(4) Significant restrictions on use of asset and settlement of debts of corporate

There were no significant restrictions on use of asset and settlement of debts of corporate.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

2. Changes in shareholders' equity in the subsidiary without loss of control

(1) *Changes in shareholders' equity in the subsidiary*

During the period, 10% equity interest of Dongguan Humen Water Co., Ltd., a wholly-owned subsidiary of Shenzhen Hengjian Tongda Investment Management Company Limited, which is a wholly-owned subsidiary of the Company, was disposed to Dongguan Shigu Sewage Treatment Co., Ltd.

(2) *Effect of changes in shareholders' equity in the subsidiary on equity*

Item	Humen Green
Cash	21,200,000.00
Total consideration for disposal	21,200,000.00
Less: Share of net assets of subsidiaries calculated based on shareholding disposed of	8,413,294.95
Difference	12,786,705.05
Including: Adjustment of capital reserve	12,786,705.05
Adjustment of surplus reserve	–
Adjustment of undistributed profit	–

3. Interests in joint ventures or associates

(1) *Significant joint ventures or associates*

Name of joint ventures or associates	Principal place of domain	Place of registration	Nature of business	Shareholding proportion (%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
Dongjiang Veolia	Huizhou	Huizhou	Industrial	50.00	–	Equity approach
Shenzhen Resource	Shenzhen	Shenzhen	Industrial	49.00	–	Equity approach
Shenzhen Micronutrients	Shenzhen	Shenzhen	Service	38.00	–	Equity approach
Fujian Dongjiang	Quanzhou	Quanzhou	Industrial	42.50	–	Equity approach

Joint venture and associates of the Company are companies with limited liabilities.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. 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 a 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.

Pursuant to the equity transfer agreement dated 31 December 2014, the Company transferred the 1% equity interest out of the 51% equity interest it originally holds in Dongjiang Veolia (東江威立雅) to its partner, Veolia Environmental Services (Hong Kong) Company Limited (威立雅環境服務香港有限公司). The relevant equity transfer and industrial and commercial registration was completed in July 2015. As at 31 December 2016, the Company holds 50% equity interest and 50% voting rights in Dongjiang Veolia.

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 a 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 2016, the Company owned 49% equity interests and 42.86% voting rights in Shenzhen Resources.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(1) Significant joint ventures or associates (Continued)

3) Shenzhen Micronutrients

Full name: Heritage Dongjiang Micronutrients Additives (Shenzhen) Co., Limited (華瑞東江微營養添加劑(深圳)有限公司)

Shenzhen Micronutrients has a registered capital of RMB2,000,000. The Company invested RMB760,000 and owned 38% equity interests therein. Its business scope: 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).

4) Fujian Dongjiang

Full name: Fujian Xingye Dongjiang Environmental Technology Co., Ltd. (福建興業東江環保科技有限公司)

Fujian Dongjiang has a registered capital of RMB100,000,000. The Company invested RMB42,500,000 and owned 42.50% equity interests therein. Its scope of business includes disposal and recycling of wastes (including industrial waste and general solid waste); treatment of wastewater, waste air and noise; design, construction and operation of environmental protection facilities; production and trading of environmental materials, recycled products and environmental equipment; development, promotion and application of new environmental products and technologies (for businesses subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities). As at 31 December 2016, the Company holds 42.50% equity interest and 42.50% voting rights in Fujian Dongjiang.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. 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:	96,056,742.77	67,262,284.84
Including: cash and cash equivalent	50,323,318.63	17,165,395.62
Non-current assets	228,631,650.49	205,654,006.27
Total assets	324,688,393.26	272,916,291.11
Current liabilities:	137,925,892.77	103,602,698.01
Non-current liabilities	33,363,406.57	33,010,729.99
Total liabilities	171,289,299.34	136,613,428.00
Minority interests	32,002,970.33	–
Equity interests attributable to shareholders of the parent company	121,396,123.59	136,302,863.11
Share of net profit based on shareholdings	60,698,061.80	68,151,431.56
Adjustments		
– Goodwill	–	–
– Unrealized profit from intra-group transactions	–	–
– Others	–	–
Book value of investments in interest of joint venture	58,641,440.11	67,701,431.53
Fair value of investments in interest in joint venture with open market quotations	–	–
Operating revenue	212,293,044.19	240,389,862.48
Financial costs	-194,835.36	-340,874.16
Income tax expenses	6,628,793.19	10,369,404.54
Net profit	25,869,231.16	57,388,373.46
Net profit from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	25,869,231.16	57,388,373.46
Dividends received from joint venture during the year	22,500,000.00	22,950,000.00



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

VIII. INTERESTS IN OTHER ENTITIES (Continued)

3. 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	Fujian Dongjiang	Shenzhen Resource	Shenzhen Micronutrients	Fujian Dongjiang
Current assets:	26,033,186.25	55,133,373.16	72,796,128.25	31,129,021.21	47,715,745.31	-
Including: cash and cash equivalent	14,123,076.29	29,142,471.54	17,904,465.14	15,675,019.17	23,250,560.03	-
Non-current assets	39,695,954.39	171,384.74	27,646,777.67	39,933,264.12	82,081.88	-
Total assets	65,729,140.64	55,304,757.90	100,442,905.92	71,062,285.33	47,797,827.19	-
Current liabilities:	11,190,625.71	25,757,040.89	1,244,834.80	8,955,632.65	29,495,981.46	-
Non-current liabilities	-	-	-	-	-	-
Total liabilities	11,190,625.71	25,757,040.89	1,244,834.80	8,955,632.65	29,495,981.46	-
Minority interests	-	-	-	-	-	-
Equity interests attributable to shareholders of the parent company	54,538,514.93	29,547,717.01	99,198,071.12	62,106,652.68	18,301,845.73	-
Share of net profit based on shareholdings	26,723,872.32	11,228,132.46	42,159,180.23	30,432,259.81	6,954,701.38	-
Adjustments	-	-	-	-	-	-
- Goodwill	-	-	-	-	-	-
- Unrealized profit from intra-group transactions	-	-	-	-	-	-
- Others	-	-	-	-	-	-
Book value of investments in interest of associates	25,540,329.39	11,200,600.58	42,159,180.23	29,748,327.07	6,836,176.66	-
Fair value of investments in interest in associates with open market quotations	-	-	-	-	-	-
Operating income	26,422,722.95	107,918,606.21	-	35,379,068.88	91,233,710.59	-
Financial costs	-134,163.01	-5,287,953.38	-573,410.24	-167,854.23	-688,344.58	-
Income tax expenses	-1,754,970.13	6,879,152.34	-	-1,088,009.80	2,119,354.22	-
Net profit	-6,731,528.12	20,480,297.19	-801,928.88	-3,186,205.54	6,314,227.08	-
Net profit from discontinued operations	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-6,731,528.12	20,480,297.19	-801,928.88	-3,186,205.54	6,314,227.08	-
Dividends received from associates during the year	-	3,512,511.35	-	-	-	-



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

VIII. INTERESTS IN OTHER ENTITIES *(Continued)*

3. 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
Associates:		
Total book value of investments	15,465,323.01	30,817,889.27
Total amounts based on shareholding		
– Net profit	-569,529.98	90,631.97
– Other comprehensive income	–	–
– Total comprehensive income	-569,529.98	90,631.97

(5) Significant restrictions on transfer of funds from joint ventures or associates to the Company

There were 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 Company 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 Company to mitigate such risks. The management of the Company manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 Company engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Company'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 Company's risk management is to ascertain and analyse all types of risks exposures of the Company, 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 Company 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 Company are settled with RMB. On 31 December 2016, except for the USD balances and HKD balances in assets and liabilities, all the balances of assets and liabilities of the Company were denominated in RMB. The foreign exchange risk arising from assets and liabilities in such USD balances and HKD balances may affect the operating results of the Company.

Item	Amount at the end of year	Amount at the beginning of year
Monetary fund – USD	2,138.65	–
Monetary fund – HKD	11,237,129.08	6,056,438.99
Account receivables – HKD	5,497,853.21	8,850,152.98
Prepayment – HKD	1,091,568.11	1,604,046.24
Other receivables – HKD	9,368,443.01	12,891,177.33
Inventories – HKD	77,013.22	91,326.03
Long-term equity investments – HKD	164,962,283.75	13,638,198.00
Fixed assets – HKD	13,875,767.52	17,449,274.47
Short-term borrowings – HKD	20,000,000.00	20,000,000.00
Account payable – HKD	2,680,857.19	1,661,735.54
Tax payable – HKD	-345,105.31	-345,105.31
Other payable – HKD	16,345,236.19	18,471,616.33
Non-current liabilities due within 1 year – HKD	1,962,240.44	4,292,650.83
Long-term payable – HKD	2,288,753.68	4,250,993.50

The Company closely monitors changes in foreign exchange rates as to their effects to the Company exposure in foreign exchange risk. Currently, the Company has not adopted other policies to circumvent foreign exchange risks.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 Company is mainly associated with floating-rate bank borrowings. The Company currently does not have a foreign currency hedging policy to hedge against its exposures. The management will closely monitor foreign currency risk and will consider hedging significant foreign currency risk when the risk arises.

3) Other price risk

The Company 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 2016, the most significant credit risk exposure that might incur financial losses on the Company was mainly attributable to a contractual counterparty's failure to perform its obligations and financial guarantee undertaken by the Company, 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 Company 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 Company 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 Company believes the credit risk assumed by the Company has been significantly reduced.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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)*

(2) Credit risk (Continued)

The Company 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 Company'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: RMB218,084,209.26.

(3) Liquidity risk

The liquidity risk is the Company's impossibility to perform its financial obligations after the maturity date. In the management of the liquidity risk, the Company monitors and maintains a level of working capital deemed adequate by the management to perform the Company's obligations, thus will not cause loss or damage to the reputation of the Company. Moreover, the Company 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 makes consultations on financing issues, to maintain enough credit limits and mitigate liquidity risk.

The Company's main capital source is from bank borrowing. As at 31 December 2016, the unused credit facilities of bank loan of the Company was RMB1.153 billion (31 December 2015: RMB1.405 billion), including utilized short-term bank borrowings facilities of RMB1.030 billion (31 December 2015: RMB1.361 billion).



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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)*

(3) Liquidity risk (Continued)

The following table demonstrates the financial assets (book value before impairment provision) and financial liabilities the Group held according to the maturity of undiscounted remaining contractual obligations:

Amount as at 31 December 2016:

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets					
Monetary fund	1,160,073,128.47	-	-	-	1,160,073,128.47
Financial assets held for trading	1,667,820.00	-	-	-	1,667,820.00
Notes receivables	43,826,934.87	-	-	-	43,826,934.87
Account receivables	510,979,845.03	-	-	-	510,979,845.03
Other receivables	242,250,215.29	8,012,647.50	9,904,046.57	-	260,166,909.36
Loans	274,275,000.00	-	-	-	274,275,000.00
Non-current liabilities due					
within 1 year	16,930,533.96	-	-	-	16,930,533.96
Available-for-sale financial assets	-	-	14,931,700.00	-	14,931,700.00
Long-term receivables	-	101,387,981.16	113,195,521.19	10,527,555.90	225,111,058.25
Financial liabilities					
Short-term borrowings	1,735,862,188.25	-	-	-	1,735,862,188.25
Account payable	713,257,454.13	-	-	-	713,257,454.13
Other payables	386,376,361.66	-	-	-	386,376,361.66
Dividend payable	2,240,850.00	-	-	-	2,240,850.00
Interest payable	492,344.62	-	-	-	492,344.62
Employee benefits payables	49,024,619.72	-	-	-	49,024,619.72
Non-current liabilities due					
within 1 year	296,546,305.45	-	-	-	296,546,305.45
Long-term borrowings	-	92,904,921.67	282,670,847.72	22,335,217.60	397,910,986.99
Bonds payable	-	-	357,165,749.95	-	357,165,749.95
Long-term payables	-	1,403,884.31	643,428.74	-	2,047,313.05

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Sensitivity analysis

The Company 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	90.89	90.89	–	–
USD	decrease 5% against RMB	-90.89	-90.89	–	–
HKD	Increase 5% against RMB	-729,880.64	-729,880.64	-743,436.19	-743,436.19
HKD	decrease 5% against RMB	729,880.64	729,880.64	743,436.19	743,436.19

(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.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Sensitivity analysis *(Continued)*

(2) Sensitivity analysis of interest rate *(Continued)*

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%	-3,388,262.28	-3,388,262.28	-6,197,835.81	-6,197,835.81
Borrowings with floating interest rate	Decrease 1%	3,388,262.28	3,388,262.28	6,197,835.81	6,197,835.81

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	
I. Continuing fair value measurement	-	-	-	-
(1) Financial assets at fair value through profit and loss				
Financial assets held for trading-equity instrument investments	1,667,820.00	-	-	1,667,820.00
(2) Investment properties				
Leased buildings	-	66,388,962.20	-	66,388,962.20
Total amount of continuing fair value measurement of financial assets	1,667,820.00	66,388,962.20	-	68,056,782.20

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

X. DISCLOSURE OF FAIR VALUE *(Continued)*

2. Determination basis of market prices of continuing and discontinued level 1 fair value measurement items

The Company's investments in equity instruments under financial assets held for trading are equity investments in the secondary market, the fair value measure determined by reference to quoted market closing price.

3. 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 of the Company is based on the valuation made by Shenzhen Pengxin Assets Appraisal and Valuation Co., Limited (independent party with no connection to the Company). 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).

XI. RELATED PARTIES AND RELATED PARTY 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 Guangdong Rising Assets Management Co., Ltd. and the SASAC of Guangdong Province respectively.

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	182,086,302.00	242,769,173.00	20.52	27.92
Guangdong Rising Assets	60,682,871.00	–	6.84	–
Subsidiaries of Guangdong Rising Assets*1	4,198,027.00	–	0.47	–

*1. Such 0.47% equity interest held by subsidiaries of Guangdong Rising Assets comprises 1,302,027 A Shares of the Company (representing 0.15% of the total share capital of the Company) held by Shenzhen Rising Investment Development Co., Ltd., a wholly-owned subsidiary of Guangdong Rising Assets, and 2,896,000 H Shares of the Company (representing 0.33% of the total share capital of the Company) held by Guangdong Rising H.K. (Holding) Limited as at 31 December 2016.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

1. Relationships of related parties (Continued)

(2) Subsidiaries

Details of subsidiaries of the Group are set out in “Structure of the Company” 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.3(1). Related party transactions with the Company or previous balance of related party transactions with the Company and joint ventures or associates are as follows:

<u>Name of joint ventures and associates</u>	<u>Relations with the Company</u>
Dongjiang Veolia	Joint venture
Shenzhen Micronutrients	Associate
Shenzhen Resource	Associate
Fujian Dongjiang	Associate

(4) Other related parties

<u>Name of other related parties</u>	<u>Relations with the Company</u>
Shenzhen Huateng Environment Information Technology Co., Ltd. (深圳市華藤環境信息科技有限公司) (“ Huateng Environmental ”)	Other ^{*1}
Shenzhen Suntak Multilayer PCB Company Limited (深圳崇達多層線路板有限公司) (“ Shenzhen Suntak ”)	Other ^{*2}
Jiangmen Suntak Circuits Technology Limited (江門崇達電路技術有限公司) (“ Jiangmen Suntak ”)	Other ^{*2}
Suntime Environmental Remediation Co., Ltd. (江蘇上田環境修復股份有限公司) (“ Jiangsu Suntime ”)	Other ^{*3}

*1: Shenzhen Huateng Environment Information Technology Co., Ltd. is other related party which the Company holds 10% equity interest. On 8 June 2015, it changed name from the original name of Shenzhen Tricycle Information Technology Co., Ltd. (深圳市三輪車信息科技有限公司) to Shenzhen Huateng Environment Information Technology Co., Ltd. (深圳市華藤環境信息科技有限公司)

*2: On 16 March 2015, Mr. Su Qi Yun, the newly appointed independent director, acted as independent director of Shenzhen Suntak Circuit Technology Co., Ltd. (深圳市崇達電路技術股份有限公司) (“**Suntak Circuit**”), Shenzhen Suntak and Jiangmen Suntak are subsidiaries of Suntak Circuit.

*3: Suntime Environmental Remediation Co., Ltd. is a related party owned as to 10% by the Company.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

2. Related party transactions

(1) *Related party transactions in respect of purchasing goods or receiving services and sales of goods and providing services*

1) Purchasing goods and receiving services

Related Party	Related parties transactions	Occurred during the year	Occurred during last year
Dongjiang Veolia	Receiving services	16,108,116.76	11,625,595.22
Shenzhen Suntak	Purchasing goods	9,077,343.66	9,375,195.24
Jiangmen Suntak	Purchasing goods	13,150,324.34	10,167,215.40
Huateng Environmental	Receiving services	830,188.60	–
Shenzhen Resource	Receiving services	72,100.00	1,267,718.30
Shenzhen Resource	Purchasing goods	–	7,616,262.38
Total		39,238,073.36	40,051,986.54

2) Sales of products and providing services

Related Party	Related parties transactions	Occurred during the year	Occurred during last year
Dongjiang Veolia	Providing services	45,639,865.94	53,182,405.58
Dongjiang Veolia	Sales of goods	213,600.00	180,489.71
Shenzhen Suntak	Providing services	5,737,944.93	4,577,454.71
Jiangmen Suntak	Providing services	5,641,160.41	4,802,548.01
Shenzhen Micronutrients*1	Sales of goods	76,081,748.55	77,684,703.21
Shenzhen Resource	Sales of goods	–	31,589.74
Total		133,314,319.83	140,459,190.96

*1. Such related party transactions constitute connected transactions and continuing connected transactions as defined under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange.

(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	126,793.06	123,411.36
The Company	Huateng Environmental	Buildings	672,013.38	518,957.88



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

2. Related party transactions *(Continued)*

(3) Guarantee with related parties

Name of Guarantor	Name of 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	27 June 2012	27 June 2017	No
Zhang Wei Yang	Lik Shun Services	6,807,145.00	20 June 2011	16 May 2017	No
Dongjiang HK	Lik Shun Services	13,721,630.00	1 February 2011	27 January 2019	No

3. 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	Fees of Directors and Supervisors	Salaries, bonus and allowances	Retirement benefits scheme contributions	Total
Executive Directors				
Zhang Wei Yang	-	1,643,835.00	67,476.87	1,711,311.87
Chen Shu Sheng	-	1,307,750.00	67,476.87	1,375,226.87
Li Yong Peng	-	883,502.00	65,104.92	948,606.92
Liu Ren	-	191,666.00	13,234.66	204,900.66
Sub-total		4,026,753.00	213,293.32	4,240,046.32
Non-executive Directors				
Feng Tao	-	-	-	-
Wu Shui Qing	-	-	-	-
Liu Boren	-	-	-	-
Deng Qian	-	-	-	-
Huang Yiming	-	-	-	-
Sun Ji Ping	-	-	-	-
Sub-total		-	-	-

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

3. Consolidation and parent company *(Continued)*

Emoluments of key management (Continued)

(1) *Emoluments of Directors and Supervisors (Continued)*

Name	Fees of Directors and Supervisors	Salaries, bonus and allowances	Retirement benefits scheme contributions	Total
Independent non-executive Directors				
Wong Hin Wing	150,210.00	–	–	150,210.00
Qu Jiu Hui	150,000.00	–	–	150,000.00
Su Qi Yun	129,166.67	–	–	129,166.67
Zhu Zhengfu	21,428.57	–	–	21,428.57
Sub-total	450,805.24			450,805.24
Supervisors				
Yuan Wei	–	–	–	–
Cai Wen Sheng	–	–	–	–
Zhang An Li	–	–	–	–
Ren Yu Nan	–	–	–	–
Huang Wei Ming	–	581,300.00	51,665.43	632,965.43
Shu Yi Xin	–	61,364.86	15,901.54	77,266.40
Liu An	–	394,046.00	45,131.26	439,177.26
Sub-total	–	1,036,710.86	112,698.23	1,149,409.09
Total	450,805.24	5,063,463.86	325,991.55	5,840,260.65



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

3. 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	Fees of Directors and Supervisors	Salaries, bonus and allowances	Retirement benefits scheme contributions	Total
Executive Directors				
Zhang Wei Yang	–	1,600,000.00	59,415.22	1,659,415.22
Chen Shu Sheng	–	1,107,504.00	59,415.22	1,166,919.22
Li Yong Peng	–	800,000.00	58,136.62	858,136.62
Sub-total	–	3,507,504.00	176,967.06	3,684,471.06
Non-executive Directors				
Feng Tao	–	–	–	–
Wu Shui Qing	–	–	–	–
Sun Ji Ping	–	–	–	–
Sub-total	–	–	–	–
Independent non-executive directors				
Wong Hin Wing	150,000.00	–	–	150,000.00
Qu Yong Hui	150,000.00	–	–	150,000.00
Wang Ji De	43,821.84	–	–	43,821.84
Sub-total	343,821.84	–	–	343,821.84
Supervisors				
Yuan Wei	–	–	–	–
Cai Wen Sheng	–	–	–	–
Liu An	–	341,263.47	44,618.93	385,882.40
Sub-total	–	341,263.47	44,618.93	385,882.40
Total	343,821.84	3,848,767.47	221,585.99	4,414,175.30

On 13 July 2016, executive director Mr. Zhang Wei Yang resigned as Director; on 11 October 2016, Mr. Liu Ren was appointed as executive Director; on 11 October 2016, non-executive Director Mr. Feng Tao resigned as Director; on 11 October 2016, non-executive Director Ms. Sun Ji Ping resigned as Director; on 11 October 2016, Mr. Liu Boren was appointed as non-executive Director; on 11 October 2016, Mr. Deng Qian was appointed as non-executive Director; on 11 October 2016, Mr. Huang Yiming was appointed as non-executive Director; on 11 October 2016, independent non-executive Director Mr. Su Qi Yun resigned as Director; on 11 October 2016, Mr. Zhu Zhengfu was appointed as independent non-executive Director; on 13 June 2016, supervisor Mr. Liu An resigned as supervisor; on 15 March 2016, Mr. Huang Wei Ming was appointed as supervisor; on 13 June 2016, Ms. Shu Yi Xin was appointed as supervisor.

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

3. Consolidation and parent company *(Continued)*

Emoluments of key management (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, bonus and allowance	1,521,789.04	1,696,273.24
Retirement benefits scheme contribution	134,779.04	116,273.24
Total	1,656,568.08	1,812,546.48

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 – RMB837,800 (HKD1,000,000)	1	–
RMB837,800 – RMB1,675,600 (HKD1,000,001 – HKD2,000,000)	4	5
Total	5	5

(3) During the Track Record Period, none of the Directors had waived or agreed to waive any remuneration. During the Track Record Period, no remuneration was paid by the Company to any Directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as a compensation for loss of office.

(4) Key management remuneration

Key management remuneration, including remuneration paid or payable to Directors, supervisors and senior management, is as follows:

Item	Amount of the year	Amount of last year
Salaries, bonus and allowances	5,335,663.04	7,315,634.39
Cost of social insurance, housing fund and related pension	422,061.20	467,650.16
Total	5,757,724.24	7,783,284.55



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

4. Borrowings due from Directors/related companies of Directors

- (1) There is no borrowings due from Directors/related companies of Directors;
- (2) The Company has not provided guarantee for borrowings due from Directors/related companies of Directors.

5. Related Party Balance

(1) Consolidated

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	Shenzhen Micronutrients	21,551,083.74	-	24,193,767.05	-
Account receivable	Dongjiang Veolia	18,078,609.62	-	10,305,098.28	-
Account receivable	Shenzhen Suntak	359,353.08	-	1,158,465.43	-
Account receivable	Jiangmen Suntak	-	-	38,919.54	-
Long-term receivable	Jiangmen Suntak	7,120,000.00	-	9,510,000.00	-
Other receivable	Dongjiang Veolia	1,652,827.97	-	638,201.17	-
Other receivable	Shenzhen Micronutrients	-	-	1,446.42	-
Other receivable	Huateng Environmental	-	-	637.09	-
Other receivable	Jiangsu Suntime	2,000,000.00	-	-	-

2) Related Party payable items

Item	Related Party	Balance at the end of year	Balance at the beginning of year
Account payable	Dongjiang Veolia	551,395.60	196,883.80
Other payables	Huateng Environmental	54,060.00	54,060.00
Other payables	Shenzhen Resource	76,357.63	55,884.87
Other payables	Dongjiang Veolia	49,000.00	-
Other payables	Shenzhen Micronutrients	14,835.30	14,675.30

6. Other related party transaction

In December 2016, the Company entered into the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. ("Rising Finance Company"). Pursuant to which, Rising Finance Company will provide to the Company (including its subsidiaries) the deposit services, settlement services and other financial services as permitted by the China Banking Regulatory Commission. As at 31 December 2016, the Company has a deposit of RMB100,000,000.00 with Rising Finance Company based on actual capital requirements.

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XII. SHARE-BASED PAYMENT

1. Details of share-based payment

Item	Details
Total amount of equity instruments granted by the Company during the year	18,140,000
Total amount of equity instruments exercised by the Company during the year	9,125,000
Total amount of equity instruments lapsed by the Company during the year	370,000
Scope of exercise prices of share options issued by the Company at the end of year and remaining term of contract	
Scope of exercise prices of other equity instruments of the Company at the end of year and remaining term of contract	

Breakdown of share-based payment:

(1) *Grant of Restricted Shares*

Pursuant to the resolution of the second EGM in 2016, the Second Class Meeting of Holders of A Shares in 2016 and the Second Class Meeting of Holders of H Shares in 2016 and the 62nd meeting of the fifth session of the Board, 18.14 million Restricted Shares were granted to 332 participants at the price of RMB8.71 per Share on 8 November 2016 under the First Grant of Restricted Shares.

(2) *Unlocking Restricted Shares*

Pursuant to the "Resolution on Unlocking the Second Unlocking Period of Restricted Share Incentive Scheme" considered and passed at the 41st meeting of the fifth session of the Board on 24 March 2016, 8,325,000 Shares held by 98 participants were unlocked. The Restricted Shares which have been unlocked commenced trading on 6 April 2016. For details, please refer to the relevant announcements of the Company.

Pursuant to the "Resolution on Unlocking the Second Unlocking Period of Reserved Portion of Restricted Shares" considered and passed at the 64th meeting of the fifth session of the Board on 30 December 2016, 800,000 Shares held by 60 participants were unlocked. The Restricted Shares which have been unlocked commenced trading on 12 January 2017. For details, please refer to the relevant announcements of the Company.

(3) *Repurchase and cancellation of Restricted Shares granted but not yet unlocked held by former participants who had left office*

Pursuant to the "Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Former Participants who had Left Office" considered and passed at the 63rd meeting of the fifth session of the Board and the 31st meeting of the fifth session of the supervisory committee on 13 December 2016, 370,000 Restricted Shares granted but not yet unlocked were repurchased from 7 former participants who ceased to be qualified as they resigned due for personal reasons and completed the relevant procedures for leaving office. Such shares were cancelled following the repurchase. For details, please refer to the relevant announcements of the Company.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

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	40,908,353.55
Total expenses of equity-settled share-based payment recognized during the year	7,741,502.06

Equity instruments exercised during the year of RMB9,125,000.00 (last year: RMB4,177,500.00).

XIII. CONTINGENT MATTERS

Combination and parent company

- (1) Due to the existing method of collection and processing of industrial waste adopted by the Company, the Company has not incurred any significant expenditure on environmental rehabilitation since their establishment. There is, however, no assurance that stringent environmental policies or standards on environmental rehabilitation will not be implemented by the relevant authorities in the PRC in the future which require the Company to undertake the environmental measures. The financial position of the Company may be adversely affected by any environmental liabilities which may be imposed under such new environmental policies or standards.
- (2) Other than as disclosed above, the Company had no other significant contingent liabilities at 31 December 2016.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XIV. COMMITMENTS

1. Combination

(1) Significant commitments

1) Commitments of capital expenditures of the Company 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	46,119,999.00	287,770,205.00
Work-in-progress	373,885,193.52	269,059,919.77
Purchase of equipment and machineries	54,710,871.60	143,815,792.00
Total	474,716,064.12	700,645,916.77

At the end of the year, the Company has significant external investment commitments contracted but not yet paid in the amount of RMB46,119,999.00, details of which are set out as follows:

Name of investment	Contracted investment amount	Investment amount paid	Investment amount unpaid	Estimate investment period	Notes
Rudong Daheng Hazardous Waste Treatment Company Limited	98,800,000.00	80,000,000.00	18,800,000.00	Year 2017	
Weifang Dongjiang Environmental Blue Sea Environmental Protection Co., Ltd.	94,000,000.00	91,300,000.00	2,700,000.00	Year 2017	
Hengshui Ruitao Environmental Technology Co., Ltd.	85,000,000.00	76,500,000.00	8,500,000.00	Year 2017	
Jiangsu Suquan Solid Waste Disposal Co., Ltd.	40,300,000.00	24,180,001.00	16,119,999.00	Year 2017	
Total	318,100,000.00	271,980,001.00	46,119,999.00		



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitment (Continued)

2) Significant contracts contracted and undergoing or in preparation

At the end of the year, the Company has significant contracts contracted but not yet paid totalling RMB373,885,193.52, details of which are as follows:

Item	Contracted amount	Paid	Unpaid	Estimated investment period	Note
Industrial construction and installation (Dongheng Konggang)	122,219,000.00	59,201,944.29	63,017,055.71	Year 2017	
Phase II of renovation and expansion project (Dongguan Hengjian)	100,000,000.00	23,808,343.52	76,191,656.48	Year 2017	
Comprehensive recycling project on sludge containing heavy metal (Shaoguan Green)	82,450,000.00	18,890,000.00	63,560,000.00	Year 2017	
Construction of EPC project (Headquarter of Dongjiang)	60,172,000.00	51,833,400.00	8,338,600.00	Year 2017	
Construction of incineration project (Zhuhai Yongxingsheng)	59,483,000.00	34,317,450.00	25,165,550.00	Year 2017	
Phase III of construction and installation of wastewater treatment facilities (Coastal Solid Waste)	52,068,700.00	32,319,100.00	19,749,600.00	Year 2017	
Project construction (Jiangxi Dongjiang)	42,257,083.19	28,934,230.48	13,322,852.71	Year 2017	
Incineration project (Shaoguan Green)	40,130,000.00	30,095,000.00	10,035,000.00	Year 2017	
Hazardous Waste Incinerator (Jiangxi Dongjiang)	34,900,000.00	29,148,000.00	5,752,000.00	Year 2017	
Rotary kiln incinerator (Hubei Tianyin)	34,500,000.00	22,425,000.00	12,075,000.00	Year 2017	
Supply and installation service of rotary kiln (Rudong Daheng)	23,625,190.00	14,746,594.50	8,878,595.50	Year 2017	
Contract for construction of detoxification project of Jiangxi project (Jiangxi Dongjiang)	20,770,957.00	19,732,409.00	1,038,548.00	Year 2017	
Contracting of construction of phase I (Xiantao Luyi)	18,978,000.00	8,477,000.00	10,501,000.00	Year 2017	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitment (Continued)

2) Significant contracts contracted and undergoing or in preparation (Continued)

Item	Contracted amount	Paid	Unpaid	Estimated investment period	Note
Equipment procurement and installation (Hubei Tianyin)	18,459,480.44	13,876,022.44	4,583,458.00	Year 2017	
Physical and chemical treatment and wastewater treatment (Xiantao Luyi)	18,452,047.00	9,008,512.00	9,443,535.00	Year 2017	
Environmental pollution treatment (Physical and chemical treatment/wastewater treatment) (Hubei Tianyin)	18,300,000.00	11,895,000.00	6,405,000.00	Year 2017	
General contracting of construction-II (6 buildings in total) (Xiantao Luyi)	17,800,000.00	-	17,800,000.00	Year 2017	
Construction of incineration workshop and shift building (Hubei Tianyin)	16,350,729.00	13,776,984.00	2,573,745.00	Year 2017	
Safe landfill construction (Jiangxi Dongjiang)	12,500,000.00	11,014,763.50	1,485,236.50	Year 2017	
Equipment procurement and installation (Jiangxi Dongjiang)	10,498,532.00	6,829,158.00	3,669,374.00	Year 2017	
Recycling and detoxification treatment of industrial solid waste (Weifang Blue Sea)	8,542,510.00	824,251.00	7,718,259.00	Year 2017	
Renovation and upgrade of Jiangmen Treatment Base (Jiangmen Dongjiang)	4,604,054.65	2,022,927.03	2,581,127.62	Year 2017	
Total	817,061,283.28	443,176,089.76	373,885,193.52		



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitment (Continued)

3) Significant procurement contracts contracted and undergoing or in preparation

As at the end of the year, the Company has significant procurement contracts contracted but not yet paid totalling RMB54,710,871.60, details of which are as follows:

Item	Contracted amount	Paid	Unpaid	Estimated investment period	Note
Rotary kiln (Coastal Solid Waste)	35,390,000.00	22,055,000.00	13,335,000.00	Year 2017	
Wastewater evaporation and concentration system (Xiantao Luyi)	9,780,000.00	2,934,000.00	6,846,000.00	Year 2017	
863 Project (Headquarter)	9,711,900.00	2,913,570.00	6,798,330.00	Year 2017	
Physical and chemical treatment/wastewater treatment facilities (Coastal Solid Waste)	6,000,000.00	1,800,000.00	4,200,000.00	Year 2017	
Construction of phase III of triple-effect evaporation system (Qingyuan Xinlv)	5,680,000.00	3,408,000.00	2,272,000.00	Year 2017	
Hazardous waste and wastewater treatment technology (Headquarter)	4,950,000.00	3,075,000.00	1,875,000.00	Year 2017	
Phase III project construction (Coastal Solid Waste)	4,700,000.00	3,450,000.00	1,250,000.00	Year 2017	
Waste packaging cleansing equipment (Coastal Solid Waste)	4,662,300.00	1,398,690.00	3,263,610.00	Year 2017	
Evaporation and concentration system (Coastal Solid Waste)	4,470,000.00	2,011,500.00	2,458,500.00	Year 2017	
Equipment procurement contract (Xiantao Luyi)	4,317,993.00	1,000,725.40	3,317,267.60	Year 2017	
Exchange gas-fired engine (Hefei Xinguan)	3,177,520.00	953,256.00	2,224,264.00	Year 2017	
Ammonia nitrogen removal treatment of ammonium nitrate wastewater (Qingyuan Xinlv)	2,900,000.00	870,000.00	2,030,000.00	Year 2017	
Various equipment procurement (Jiangmen Dongjiang)	2,871,800.00	2,094,400.00	777,400.00	Year 2017	
Media equipment procurement for main building (Dongheng Konggang)	2,520,000.00	1,008,000.00	1,512,000.00	Year 2017	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitment (Continued)

3) Significant procurement contracts contracted and undergoing or in preparation (Continued)

Item	Contracted amount	Paid	Unpaid	Estimated investment period	Note
Fengcheng Dongjiang Environmental Protection Industry Base (Headquarter)	2,480,000.00	1,488,000.00	992,000.00	Year 2017	
Production line renovation project for tin workshop (Qingyuan Xinlv)	1,335,000.00	650,500.00	684,500.00	Year 2017	
Acid etching solution recycling and reuse project (Headquarter)	1,250,000.00	375,000.00	875,000.00	Year 2017	
Total	106,196,513.00	51,485,641.40	54,710,871.60		

4) Leases contracted and undergoing or in preparation and 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 equipment leased properties summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	1,312,421.67	4,235,765.34
1-2 years	1,211,097.52	1,345,557.52
2-3 years	945,557.52	345,557.52
Over 3 years	6,184,938.02	5,701,699.08
Total	9,654,014.73	11,628,579.46



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XIV. COMMITMENTS (Continued)

1. Combination (Continued)

(1) Significant commitment (Continued)

4) Leases contracted for and undergoing or in preparation and financial effects (Continued)

As at the end of the year, the Company 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	10,134,314.13	11,689,121.93
1-2 years	6,785,597.35	16,513,654.39
2-3 years	3,217,011.52	4,205,056.88
Over 3 years	–	10,086,475.28
Total	20,136,923.01	42,494,308.48

As at the end of the year, the Company as lessee had minimum future lease payment under non-cancellable operating leases in respect of transportation equipment summarized as follows:

Period	Amount of the year	Amount of last year
Within 1 year	1,813,081.42	5,926,289.37
1-2 years	1,467,912.38	1,643,964.51
2-3 years	464,787.40	1,374,849.91
Over 3 years	116,196.85	542,667.93
Total	3,861,978.05	9,487,771.72

(2) Other than the abovementioned commitments, the Company has no other significant commitments as at 31 December 2016.

XV. POST-BALANCE DATE EVENTS

1. Material non-adjustment events

On 15 March 2017, the Company issued the “2017 Green Corporate Bonds (First Tranche) Publicly Issued to Qualified Investors”, with an actual issuing size of RMB600 million of green corporate bonds and a coupon rate of 4.90%. For details, please refer to the relevant announcements of the Company.

Humen Green, the subsidiary of the Company, issued the “Assets-backed Project in relation to the GF Hengjin-Guangdong Rising Assets-Dongjiang Environmental Humen Green PPP Project” product (the “Project”). As at 15 March 2017, the actual amount of funds received for the Project was RMB320 million and the project was duly established on 15 March 2017. For details, please refer to the relevant announcements of the Company.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 886,857,102 shares to pay a cash dividend of RMB1.21 (tax included) for every 10 shares held by all shareholders, total cash dividend would be RMB107,309,709.34. Remaining balance of distributable profit would be carried forward to subsequent periods.

3. Other than the above disclosure, the Company had no other 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.16.

(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.36.

As at 31 December 2016, the financial costs unrecognized by the Company was RMB59,421.30.

(3) *Operating lease assets (lessor of operating lease)*

Assets leased out under operating leases of the Company as at the end of year is as follows:

Assets leased out under operating lease	Amount at the end of year	Amount at the beginning of year
Investment properties	66,388,962.20	53,870,800.00
Total	66,388,962.20	53,870,800.00



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 (lessee of operating lease)

Residual lease term	Amount at the end of year	Amount at the beginning of year
Within 1 year	1,312,421.67	4,235,765.34
1-2 years	1,211,097.52	1,345,557.52
2-3 years	945,557.52	345,557.52
Over 3 years	6,184,938.02	5,701,699.08
Total	9,654,014.73	11,628,579.46

4. The Company has no material assets exchange during the year.

5. The Company has no annuity schemes.

6. The Company 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 Company has 7 reportable segments based on operating businesses, determined based on internal organization structure, management requirements, and internal report system basis. The management of the Company 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 Company 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 2016 to 31 December 2016

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

XVI. OTHER SIGNIFICANT EVENTS (Continued)

7. Segment information (Continued)

2016 Reporting Segments

Unit: RMB'0,000

Item	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment	Renewable energy utilization	Environmental engineering and services	Trading and others	Household appliance dismantling	Unallocated amounts	Elimination	Total
	Operating revenue	79,123.06	85,376.96	30,577.46	9,186.43	31,055.72	17,661.30	22,063.50	3,590.36	-16,927.11
Including: Revenue from external transactions	79,123.06	84,326.73	30,577.46	9,186.43	24,543.22	11,887.28	22,063.50	-	-	261,707.68
Revenue from intra-segment transactions	-	1,050.23	-	-	6,512.50	5,774.02	-	3,590.36	-16,927.11	-
Operating costs	53,156.29	43,484.59	25,050.72	5,988.96	23,669.13	9,020.87	20,966.31	199.40	-10,549.42	170,986.85
Expenses of the period	16,404.56	14,340.08	3,983.88	725.55	1,280.22	2,691.08	1,890.16	13,073.97	-5,016.33	49,373.17
Segment total profit (total loss)	10,958.17	31,611.24	2,329.01	3,480.90	6,383.86	7,033.58	-495.67	22,809.08	-16,739.64	67,370.53
Total assets	230,564.29	200,504.65	41,392.08	24,304.48	47,839.89	96,464.94	36,552.11	379,279.09	-237,986.69	818,914.84
Including: Single asset amount with significant impairment loss	-	-	-	-	-	-	-	-	-	-
Total liabilities	37,185.76	81,810.30	10,663.48	4,798.88	29,482.96	37,956.41	14,582.26	230,197.11	-14,331.60	432,345.56
Supplementary information										
Capital expenditure	18,141.69	80,516.44	2,550.83	1,289.05	1,377.56	12,371.99	991.88	-	-	117,239.44
Impairment loss recognized during the period	176.60	553.56	-75.98	-0.05	89.13	6.95	8.50	156.34	-	915.05
Including: Amortization of goodwill impairment	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization expenses	6,340.64	9,107.27	5,792.86	3,126.59	1,656.16	975.74	1,628.88	-	-	28,628.14
Non-cash expenses excluding impairment losses, depreciation and amortization	101.81	264.94	55.77	-	40.00	60.55	-	-	-	523.07



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVI. OTHER SIGNIFICANT EVENTS (Continued)

7. Segment information (Continued)

2015 Reporting Segments

Unit: RMB'0,000

Item	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment	Renewable energy utilization	Environmental engineering and services	Trading and others	Household appliance dismantling	Unallocated amounts	Elimination	Total
Operating revenue	85,567.46	59,091.17	27,262.20	8,918.89	20,577.52	11,846.05	39,477.92	-	-12,442.57	240,298.64
Including: Revenue from external transactions	77,314.58	58,702.35	27,262.20	8,918.89	19,995.80	8,626.89	39,477.92	-	-	240,298.64
Revenue from intra-segment transactions	8,252.88	388.81	-	-	581.72	3,219.16	-	-	-12,442.57	-
Operating costs	60,560.67	26,721.97	22,483.53	6,719.45	15,623.33	5,877.58	34,000.95	-	-7,821.43	164,166.06
Expenses of the period	14,456.92	8,365.93	3,258.82	1,046.83	1,151.25	2,879.15	1,782.30	8,940.92	-253.17	41,628.95
Segment total profit (total loss)	13,348.29	25,680.17	1,798.30	2,654.74	3,777.86	4,000.36	4,177.47	-610.64	-9,891.25	44,935.31
Total assets	394,336.32	121,222.44	73,629.01	31,292.68	30,466.62	79,707.51	80,602.25	288,057.32	-430,792.43	668,521.72
Including: Single asset amount with significant impairment loss	-	-	-	-	-	-	-	-	-	-
Total liabilities	16,962.53	41,965.54	42,781.71	10,126.37	14,985.13	37,891.65	37,127.64	384,776.50	-240,048.90	346,568.17
Supplementary information										
Capital expenditure	18,140.44	26,538.75	5,483.56	2,547.99	235.06	5,591.68	8,794.96	-	-	67,332.45
Impairment loss recognized during the period	118.56	92.01	1.86	-220.18	161.14	1,068.41	3.35	-4.00	-	1,221.16
Including: Amortization of goodwill impairment	-	-	-	-	-	1,059.87	-	-	-	1,059.87
Depreciation and amortization expenses	4,820.93	5,789.45	4,393.98	3,051.06	123.60	1,064.68	1,685.93	-	-	20,929.63
Non-cash expenses excluding impairment losses, depreciation and amortization	114.81	96.52	58.77	1.52	-	571.94	35.49	-	-	879.05



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 Company in domestic and other countries were as follows:

Income from external transactions	Incurred during the year	Incurred last year
Within the PRC (excluding Hong Kong)	2,584,621,707.71	2,363,533,446.02
Hong Kong	32,455,055.65	39,452,936.16
Total	2,617,076,763.36	2,402,986,382.18

Total non-current assets	Amount at the end of year	Amount at the beginning of year
Within the PRC (excluding Hong Kong)	5,429,546,297.32	4,316,479,134.74
Hong Kong	12,412,012.81	14,619,002.15
Total	5,441,958,310.13	4,331,098,136.89

8. Other significant transactions and matters affecting investors' decision

Pursuant to the Board resolution of the Company on 12 April 2016, the Company proposed to transfer the household appliance disassembling business of Xiamen Oasis, a subsidiary of the Company, to Sound (Tianjin) Renewable Resources Investment Holding Co., Ltd.* (桑德(天津)再生资源投資控股有限公司) and Beijing Xinyi Resources Science and Technology Co., Ltd.* (北京新易資源科技有限公司). Due to business demerger, the transfer of business has not yet completed as of the date of this report. For details, please refer to the relevant announcements of the Company.

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY

1. Accounts receivable

Item	Amount at the end of year	Amount at the beginning of year
Accounts receivable	240,958,693.84	253,001,803.34
Less: Bad debt provision	3,641,067.68	7,552,512.78
Net amount	237,317,626.16	245,449,290.56

Most of sales to the PRC are transactions under credit, with 30-90 days of credit terms.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(1) Aging analysis of accounts receivable

Prior to the acceptance of new customers, the Company 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 Company 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 domestic sales, the Company 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 presented based on the invoice date is as follows:

Age	Balance at the end of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	222,263,530.81	975,663.97	0.44
91-180 days	8,330,846.41	169,116.98	2.03
181-365 days	3,715,301.74	12,061.05	0.32
1-2 years	2,987,605.88	597,521.18	20.00
2-3 years	3,549,409.00	1,774,704.50	50.00
Over 3 years	112,000.00	112,000.00	100.00
Total	240,958,693.84	3,641,067.68	1.51

Age	Balance at the beginning of year		
	Accounts receivable	Bad debt provision	Proportion of provisions (%)
0-90 days	173,077,113.16	771,436.57	0.45
91-180 days	24,323,416.59	413,155.90	1.70
181-365 days	33,804,867.86	379,054.04	1.12
1-2 years	17,117,027.20	1,525,990.64	8.92
2-3 years	433,005.80	216,502.90	50.00
Over 3 years	4,246,372.73	4,246,372.73	100.00
Total	253,001,803.34	7,552,512.78	2.99

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable by categories

Category	Balance at the end of year				
	Book balance		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	240,958,693.84	100.00	3,641,067.68	1.51	237,317,626.16
Accounts receivable that are individually insignificant but are individually provided for bad debts	-	-	-	-	-
Total	240,958,693.84		3,641,067.68		237,317,626.16

Category	Balance at the beginning of year				
	Book balance		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	252,160,521.02	99.67	6,711,230.46	2.66	245,449,290.56
Accounts receivable that are individually insignificant but are individually provided for bad debts	841,282.32	0.33	841,282.32	100.00	-
Total	253,001,803.34		7,552,512.78		245,449,290.56



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable by categories (Continued)

- 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	65,044,265.18	975,663.97	1.50
91-180 days	5,637,232.65	169,116.98	3.00
181-365 days	241,221.00	12,061.05	5.00
1-2 years	2,987,605.88	597,521.18	20.00
2-3 years	3,549,409.00	1,774,704.50	50.00
Over 3 years	112,000.00	112,000.00	100.00
Total	77,571,733.71	3,641,067.68	

(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	157,219,265.63	125,464,129.90
91-180 days	2,693,613.76	10,551,553.36
181-365 days	3,474,080.74	26,022,262.23
1-2 years	–	5,872,477.71
Net amount	163,386,960.13	167,910,423.20

Overdue but without impairment accounts receivables are related to related parties and government agencies, those accounts have good credit. According to the past experiences, the management of the Company believes that impairment is unnecessary, because the credit quality remains unchanged, and the balances will be recovered fully 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 RMB975,270.78, and reversed or recovered bad debt provision of RMB0.00.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(5) Accounts receivable written off during the year

Item	Amount written off
Accounts receivable written off	3,781,467.63

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
Daye Hua Sheng Mining Co., Ltd.	Payments for goods	1,458,605.08	Irrecoverable	Report to the Board	No
Kerong Circuit Board (Shenzhen) Co., Ltd.	Treatment fees and construction fees	1,340,764.57	Irrecoverable	Report to the Board	No
Shenzhen Longgang Kangzi Yuba Plastic and Hardware Manufacturing Plant	Treatment fees	202,264.28	Irrecoverable	Report to the Board	No
Shenzhen Jinyuan Printed Circuit Board Co., Ltd.	Treatment fees	193,042.13	Irrecoverable	Report to the Board	No
Baoan Shajing Shatou Baoxun Electronic Factory	Treatment fees	148,133.30	Irrecoverable	Report to the Board	No
Doumen Qianwu Haixin Waste Collection Station	Treatment fees	124,250.97	Irrecoverable	Report to the Board	No
Yangxin Yinyuan Environmental Technology Co., Ltd.	Payments for goods	100,000.00	Irrecoverable	Report to the Board	No
Total		3,567,060.33			



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

1. 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	42,162,162.16	Within 1 year	17.50	–
No. 2	32,580,686.22	Within 1 year	13.52	–
No. 3	14,488,173.71	Within 1 year	6.01	–
	7,120,500.00	1-2 years	2.96	–
No. 4	20,000,000.00	Within 1 year	8.30	300,000.00
No. 5	10,954,954.95	Within 1 year	4.55	–
Total	127,306,477.04		52.84	300,000.00

2. Other receivables

Item	Amount at the end of year	Amount at the beginning of year
Other receivables	1,601,632,168.76	1,655,912,144.53
Less: Provision for bad debts	1,674,938.73	12,359,235.78
Net amount	1,599,957,230.03	1,643,552,908.75

NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

2. Other receivables (Continued)

(1) Age analysis of other receivables

Age	Balance at the end of year		
	Other receivables	Bad debt provision	Proportion of provisions (%)
0-90 days	1,580,905,498.13	1,661,414.62	0.11
91-180 days	176,597.78	1,713.59	0.97
181-365 days	15,850,611.75	2,054.97	0.01
1-2 years	4,009,144.00	2,850.00	0.07
2-3 years	191,867.10	6,905.55	3.60
Over 3 years	498,450.00	–	–
Total	1,601,632,168.76	1,674,938.73	0.10

Age	Balance at the beginning of year		
	Other receivables	Bad debt provision	Proportion of provisions (%)
0-90 days	1,639,658,588.41	10,262,744.30	0.63
91-180 days	6,186,721.13	2,403.72	0.04
181-365 days	3,410,498.36	862.25	0.03
1-2 years	497,782.93	1,380.51	0.28
2-3 years	3,067,994.30	224,605.00	7.32
Over 3 years	3,090,559.40	1,867,240.00	60.42
Total	1,655,912,144.53	12,359,235.78	0.75



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

2. 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	-	-	-	-	-
Other receivables that are provided for bad debts on credit risks portfolio basis	1,601,632,168.76	100.00	1,674,938.73	0.10	1,599,957,230.03
Other receivables that are individually insignificant but are individually provided for bad debts	-	-	-	-	-
Total	1,601,632,168.76		1,674,938.73		1,599,957,230.03

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	10,256,792.00	0.62	10,256,792.00	100.00	-
Other receivables that are provided for bad debts on credit risks portfolio basis	1,643,855,352.53	99.27	302,443.78	0.02	1,643,552,908.75
Other receivables that are individually insignificant but are individually provided for bad debts	1,800,000.00	0.11	1,800,000.00	100.00	-
Total	1,655,912,144.53		12,359,235.78		1,643,552,908.75



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

2. 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	Balance at the end of year		
	Other receivables	Provision for bad debts	Proportion of provision (%)
0-90 days	110,760,974.40	1,661,414.62	1.50
91-180 days	57,119.78	1,713.59	3.00
181-365 days	41,099.30	2,054.97	5.00
1-2 years	14,250.00	2,850.00	20.00
2-3 years	13,811.10	6,905.55	50.00
Over 3 years	—	—	100.00
Total	110,887,254.58	1,674,938.73	

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

Bad debt provision of RMB1,620,679.83 was provided during the year, and bad debt provision of RMB200,000.00 was recovered or reversed during the year.

(4) Other receivable written off during the year

Item	Amount written off
Other receivables written off	11,078,832.00

Including significant other receivables written off:

Name	Nature of other receivables	Amount	Reason of write off	Implementation	Whether arisen from related party transaction
Chongqing Dongjiang Songzao Renewable Energy Development Limited	Current accounts with former subsidiaries	10,056,792.00	Irrecoverable	Report to the Board	Yes
Wuhan Qiangsheng Environment Product Co., Ltd.	Other	1,000,000.00	Irrecoverable	Report to the Board	No
Total		11,056,792.00			



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

2. Other receivables (Continued)

(5) Other receivables categorized by nature

Nature	Book balance at the end of year	Book balance at the beginning of year
Current accounts with related parties	1,460,954,378.07	1,632,919,559.49
Guarantee deposits	25,566,363.90	16,860,617.33
Provisions	1,812,226.11	2,064,054.35
Payment on behalf of third parties	1,032,755.34	594,912.54
Considerations of equity transfer and current accounts with former subsidiaries	108,418,300.00	–
Others	3,848,145.34	3,473,000.82
Total	1,601,632,168.76	1,655,912,144.53

(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	Current accounts with related parties	323,498,373.44	Within 1 year	20.20	–
No. 2	Current accounts with related parties	222,606,404.18	Within 1 year	13.90	–
No. 3	Current accounts with related parties	151,057,980.44	Within 1 year	9.43	–
No. 4	Current accounts with related parties	117,589,314.64	Within 1 year	7.34	–
No. 5	Considerations of equity transfer and current accounts with former subsidiaries	108,418,300.00	Within 1 year	6.77	1,626,274.50
Total		923,170,372.70		57.64	1,626,274.50



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. 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	2,993,449,418.14	-	2,993,449,418.14	2,452,859,617.64	-	2,452,859,617.64
Investments in associates and joint ventures	138,604,822.32	529,649.00	138,075,173.32	135,633,473.53	529,649.00	135,103,824.53
Total	3,132,054,240.46	529,649.00	3,131,524,591.46	2,588,493,091.17	529,649.00	2,587,963,442.17

(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	-	-
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	-	-
Dongjiang HK	22,755,770.00	132,000,000.00	-	154,755,770.00	-	-
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	329,533,500.00	-	-	329,533,500.00	-	-
Baoan Dongjiang	17,230,102.04	-	-	17,230,102.04	-	-
Huabao Technology	5,500,000.00	4,500,000.00	-	10,000,000.00	-	-
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	-	-	-



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. Long-term equity investments (Continued)

(2) Investments in subsidiaries (Continued)

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
Qingyuan Xinlv	68,750,000.00	-	-	68,750,000.00	-	-
Zhuhai Qingxin	24,329,598.13	-	-	24,329,598.13	-	-
Jiaxing 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	-	-
Wosen Environmental	53,174,000.00	-	-	53,174,000.00	-	-
Jiangxi Dongjiang	50,000,000.00	-	-	50,000,000.00	-	-
Shaoxing Dongjiang	1,040,000.00	-	-	1,040,000.00	-	-
Jiangxi Kangtai	17,693,900.00	-	-	17,693,900.00	-	-
Huiyuan Small Scale Loan	300,000,000.00	-	-	300,000,000.00	-	-
Hengjian Tongda	210,284,297.00	-	65,000,000.00	145,284,297.00	-	-
Hubei Tianyin	73,500,000.00	-	-	73,500,000.00	-	-
Zhuhai Yongxingsheng	220,100,000.00	-	-	220,100,000.00	-	-
Luyi Environmental	40,500,000.00	-	-	40,500,000.00	-	-
Qianhai Dongjiang	-	3,000,000.00	-	3,000,000.00	-	-
Weifang Blue Sea	-	94,000,000.00	-	94,000,000.00	-	-
Baoan Dongjiang	-	60,000,000.00	-	60,000,000.00	-	-
Hengshui Ruitao	-	84,601,300.50	-	84,601,300.50	-	-
Zhejiang Jianglian	-	75,558,000.00	-	75,558,000.00	-	-
Rudong Daheng	-	98,800,000.00	-	98,800,000.00	-	-
Nantong Hui Tian Ran	-	180,000,000.00	-	180,000,000.00	-	-
Dongheng Konggang	-	45,000,000.00	-	45,000,000.00	-	-
Zhenjiang Dongjiang	-	600,000.00	-	600,000.00	-	-
Jingzhou Dongjiang	-	10,000,000.00	-	10,000,000.00	-	-
Total	2,452,859,617.64	788,059,300.50	247,469,500.00	2,993,449,418.14	-	-



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY (Continued)

3. Long-term equity investments (Continued)

(3) Investments in associates and joint ventures

Investee	Balance at the beginning of year	Additional investments	Decrease in investments	Movement during the Year						Balance at the end of year	Impairment provision at the end of year
				Gain and loss of investment recognized using equity approach	Adjustments to other comprehensive income	Changes in other equity	Declaration or payment of cash dividend or profit	Impairment provision	Others		
Joint venture											
Dongjiang Veolia Associate Shenzhen	67,701,431.53	-	-	13,440,008.58	-	-	-22,500,000.00	-	-	58,641,440.11	-
Micronutrients Shenzhen	6,836,176.66	-	-	7,876,935.27	-	-	-3,512,511.35	-	-	11,200,600.58	529,649.00
Resource	29,748,327.07	-	-	-4,207,997.68	-	-	-	-	-	25,540,329.39	-
Hengshui Ruitao Chaoyue	30,120,395.00	-	-	-519,094.50	-	-	-	-	-29,601,300.50	-	-
Dongchuang Fujian Dongjiang	697,494.27	-	-	-163,871.26	-	-	-	-	-	533,623.01	-
	-	42,500,000.00	-	-340,819.77	-	-	-	-	-	42,159,180.23	-
Total	135,103,824.53	42,500,000.00	-	16,085,160.64	-	-	-26,012,511.35	-	-29,601,300.50	138,075,173.32	529,649.00

(4) Analysis of long-term investments

Item	Amount at the end of year	Amount at the beginning of year
Unlisted	3,131,524,591.46	2,587,963,442.17
Total	3,131,524,591.46	2,587,963,442.17

4. Operating revenue and operating costs

Item	Incurred during the year		Incurred during last year	
	Revenue	Costs	Revenue	Costs
Main businesses	864,817,500.13	646,210,318.59	1,026,653,845.33	704,508,457.84
Other businesses	-	-	-	-
Total	864,817,500.13	646,210,318.59	1,026,653,845.33	704,508,457.84



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVII. NOTES TO MATERIAL ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY *(Continued)*

5. Investment income

(1) *Investment income*

Item	Amount of the year	Amount of last year
Income from long-term equity investments under equity approach	16,085,160.64	29,255,113.68
Investment income from disposal of long-term equity investments	183,056,100.00	1,692,097.89
Investment income received during the period of ownership from financial assets measured at fair value through profit and loss of the period	28,800.00	67,392.00
Investment income received from disposal of financial assets measured at fair value through profit and loss of the period	—	—
Dividends received from subsidiaries	126,170,326.62	52,755,721.33
Investment income from disposal of financial assets available-for-sale	—	—
Total	325,340,387.26	83,770,324.90

Investment income generated from listed and unlisted investments during the year amounted to RMB28,800.00 and RMB325,311,587.26 respectively.

Return of investment income of the Company is not subject to material restrictions.



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVIII. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 29 March 2017.

Supplementary information of financial statements

1. *Non-recurring profit and loss statement of the year*

Non-recurring profit and loss of the Company 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	-17,333,353.95	
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	52,988,514.27	
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	424,217.29	
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	149,670.00	
Reversal of provision for bad debts for accounts receivables which was individually tested for impairment	700,000.00	



NOTES TO FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

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

XVIII. APPROVAL OF FINANCIAL STATEMENTS *(Continued)*

Supplementary information 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 external trusted loans	-	
Profit or loss from change in fair value of investment properties subsequently measured using the fair value model	1,023,176.00	
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	-16,168,432.21	
Other profit or loss items that meet the definition of non-recurring profit or loss	162,303,249.16	
Sub-total	184,087,040.56	
Effect of income tax	-30,247,091.80	
Effect of minority interests (after tax)	739,283.28	
Total	154,579,232.04	

2. *Net return rate of assets and earnings per share*

Profit generated during the reporting period	Weighted average net return rate of assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2016	2015	2016	2015	2016	2015
Net profit attributable to shareholders of the parent company	17.65	12.78	0.62	0.39	0.62	0.39
Net profit attributable to shareholders of the parent company, net of non-recurring profit or loss	12.54	11.44	0.44	0.35	0.44	0.35

Dongjiang Environmental Company Limited
29 March 2017



DONGJIANG ENVIRONMENTAL COMPANY LIMITED*
東江環保股份有限公司