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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

INTERIM RESULTS (UNAUDITED)

The board (the “**Board**”) of directors (the “**Directors**”) of Dongjiang Environmental Company Limited (the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2017 (the “**Reporting Period**” or “**Period**”), together with the comparative figures of the corresponding period of 2016, as follows:

(Unless specified otherwise, the financial information of the Company in this announcement was stated in Renminbi (“**RMB**”) Yuan.)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Total operating revenue	2	1,403,503,758.28	1,169,993,595.81
Total operating costs		1,187,151,978.66	972,719,813.86
Including:			
Cost of operation		891,601,981.89	742,941,479.68
Handling charges and commissions		3,854.63	1,525.00
Sales tax and levies		15,761,331.68	9,040,450.76
Selling expenses		35,230,801.84	22,763,243.83
Administrative expenses		190,247,070.48	161,662,419.21
Finance costs	4	50,042,740.82	43,032,353.15
Impairment loss for assets	5	4,264,197.32	(6,721,657.77)

		Six months ended 30 June	
		2017	2016
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Add: Gain (loss) on fair value changes		–	(110,370.00)
Investment income (loss)		7,890,087.83	7,523,184.26
Including: Investment income from jointly controlled entities and associates		7,147,660.08	7,400,413.15
Other income		57,801,461.60	–
Operating profit		282,043,329.05	204,686,596.21
Add: Non-operating income		10,177,008.06	52,713,033.80
Including: Gain on disposal of non-current assets		169,320.19	713,713.68
Less: Non-operating expenses		5,886,363.53	6,917,082.34
Including: Loss on disposal of non-current assets		4,534,624.12	254,757.07
Total profit		286,333,973.58	250,482,547.67
Less: Income tax expenses	6	36,125,275.02	28,811,048.60
Net profit		250,208,698.56	221,671,499.07
Net profit attributable to shareholders of the Company		220,147,143.40	206,072,065.40
Minority interests		30,061,555.16	15,599,433.67
Other comprehensive income, net of tax		(1,200,321.06)	2,367,337.49
Other comprehensive income to shareholders of the Company, net of tax		(1,200,321.06)	2,367,337.49
Items that cannot be reclassified to profit and loss in future		–	–
Items that can be reclassified to profit and loss when qualified in future		(1,200,321.06)	2,367,337.49
Exchange difference on translation of financial statement in foreign currency		(1,200,321.06)	(140,619.87)
Other		–	2,507,957.36
Total comprehensive income		249,008,377.50	224,038,836.56
Total comprehensive income attributable to shareholders of the Company		218,946,822.34	208,439,402.89
Total comprehensive income attributable to minority interests		30,061,555.16	15,599,433.67
Earnings per share:			
Basic earnings per share		0.25	0.24
Diluted earnings per share		0.25	0.24

INCOME STATEMENT OF THE COMPANY (UNAUDITED)*For the six months ended 30 June 2017*

	Six months ended 30 June	
	2017	2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Note</i>		
Operating revenue	379,456,155.00	443,074,478.94
Less: Cost of operation	284,255,728.27	325,510,006.19
Sales tax and levies	733,266.74	2,492,290.05
Selling expenses	516,045.76	4,945,771.85
Administrative expenses	50,065,111.76	54,228,888.64
Finance costs	44,172,029.84	35,416,997.67
Impairment loss for assets	1,699,922.37	(82,316.44)
Add: Gain on fair value changes	–	(110,370.00)
Investment income (loss)	42,361,896.77	16,295,219.11
Including: Investment income from jointly controlled entities and associates	7,147,660.08	7,400,413.15
Other income	3,230,619.01	–
Operating profit	43,606,566.04	36,747,690.09
Add: Non-operating income	2,822,756.60	15,134,527.59
Including: Gain on disposal of non-current assets	–	28,400
Less: Non-operating expenses	1,000,842.96	2,375,764.61
Including: Loss on disposal of non-current assets	–	183,155.84
Total profit	45,428,479.68	49,506,453.07
Less: Income tax expenses	1,393,142.77	2,781,685.09
Net profit	44,035,336.91	46,724,767.98
Other comprehensive income, net of tax	–	–
Total comprehensive income	44,035,336.91	46,724,767.98
Earnings per share:		
Basic earnings per share	–	–
Diluted earnings per share	–	–

CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	<i>Note</i>	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current assets:			
Cash		1,115,380,382.14	1,160,073,128.47
Financial assets measured at fair value with movement taken into profit and loss for the current period		–	1,667,820.00
Bills receivables		81,451,834.42	43,826,934.87
Accounts receivables	9	603,985,564.59	493,350,206.69
Prepayments		71,234,986.26	58,626,629.51
Interest receivables		924,353.31	612,851.17
Other receivables		320,616,421.30	250,742,693.80
Loans		342,535,000.00	274,275,000.00
Inventories		314,365,914.51	267,170,579.55
Non-current assets due within 1 year		16,930,533.96	16,930,533.96
Other current assets		56,676,415.13	144,416,881.51
Total current assets		<u>2,924,101,405.62</u>	<u>2,711,693,259.53</u>
Non-current assets:			
Available-for-sale financial assets		13,431,700.00	14,931,700.00
Held-to-maturity investments		20,000,000.00	–
Long-term accounts receivable		194,173,643.25	225,111,058.25
Long-term equity investments		169,402,833.42	138,075,173.33
Investment properties		66,388,962.20	66,388,962.20
Fixed assets		1,510,389,929.94	1,397,225,395.38
Construction in progress		1,463,944,339.06	1,455,607,111.76

	<i>Note</i>	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Intangible assets		898,195,280.68	828,345,528.78
Development expenditures		13,710,496.14	9,887,422.97
Goodwill		1,135,538,264.98	1,118,860,359.88
Long-term deferred expenses		4,232,205.40	5,027,895.31
Deferred income tax assets		22,359,187.11	20,565,246.42
Other non-current assets		239,489,923.19	197,429,402.27
Total non-current assets		<u>5,751,256,765.37</u>	<u>5,477,455,256.55</u>
Total assets		<u>8,675,358,170.99</u>	<u>8,189,148,516.08</u>
Current liabilities:			
Short-term borrowings		1,361,650,988.25	1,735,862,188.25
Accounts payables	<i>10</i>	701,578,889.52	713,257,454.13
Receipts in advance		105,845,484.58	122,667,701.18
Employee benefits payables		21,745,392.24	49,024,619.72
Tax payables		52,670,907.90	94,270,901.66
Interest payables		741,793.14	492,344.62
Dividend payables		862,293.00	2,240,850.00
Other payables		355,268,287.40	386,376,361.66
Non-current liabilities repayable within one year		171,006,784.70	296,546,305.45
Other current liabilities		4,937,591.09	7,063,249.92
Total current liabilities		<u>2,776,308,411.82</u>	<u>3,407,801,976.59</u>

	<i>Note</i>	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Non-current liabilities:			
Long-term borrowings		308,370,027.81	397,910,986.99
Bonds payable		1,291,114,155.72	357,165,749.95
Long-term payables		2,613,159.22	2,047,313.05
Deferred income		149,827,434.54	152,709,774.72
Deferred income tax liabilities		3,463,060.82	3,005,865.08
Other non-current liabilities		2,813,900.00	2,813,900.00
		<hr/>	<hr/>
Total non-current liabilities		1,758,201,738.11	915,653,589.79
		<hr/>	<hr/>
Total liabilities		4,534,510,149.93	4,323,455,566.38
		<hr/>	<hr/>
Shareholders' equity:			
Share capital		886,857,102.40	887,152,102.40
Capital reserve		528,184,446.56	518,915,703.92
Less: treasury shares		160,738,900.00	210,095,760.00
Other comprehensive income		1,860,481.30	3,060,802.36
Special reserves		1,912,526.46	1,912,526.46
Surplus reserve		190,854,508.48	190,854,508.48
General risk reserve		4,114,125.00	4,114,125.00
Undistributed profits		2,113,167,116.40	1,892,980,408.00
		<hr/>	<hr/>
Equity attributable to shareholders of the Company		3,566,211,406.60	3,288,894,416.62
Minority interests		574,636,614.46	576,798,533.08
		<hr/>	<hr/>
Total shareholders' equity		4,140,848,021.06	3,865,692,949.70
		<hr/>	<hr/>
Total liabilities and shareholders' equity		8,675,358,170.99	8,189,148,516.08
		<hr/>	<hr/>

BALANCE SHEET OF THE COMPANY

As at 30 June 2017

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current assets:		
Cash	467,291,145.33	513,255,882.45
Financial assets measured at fair value with movement taken into profit and loss for the current period	–	1,667,820.00
Bills receivables	25,803,047.47	3,514,255.67
Accounts receivables	330,379,090.40	237,317,626.16
Prepayments	9,287,216.30	3,808,820.33
Interest receivables	924,353.31	612,851.17
Other receivables	2,240,936,846.48	1,599,957,230.03
Inventories	12,306,069.70	2,858,170.21
Non-current assets due within 1 year	16,930,533.96	16,930,533.96
Other current assets	2,525,502.64	82,747,324.17
Total current assets	3,106,383,805.59	2,462,670,514.15
Non-current assets:		
Available-for-sale financial assets	13,431,700.00	14,931,700.00
Long-term accounts receivable	188,300,843.25	219,603,856.25
Long-term equity investments	3,208,934,751.55	3,131,524,591.46
Investment properties	66,388,962.20	66,388,962.20
Fixed assets	88,500,769.03	90,985,913.64
Construction in progress	35,467,154.93	87,631,260.74
Intangible assets	85,712,420.17	9,587,049.63
Development expenditure	13,144,464.86	9,887,422.97
Long-term-deferred expenses	–	–
Deferred income tax assets	11,188,168.59	11,188,168.59
Other non-current assets	47,429,965.23	45,635,810.48
Total non-current assets	3,758,499,199.81	3,687,364,735.96
Total assets	6,864,883,005.40	6,150,035,250.11

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current liabilities:		
Short-term borrowings	1,312,971,988.25	1,657,971,988.25
Accounts payables	397,600,543.19	257,378,082.38
Receipts in advance	8,475,244.44	27,015,378.52
Employee benefits payables	657,051.05	10,454,227.31
Tax payables	7,645,467.72	40,921,261.18
Interest payables	670,273.90	376,379.53
Dividend payables	127,155.00	1,982,450.00
Other payables	909,857,447.57	538,029,118.15
Non-current liabilities repayable within one year	148,800,000.00	213,712,490.59
Other current liabilities	<u>290,271.12</u>	<u>356,083.08</u>
Total current liabilities	<u>2,787,095,442.24</u>	<u>2,748,197,458.99</u>
Non-current liabilities:		
Long-term borrowings	49,000,000.00	93,391,847.72
Bonds payable	975,248,240.02	357,165,749.95
Deferred income	21,446,058.42	21,592,433.28
Deferred income tax liabilities	3,005,865.08	3,005,865.08
Other non-current liabilities	<u>2,813,900.00</u>	<u>2,813,900.00</u>
Total non-current liabilities	<u>1,051,514,063.52</u>	<u>477,969,796.03</u>
Total liabilities	<u>3,838,609,505.76</u>	<u>3,226,167,255.02</u>
Shareholders' equity:		
Share capital	886,857,102.40	887,152,102.40
Capital reserve	582,296,324.98	573,027,582.34
Less: treasury shares	160,738,900.00	210,095,760.00
Other comprehensive income	3,509,701.20	3,509,701.20
Surplus reserve	174,343,233.38	174,343,233.38
Undistributed profits	<u>1,540,006,037.68</u>	<u>1,495,931,135.77</u>
Total shareholders' equity	<u>3,026,273,499.64</u>	<u>2,923,867,995.09</u>
Total liabilities and shareholders' equity	<u>6,864,883,005.40</u>	<u>6,150,035,250.11</u>

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*For the six months ended 30 June 2017*

	Six months ended 30 June	
	2017	2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	1,517,802,933.04	1,207,432,016.72
Cash received from interest, fees and commissions	26,559,400.67	20,923,412.07
Cash receipts relating to tax returning	42,866,280.81	29,500,854.48
Other cash receipts relating to operating activities	15,360,485.94	30,138,649.22
	<hr/>	<hr/>
Sub-total of cash inflows from operating activities	1,602,589,100.46	1,287,994,932.49
	<hr/>	<hr/>
Cash paid for goods and services	931,032,740.76	574,587,865.18
Net increase in customer loans and advances	68,260,000.00	40,716,000.00
Cash paid for interest, fees and commissions	–	–
Cash paid to and on behalf of employees	250,864,121.33	236,094,141.41
Payments of taxes and levies	221,553,327.53	130,815,483.21
Other cash payments relating to operating activities	41,012,414.28	285,880,866.33
	<hr/>	<hr/>
Sub-total of cash outflows from operating activities	1,512,722,603.90	1,268,094,356.13
	<hr/>	<hr/>
Net cash flows from operating activities	89,866,496.56	19,900,576.36
	<hr/>	<hr/>
Cash flows from investing activities:		
Cash received from investments	–	5,000,000.00
Cash received from return on investments	–	50,295.89
Net Cash received from disposal of fixed assets, intangible assets and other long-term assets	132,354.37	–
Net Cash received from disposal of subsidiaries and other operating units	–	85,800,000.00
Other cash receipts relating to investing activities	1,642,909.29	53,253,948.82
	<hr/>	<hr/>
Sub-total of cash inflows from investing activities	1,775,263.66	144,104,244.71
	<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	343,665,177.51	281,413,198.52
Net cash paid on acquisition of subsidiaries and other operating units	53,891,750.00	229,842,716.00
Other cash payments relating to investing activities	20,000,000.00	4,000,000.00
	<hr/>	<hr/>
Sub-total of cash outflows from investing activities	417,556,927.51	515,255,914.52
	<hr/>	<hr/>

	Six months ended 30 June	
	2017	2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash flows from investing activities	<u>(415,781,663.85)</u>	<u>(371,151,669.81)</u>
Cash flows from financing activities:		
Cash received from absorption of investments	–	180,000.00
Including: cash received by subsidiaries from investment of minority shareholders	–	180,000.00
Cash received from borrowings	704,307,000.00	1,418,515,100.25
Cash received from issuing bonds	920,000,000.00	–
Cash received from other financing activities	–	16,195,000.00
Sub-total cash inflows from financing activities	<u>1,624,307,000.00</u>	<u>1,434,890,100.25</u>
Cash payments for settlement of borrowings	1,275,659,900.00	861,934,510.56
Cash payments for distribution of dividend, profit or interests expenses	59,726,146.89	108,853,470.62
Including: cash payments for distribution of dividend and profit by subsidiaries to minority shareholders	32,733,691.00	14,692,609.87
Other cash payments relating to financing activities	<u>8,572,600.00</u>	<u>69,084,840.00</u>
Sub-total of cash outflows from financing activities	<u>1,343,958,646.89</u>	<u>1,039,872,821.18</u>
Net cash flows from financing activities	<u>280,348,353.11</u>	<u>395,017,279.07</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(1,200,321.06)</u>	<u>(140,619.87)</u>
Net increase in cash and cash equivalents	(46,767,135.24)	43,625,565.75
Add: Cash and cash equivalents at the beginning of the period	<u>1,139,658,566.94</u>	<u>815,961,534.58</u>
Cash and cash equivalents at the end of the period	<u><u>1,092,891,431.70</u></u>	<u><u>859,587,100.33</u></u>

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)*For the six months ended 30 June 2017*

	Six months ended 30 June	
	2017	2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	370,072,508.09	370,367,193.52
Refund of taxes and levies	1,312,587.03	7,624,175.76
Other cash receipts relating to operating activities	8,343,497.41	28,130,360.98
	<u>379,728,592.53</u>	<u>406,121,730.26</u>
Sub-total of cash inflows from operating activities		
Cash paid for goods and services	171,097,585.74	299,415,945.19
Cash paid to and on behalf of employees	89,666,541.77	93,364,191.89
Payments of taxes and levies	40,943,706.61	31,539,905.64
Other cash payments relating to operating activities	425,262,118.00	127,244,546.37
	<u>726,969,952.12</u>	<u>551,564,589.09</u>
Sub-total of cash outflows from operating activities		
Net cash flows from operating activities	<u>(347,241,359.59)</u>	<u>(145,442,858.83)</u>
Cash flows from investing activities:		
Cash received from investments	–	–
Cash received from returns on investments	34,650,000.00	8,894,805.96
Net cash received from disposal of subsidiaries and other operating units	–	85,800,000.00
Other cash received relating to investing activities	1,766,348.90	–
	<u>36,416,348.90</u>	<u>94,694,805.96</u>
Sub-total of cash inflows from investing activities		
Cash paid to acquire fixed assets, intangible assets and other long-term assets	29,090,603.77	21,864,462.08
Net cash paid on acquisition of subsidiaries and other operating units	105,591,750.00	229,842,716.00
Other cash payments relating to investing activities	–	21,300,000.00
	<u>134,682,353.77</u>	<u>273,007,178.08</u>
Sub-total of cash outflows from investing activities		
Net cash flows used in investing activities	<u>(98,266,004.87)</u>	<u>(178,312,372.12)</u>

	Six months ended 30 June	
	2017	2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flows from financing activities:		
Cash received from borrowings	640,000,000.00	1,197,628,100.25
Cash received from issuing bonds	600,000,000.00	–
Other cash received relating to financing activities	300,000,000.00	16,195,000.00
	<u>1,540,000,000.00</u>	<u>1,213,823,100.25</u>
Sub-total of cash inflows from financing activities		
Cash payments for settlement of borrowings	1,094,304,338.31	792,439,143.96
Cash payments for distribution of dividend, profit or interest expenses	46,233,642.13	95,721,704.43
Other cash payments relating to financing activities	8,572,600.00	69,084,840.00
	<u>1,149,110,580.44</u>	<u>957,245,688.39</u>
Sub-total of cash outflows from financing activities		
Net cash flows from financing activities	<u>390,889,419.56</u>	<u>256,577,411.86</u>
Net increase in cash and cash equivalents	(54,617,944.90)	(67,177,819.09)
Add: Cash and cash equivalents at the beginning of the period	<u>499,420,139.79</u>	<u>345,053,453.00</u>
Cash and cash equivalents at the end of the period	<u><u>444,802,194.89</u></u>	<u><u>277,875,633.91</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	For the six months ended 30 June 2017									
	Attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total shareholders' equity
Ending balance of previous period	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
Beginning balance of current period	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
Movement of the period	(295,000.00)	9,268,742.64	(49,356,860.00)	(1,200,321.06)				220,186,708.40	(2,161,918.62)	275,155,071.36
1 Total comprehensive income	0.00	0.00	0.00	(1,200,321.06)				220,147,143.40	30,061,555.16	249,008,377.50
2 Contribution from shareholders and reduction of capital	(295,000.00)	9,268,742.64	(49,356,860.00)	0.00						58,330,602.64
Share-based payment included in the amount of shareholders' equity	(295,000.00)	9,268,742.64	(49,356,860.00)	0.00						58,330,602.64
Others										
3 Profit distribution								39,565.00	(32,223,473.78)	(32,183,908.78)
Withdrawn from surplus reserve										
Withdrawn from general risk reserve										
Distribution to holders (or shareholders)								39,565.00	(32,223,473.78)	(32,183,908.78)
4 Special reserve										
Withdrawn during period										
Usage during period										
Ending balance of the period	<u>886,857,102.40</u>	<u>528,184,446.56</u>	<u>160,738,900.00</u>	<u>1,860,481.30</u>	<u>1,912,526.46</u>	<u>190,854,508.48</u>	<u>4,114,125.00</u>	<u>2,113,167,116.40</u>	<u>574,636,614.46</u>	<u>4,140,848,021.06</u>

For the twelve months ended 31 December 2016

	Attributable to shareholders of the parent company									Total shareholders' equity
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	
Ending balance of previous period	<u>869,382,102.40</u>	<u>360,917,434.35</u>	<u>99,934,300.00</u>	<u>(963,853.76)</u>	<u>146,004.53</u>	<u>153,885,483.70</u>	<u>2,473,635.00</u>	<u>1,467,253,273.48</u>	<u>466,375,762.07</u>	<u>3,219,535,541.77</u>
Beginning balance of current period	<u>869,382,102.40</u>	<u>360,917,434.35</u>	<u>99,934,300.00</u>	<u>(963,853.76)</u>	<u>146,004.53</u>	<u>153,885,483.70</u>	<u>2,473,635.00</u>	<u>1,467,253,273.48</u>	<u>466,375,762.07</u>	<u>3,219,535,541.77</u>
Movement of the year	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
1. Total comprehensive income				4,024,656.12				533,813,817.46	43,322,033.53	581,160,507.11
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
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
Others		12,077,607.51							81,646,727.52	93,724,335.03
3. Profit distribution						36,969,024.78	1,640,490.00	(108,086,682.94)	(14,545,990.04)	(84,023,158.20)
Withdrawn from surplus reserve						36,969,024.78		(36,969,024.78)		
Withdrawn from general risk reserve							1,640,490.00	(1,640,490.00)		
Distribution to holders (or shareholders)								(69,477,168.16)	(14,545,990.04)	(84,023,158.20)
4. Special reserve					1,766,521.93					1,766,521.93
Withdrawn during this year					2,609,474.34					2,609,474.34
Usage during this year					842,952.41					842,952.41
Ending balance of current year	<u>887,152,102.40</u>	<u>518,915,703.92</u>	<u>210,095,760.00</u>	<u>3,060,802.36</u>	<u>1,912,526.46</u>	<u>190,854,508.48</u>	<u>4,114,125.00</u>	<u>1,892,980,408.00</u>	<u>576,798,533.08</u>	<u>3,865,692,949.70</u>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2017

	For the six months ended 30 June 2017						
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Ending balance of previous period	<u>887,152,102.40</u>	<u>573,027,582.34</u>	<u>210,095,760.00</u>	<u>3,509,701.20</u>	<u>174,343,233.38</u>	<u>1,495,931,135.77</u>	<u>2,923,867,995.09</u>
Beginning balance of current period	<u>887,152,102.40</u>	<u>573,027,582.34</u>	<u>210,095,760.00</u>	<u>3,509,701.20</u>	<u>174,343,233.38</u>	<u>1,495,931,135.77</u>	<u>2,923,867,995.09</u>
Movement of the period	(295,000.00)	9,268,742.64	(49,356,860.00)			44,074,901.91	102,405,504.55
1. Total comprehensive income						44,035,336.91	44,035,336.91
2. Contribution from shareholders and reduction of capital	(295,000.00)	9,268,742.64	(49,356,860.00)				58,330,602.64
Share-based payment included in the amount of shareholders' equity	(295,000.00)	9,268,742.64	(49,356,860.00)				58,330,602.64
3. Profit distribution						39,565.00	39,565.00
Withdrawn from surplus reserve							
Distribution to holders (or shareholders)						<u>39,565.00</u>	<u>39,565.00</u>
Ending balance of current period	<u><u>886,857,102.40</u></u>	<u><u>582,296,324.98</u></u>	<u><u>160,738,900.00</u></u>	<u><u>3,509,701.20</u></u>	<u><u>174,343,233.38</u></u>	<u><u>1,540,006,037.68</u></u>	<u><u>3,026,273,499.64</u></u>

	For the twelve months ended 31 December 2016						
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Ending balance of previous period	<u>869,382,102.40</u>	<u>427,106,920.28</u>	<u>99,934,300.00</u>		<u>139,839,728.58</u>	<u>1,254,876,760.73</u>	<u>2,591,271,211.99</u>
Beginning balance of current period	<u>869,382,102.40</u>	<u>427,106,920.28</u>	<u>99,934,300.00</u>		<u>139,839,728.58</u>	<u>1,254,876,760.73</u>	<u>2,591,271,211.99</u>
Movement of the period	17,770,000.00	145,920,662.06	110,161,460.00	3,509,701.20	34,503,504.80	241,054,375.04	332,596,783.10
1. Total comprehensive income				3,509,701.20		345,035,048.00	348,544,749.20
2. Contribution from shareholders and reduction of capital	17,770,000.00	145,920,662.06	110,161,460.00				53,529,202.06
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
3. Profit distribution					34,503,504.80	(103,980,672.96)	(69,477,168.16)
Withdrawn from surplus reserve					34,503,504.80	(34,503,504.80)	
Distribution to holders (or shareholders)						(69,477,168.16)	(69,477,168.16)
Ending balance of current period	<u>887,152,102.40</u>	<u>573,027,582.34</u>	<u>210,095,760.00</u>	<u>3,509,701.20</u>	<u>174,343,233.38</u>	<u>1,495,931,135.77</u>	<u>2,923,867,995.09</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

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

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements of the Group for the year ended 31 December 2016. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. OPERATING REVENUE

Operating revenue represents the net amount received and receivable for goods sold and services rendered by the Group to outside customers, less trade discounts.

Analysis of the Group’s operating revenue during the Period is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Industrial waste recycling	524,475,094.56	347,838,803.85
Industrial waste treatment and disposal	526,264,270.76	342,699,656.19
Municipal waste treatment and disposal	90,431,946.21	140,714,460.93
Renewable energy utilization	47,119,797.90	45,525,629.89
Environmental engineering and services	142,602,711.27	108,794,495.87
Trading and others	59,539,841.54	58,251,586.35
Waste electrical appliance dismantling treatment	13,070,096.04	126,168,962.73
Total	<u>1,403,503,758.28</u>	<u>1,169,993,595.81</u>

3. SEGMENT INFORMATION

The Group is currently organised into seven operating divisions, namely, (i) industrial waste recycling; (ii) industrial waste treatment and disposal; (iii) municipal waste treatment and disposal; (iv) renewable energy utilization; (v) environmental engineering and services; (vi) trading and others; and (vii) waste domestic electrical appliance dismantling treatment. These divisions are the basis on which the Group reports its primary segment information.

i) For the six months ended 30 June 2017 (unaudited)

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste domestic electrical appliance dismantling treatment	Unallocated amounts	Elimination	Total
Operating revenue	524,475,094.56	550,645,820.80	90,431,946.21	47,119,797.90	159,911,843.40	93,407,137.23	13,070,096.04	-	(75,557,977.86)	1,403,503,758.28
Including: revenue from external transactions	524,475,094.56	526,264,270.76	90,431,946.21	47,119,797.90	142,602,711.27	59,539,841.54	13,070,096.04	-	-	1,403,503,758.28
Revenue from intra-segment transactions	-	24,381,550.04	-	-	17,309,132.13	33,867,295.69	-	-	(75,557,977.86)	0.00
Operating cost	371,373,936.87	301,498,275.30	77,966,385.75	29,649,491.48	124,076,062.13	49,291,673.25	13,304,134.97	-	(75,557,977.86)	891,601,981.89
Operating profit (loss)	<u>82,827,726.31</u>	<u>150,073,810.61</u>	<u>9,830,851.63</u>	<u>14,622,110.51</u>	<u>25,443,404.70</u>	<u>19,940,189.72</u>	<u>(4,929,578.12)</u>	<u>(15,765,186.31)</u>	-	<u>282,043,329.05</u>

ii) For the six months ended 30 June 2016 (unaudited)

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste domestic electrical appliance dismantling treatment	Unallocated amounts	Elimination	Total
Operating revenue	472,414,750.78	372,020,077.29	140,714,460.93	45,525,629.89	139,990,864.13	74,736,531.29	126,168,962.73	-	(201,577,681.23)	1,169,993,595.81
Including: revenue from external transactions	347,838,803.85	342,699,656.19	140,714,460.93	45,525,629.89	108,794,495.87	58,251,586.35	126,168,962.73	-	-	1,169,993,595.81
Revenue from intra-segment transactions	124,575,946.93	29,320,421.10	-	-	31,196,368.26	16,484,944.94	-	-	(201,577,681.23)	-
Operating cost	360,776,504.40	206,713,392.57	104,686,822.25	21,761,801.76	106,499,521.13	28,012,586.15	114,228,892.52	-	(190,696,065.34)	751,983,455.44
Operating profit (loss)	<u>61,932,908.50</u>	<u>108,893,162.49</u>	<u>16,006,814.36</u>	<u>11,637,988.33</u>	<u>16,524,082.71</u>	<u>16,389,343.14</u>	<u>(7,743,410.36)</u>	<u>7,919,507.65</u>	<u>(26,873,800.61)</u>	<u>204,686,596.21</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Interest expenses	56,068,446.62	48,350,452.03
Less: Interest income	(6,534,569.21)	(6,189,751.18)
Add: Profit or loss from exchange	168.54	–
Add: Other expenses	<u>508,694.87</u>	<u>871,652.30</u>
 Total	 <u><u>50,042,740.82</u></u>	 <u><u>43,032,353.15</u></u>

Breakdown of interest expenses is as follows:

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Interest on bank loans		
– Bank loans wholly repayable within 5 years	55,292,977.78	54,027,116.25
Finance lease charge	19,991.71	155,606.61
Interest on bonds at real interest rate	<u>26,334,464.95</u>	<u>11,764,553.80</u>
 Subtotal:	 81,647,434.44	 65,947,276.66
Less: Amount capitalised	<u>(25,578,987.82)</u>	<u>(17,596,824.63)</u>
 Total	 <u><u>56,068,446.62</u></u>	 <u><u>48,350,452.03</u></u>

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 5.45% (2016: 6.31%) per annum to expenditure on qualifying assets.

5. ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Loss on bad debts	4,264,197.32	(6,721,657.77)
Impairment loss on goodwill	<u>–</u>	<u>–</u>
 Total	 <u><u>4,264,197.32</u></u>	 <u><u>(6,721,657.77)</u></u>

6. INCOME TAX EXPENSES

The Company, Huizhou Dongjiang Environmental Technology Company Limited (“**Huizhou Dongjiang**”), Kunshan Qiandeng Wastes Treatment Company Limited (“**Qiandeng Wastes Treatment**”), Qingyuan Xinlv Environmental Technology Company Limited (“**Qiangyuan Xinlv**”), Shenzhen Dongjiang Heritage Technologies Company Limited (“**Dongjiang Heritage**”), Jiaxing Deda Resource Recycling Company Limited (“**Jiaxing Deda**”), Yancheng Yanhai Solid Wastes Treatment Company Limited (“**Yanhai Solid Wastes**”) are regarded as High-New Technology Enterprises. In accordance with China’s income tax rate, all the said companies are only required to pay Enterprise Income Tax (“**EIT**”) with tax rate of 15%. The Company, Qiangyuan Xinlv, Baoan Dongjiang and Huizhou Dongjiang enjoyed the preferential tax incentive for enterprises engaging in projects satisfying resources recycling utilization, and only 90% of the total revenue is accounted for EIT; and only 50% of the research and development expenses of the Company, Qiangyuan Xinlv, and Dongjiang Heritage, Baoan Dongjiang, Qiandeng Wastes Treatment and Huizhou Dongjiang are deductible before EIT.

Shenzhen Longgang Dongjiang Industrial Wastes Treatment Company Limited (“**Longgang Dongjiang**”), Jiangxi Dongjiang Environmental Technology Company Limited (“**Jiangxi Dongjiang**”), Jiangmen Dongjiang Environmental Technology Company Limited (“**Jiangmen Dongjiang**”), Karamay Watson Environmental Protection Technology Company Limited (“**Watson Environmental Protection**”), Nantong Huitianran Solid Wastes Treatment Company Limited (“**Nantong Huitianran**”), Hengshui Ruitao Environmental Technology Co., Ltd (“**Hengshui Ruitao**”), Hubei Tianyin Hazardous Waste Disposal Co., Ltd (“**Tianyin Hazardous Waste**”), Fujian Lvzhou Solid Wastes Treatment Company Limited (“**Fujian Lvzhou Solid Wastes**”), a wholly-owned subsidiary of Xiamen Lvzhou Environmental Stock Company Limited, enjoyed preferential tax incentive for enterprises engaging in projects satisfying environmental protection conditions and conservation of energy and water.

Longgang Dongjiang was granted full exemption from EIT for the years 2012 to 2014 and 50% exemption from 2015 to 2017.

Jiangxi Dongjiang was granted full exemption from EIT for the years 2016 to 2018 and 50% exemption from 2019 to 2021.

Jiangmen Dongjiang was granted full exemption from EIT for the years 2015 to 2017 and 50% exemption from 2018 to 2020.

Watson Environmental Protection was granted full exemption from EIT for the years 2015 to 2017 and 50% exemption from 2018 to 2020.

Nantong Huitianran was granted full exemption from EIT for the years 2016 to 2018 and 50% exemption from 2019 to 2021.

Fujian Lvzhou Solid Wastes was granted full exemption from EIT for the years 2014 to 2016 and 50% exemption from 2017 to 2019.

Tianyin Hazardous Waste was granted full exemption from EIT for the years 2016 to 2018 and 50% exemption from 2019 to 2021.

Hengshui Ruitao was granted full exemption from EIT for the years 2014 to 2016 and 50% exemption from 2017 to 2019.

Watson Environmental Protection was granted full exemption from EIT for the years 2015 to 2017 and 50% exemption from 2018 to 2020.

Shenzhen Dongjiang Property Services Company Limited (“**Dongjiang Property**”), which is regarded as small low-profit enterprises, only 50% of its total revenue is accounted for EIT with tax rate of 20%.

Subsidiaries established and operated in mainland China are required to pay EIT with tax rate of 25%, while subsidiaries established and operated in Hong Kong are required to pay Hong Kong profits tax with tax rate of 16.5%.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the unaudited net profit for the Period attributable to shareholders of the Company of RMB220,147,143 (2016: RMB206,072,065), and the weighted average of approximately 887,152,102 shares (2016: 857,997,602 shares) ordinary shares in issue during the Period.

The Company had no diluted potential shares in the interim periods of both 2017 and 2016 and the diluted earnings per share was same as basic earnings per share.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2016: Nil).

9. ACCOUNTS RECEIVABLES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Accounts receivables	622,109,578.88	510,979,845.03
Less: Provision for bad debts	<u>18,124,014.29</u>	<u>17,629,638.34</u>
Total	<u>603,985,564.59</u>	<u>493,350,206.69</u>

The Group allows an average credit period of 90 days to its customers, except for new customers where payment in advance is normally required. The Group does not hold any collateral over accounts receivables.

The following is an aging analysis of accounts receivables net of provision for bad debts:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Within 90 days	330,470,643.09	327,893,784.81
91 to 180 days	85,394,912.67	28,891,692.23
181 to 365 days	52,232,665.69	25,416,046.24
1 to 2 year(s)	88,947,222.96	107,795,487.03
2 to 3 years	33,062,882.99	3,353,196.38
Over 3 years	<u>13,887,237.18</u>	<u>–</u>
Total	<u>603,985,564.59</u>	<u>493,350,206.69</u>

10. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables:

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Within 90 days	493,871,953.30	502,093,003.85
91 to 180 days	32,243,602.85	34,813,625.89
181 to 365 days	19,309,961.30	17,598,104.95
Over 1 year	<u>156,153,372.07</u>	<u>158,752,719.44</u>
Total	<u><u>701,578,889.52</u></u>	<u><u>713,257,454.13</u></u>

11. COMMITMENT

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Capital expenditures contracted for but not provided for in the financial statements		
– External investment	22,619,999.00	46,119,999.00
– Construction in progress	297,978,276.00	373,885,193.52
– Acquisition of machinery equipment	<u>107,126,412.00</u>	<u>54,710,871.60</u>
Total	<u><u>427,724,687.00</u></u>	<u><u>474,716,064.12</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Following the issuance of the 13th Five-Year Ecological and Environmental Protection Planning, the enforcement of the new national Environmental Protection Law and the forthcoming implementation of the environmental tax, the environmental protection industry will have greater opportunities for development. The issuance of the Annual Report on the Prevention and Control of Environmental Pollution by Solid Waste in China's Large- and Medium-size Cities in 2016 showed the strong rigid demand for industrial hazardous waste treatment in the domestic market. As the environmental protection policies and law enforcement tightened, the problems such as cross-border merger and acquisition, the mismatch of production capacity and the out-of-tune with market demand brought opportunities for the industrial waste treatment industry, and created risk and challenge as well.

In the first half of 2017, adhering to the general operational policy of Professional Operation, Innovation-driven, Combination of Industry and Financing, Resources Integration and Leaping Development, the Company promoted the transformation and upgrading of its business structure by cultivating the hazardous waste treatment business, innovating business model, accelerating the commencement of projects, strengthening technology research and expanding diversified financing channels so as to maintain stable development along with outstanding performance of principal activities and business diversification.

During the Reporting Period, the Group achieved an operating revenue of RMB1,403,503,800, representing an increase of 19.96% as compared to the same period of 2016; the net profit attributable to the shareholders of the Company was approximately RMB220,147,100, representing an increase of approximately 6.83% as compared to the same period of last year. After deducting the influence of non-recurring profit and loss, the net profit attributable to the shareholders of the Company was approximately RMB214,864,800, representing an increase of approximately 10.80% as compared to the same period of last year. As of 30 June 2017, the total assets was approximately RMB8,675,358,200, representing an increase of approximately 5.94% as compared to the beginning of the Reporting Period; the equity interests attributable to the shareholders of the Company was approximately RMB3,566,211,400, representing an increase of approximately 8.43% as compared to the beginning of the Reporting Period.

(I) Continue to cultivate hazardous waste business so as to keep itself on the cutting edge

From 2017 to 2018, the PRC will launch the second round of census on pollution sources, and the hazardous waste treatment industry will benefit from the opportunities as the government supervision has become stricter, corporate profitability has improved under the backdrop of supply-side reform, and waste producing enterprises have become more willing to pay. The Company has captured the opportunities and continued to focus on the hazardous waste treatment business as its principle business, improved the utilization rate of the existing projects' capacity and accelerated the establishment and commencement of new projects so as to further consolidate the leading position in the industry during the Reporting Period.

During the first half of 2017, the industrial waste treatment and disposal business and the resources recycling business recorded a total operating revenue of approximately RMB1,051,000,000, representing a growth of over 50% as compared to the same period of last year and accounting for approximately 74.87% of total operating revenue. The transformation and upgrading of the business structure of the Company achieved significant results. The increase is mainly due to the commencement of new projects and the gradual growth of the utilization rate of capacity. Especially, the collection and disposal volume for the physical and chemical treatment and waste and incineration of waste increased by approximately 100% and 50% respectively as compared to the same period of last year. In addition, the metal price during the Reporting Period went up and the volume of recycled waste collection increased; meanwhile, the Company took the initiative in exploring such diversified sales mode as overseas sales and self-owned brand products promotion. The production and sales of recycled products increased during the Reporting Period, of which, the sales of copper sale products and tin salt products were satisfactory.

During the Reporting Period, the construction and commencement of new projects were in smooth progress, of which, the newly commenced projects included: 1) the incineration project with an annual capacity of 20,000 tons and the physical and chemical treatment project with an annual capacity of 10,000 tons and comprehensive utilization project with an annual capacity of 30,000 tons by Hubei Tianyin; 2) the incineration project with an annual capacity of 9,100 tons and the physical and chemical treatment project with an annual capacity of 950 tons by Zhuhai Yongxingsheng; the projects under construction included: 1) the physical and chemical treatment project with an annual capacity of 80,000 tons by Dongguan Hengjian, which is expected to be put into trial production in the fourth quarter of 2017; 2) the detoxification expansion project with an annual capacity of approximately 77,500 tons by Hengshui Ruitao which is expected to be finished and put into trial production at the end of 2017; 3) Jiangxi Solid Waste (the Phase II) recycling project with an annual capacity of 280,000 tons, Fujian Nanping incineration with an annual capacity of 20,000 tons, the recycling and detoxification project with an annual capacity of approximately 200,000 tons by Shandong Weifang Dongjiang, the recycling project with an annual capacity of 17,800 tons by Hubei Xiantao Luyi and the detoxification project with an annual capacity of approximately 40,000 tons of Jiangsu Nantong are expected to be finished in 2018; In addition, the hazardous waste disposal project of Quanzhou PPP project with an annual capacity of approximately 90,000 tons obtained the environmental assessment approval in the first half of 2017 and is currently under construction. It is expected that an annual treatment capacity of approximately 800,000 tons will be added after the commencement of operation of the abovementioned projects, and they will become the growth driver of the profit of the Company in the future.

(II) Innovation of business model and management to enhance efficiency

2017 is a year of innovating business model and upgrading technology for the Company. During the Reporting Period, the Company was actively cultivating EPC capacities in hazardous waste facilities, and has introduced the “Planning – Design – Procurement – Engineering – Transfer – Operation” experience accumulated in years of developing hazardous waste projects to the engineering market in order to establish the hazardous waste disposal facilities with high standard for the industry. On that basis, the Company has built the open platform for the full industry chain service of hazardous waste management. It has also established the brand of comprehensive service provider of disposing hazardous waste, and has laid the ground for the innovative business model comprising technology + service. During the Reporting Period, the Company undertook a number of engineering projects, including hazardous waste EPC projects, with a total contract amount of approximately RMB286,000,000. The environmental engineering and service sector grew by approximately 31.08% over the same period of last year. The new business model gradually contributed benefits.

In order to ensure the smooth development of the new business model, the Company established an efficient operation management mechanism for market-oriented project construction and trained and exported professional construction project operators during the Reporting Period. In addition, the Company streamlined and adjusted the approval authorities at all levels and simplified the approval process, effectively increased management efficiency, facilitated the establishment of information management system and the overall operation effectiveness.

Furthermore, during the Reporting Period, the Company innovated the investment cooperation mechanism and management mechanism, grasped opportunities to develop new PPP business, and promoted the expansion of new projects in soil restoration, watershed management and urban pipe network so as to create a new growth driver of profitability.

(III) Strengthen technical research and implement innovation-driven measures

To strengthen the leading position and advantage in the hazardous waste treatment industry, the Company increased R&D investment and introduced high-calibre talent, as well as prepared to establish the Dongjiang Environmental Institution during the Reporting Period. The Company carried out independent technical research and development and absorbed external technology regarding the research of environmental application, while focused on the solution of application technology problem in production. It also concentrated its superior resources to conquer the technical problems such as river basin management, sponge city management, sewage treatment, and officially established more than 10 projects for applicable technology research and development that are urgently needed during the Reporting Period.

During the Reporting Period, the “New Process for Low Iron Electroplating Grade Copper Sulphate” of the Company obtained the innovation project award of process engineering from Shenzhen Enterprise Innovation Record in the 15th Shenzhen Enterprise Innovation Record Result Presentation. The process was awarded the “Certificate of the National Key New Product” by the China Ministry of Science and Technology, and successfully applied in the production, with the product quality surpassing the standards in Germany and Japan.

(IV) Utilize diversified financing methods to optimize capital structure

During the Reporting Period, the Company fully utilized environmental financing policy, actively expanded diversified financing channels and financing models and obtained outstanding results: 1) The Company utilized the income right of sewage treatment fee of Humen Luyuan, the subsidiary of the Company, as the underlying assets to issue asset-backed securities and raised the proceeds of RMB300 million. This is the first listing for PPP+ABS business in Guangdong province and on the Shenzhen Stock Exchange; 2) The Company publicly issued the first tranche of green corporate bonds with the issuing size of RMB600,000,000. It is the first listed company to publicly issue green corporate bonds on the Shenzhen Stock Exchange; 3) The Company entered into the framework agreement of industry merger and acquisition fund with Guangdong Rising Finance Holding Co., Ltd. of Guangdong Province, with a total fund size of RMB3,000,000,000 and the size of parent fund of RMB550,000,000, of which, the Company has subscribed for RMB50,000,000; 4) The Company launched the project of non-public issuance of A shares with a planned proceeds of RMB2,300,000,000.

The above fund raising will effectively further optimize the capital structure, reduce the financing costs, and reduce the gearing ratio of the Company. Besides, they will also enhance the capital strength and the subsequent financing capacity of the Company, allowing its principal business to grow and develop.

Forecast on operating results for the 9 months ending 30 September 2017

Change (in percentage) of net profit attributable to shareholders of the Company for the 9 months ending 30 September 2017	-30.00% to 0.00%
Change (in range) of net profit attributable to shareholders of the Company for the 9 months ending 30 September 2017 (RMB0'000)	26,630.11 to 38,043.01
Net profit attributable to shareholders of the Company for the 9 months ended 30 September 2016 (RMB0'000)	38,043.01

In consideration of the investment income of the disposal of the equity interest of subsidiaries of the Company in the same period of last year, the expected operating results from January to September 2017 will decline on year-on-year basis. However, after discounting the effect of the disposal, the change in percentage of the expected net profit with excluding the non-recurring profit or loss from January to September 2017 attributable to shareholders of the Company will be between 0% to 30%.

FINANCIAL REVIEW

Total Operating Revenue

During the Period, the Group's total operating revenue increased by approximately 19.96% to approximately RMB1,403,503,758 (2016: approximately RMB1,169,993,596) as compared to the corresponding period in 2016. The net profit attributable to shareholders of the Company increased by approximately 6.83% to approximately RMB220,147,143 (2016: approximately RMB206,072,065). The main reasons for the growth in total operating revenue are clutching the opportunities of the environmental development, accelerating the business expansion and the expediting the construction and producing of the new projects, expanding the market share of the industrial waste disposal business and the resource utilization. During the Reporting Period, the total operating revenue of the Group increased by approximately 19.96% as compared to the corresponding period in last year. However, as the business of municipal waste treatment and dismantling of discarded appliances did not meet the expectation, the growth of operating revenue during the Period was affected. The operating revenue of industrial waste treatment and disposal increased by approximately 53.56% to RMB526,264,271 (2016: approximately RMB342,699,656); the operating revenue of industrial waste recycling increased by approximately 50.78% to RMB524,475,095 (2016: approximately RMB347,838,804); the operating revenue of dismantling of discarded appliances decreased by approximately 89.64% to approximately RMB13,070,096 (2016: approximately RMB126,168,963).

Profit

During the Period, the Group's integrated gross profit margin was approximately 36.47% (2016: approximately 36.50%), representing an decrease of approximately 0.03 percentage points as compared to the corresponding period in last year. During the Period, due to the increase of the domestic raw material on year-on-year basis, especially the significant increase of the metal price, and the continuously increasing cost of recruiting, the gross profit rate of all business segments of the Group declined; but comparing with the same period of last year, the integrated gross profit rate was level off roughly. This is because the Group adjusted the business structure. The operating revenue of industrial waste treatment and disposal business, which has the relative higher gross profit margin, stood for more percentage in the total operating revenue of the Group; In addition, the Group continues undertaking the activities of energy-saving and cost-reducing, strengthening the comprehensive budget management, which effectively controlled the cost of production.

Sales Expenses

During the Period, the Group's sales expenses were approximately RMB35,230,802 (2016: approximately RMB22,763,244), representing approximately 2.51% of the Group's total operating revenue (2016: approximately 1.95%). The increase in sales expenses was mainly due to the Group adjusted the revenue structure, increased marketing and promotion efforts and enhanced the brand management for the business of the Company. As a result, the revenue of the industrial waste treatment and disposal business and the product sales of the industrial waste recycling increased in 53.56% and 50.78% in year-on-year growth respectively.

Administrative Expenses

During the Period, the Group's administrative expenses were approximately RMB190,247,070 (2016: approximately RMB161,662,419), representing approximately 13.56% of the Group's total operating revenue (2016: approximately 13.82%). The increase in administrative expenses is mainly due to the continuous increase in the Company's investment in research and development and introduction of high-end technical talents in order to enhance the core competitiveness during the Period. The increase is also due to expansion of the Company, the increase in subsidiaries and the continuous increase in domestic labour cost in the Period as compared to the corresponding period of last year.

Finance Cost

During the Period, the Group's finance cost was approximately RMB50,042,741 (2016: approximately RMB43,032,353), representing approximately 3.57% of the Group's total operating revenue (2016: approximately 3.68%). The increase in finance cost is mainly due to the high demand for capital and the increase in bank loans during the Period, which in turn led to the increase in interest expenses on loans and decrease in interest income as the proceeds raised were gradually utilized during the Period.

Income Tax Expenses

During the Period, the Group's income tax expenses were approximately RMB36,125,275 (2016: approximately RMB28,811,049), representing approximately 12.62% of the Group's profit before tax (2016: approximately 11.50%).

Financial Resources and Liquidity

As at 30 June 2017, the Group had net current assets of approximately RMB147,792,994 (31 December 2016: approximately RMB-696,108,717) and current liabilities of approximately RMB2,776,308,412 (31 December 2016: approximately RMB3,407,801,977). The current assets include cash and cash equivalents of approximately RMB1,092,891,432 (31 December 2016: approximately RMB1,139,658,567).

As at 30 June 2017, the Group had total liabilities of approximately RMB4,534,510,150 (31 December 2016: approximately RMB4,323,455,566). The Group's gearing ratio was approximately 52.27% (31 December 2016: approximately 52.79%) which is calculated based on the Group's total liabilities over total assets. As at 30 June 2017, the Group had bank loans of approximately RMB1,841,027,801 (31 December 2016: approximately RMB2,430,319,481).

Substantial Investments, Acquisitions and Disposals of Subsidiaries and Associated Companies

In March 2017, the Company has paid RMB50,000,000 for the investment in a subsidiary that is 100% owned by the Company, Zhaoqing Dongsheng environmental Technology Co., Ltd* (肇慶東晟環保技術有限公司).

In June 2017, the Company entered into an equity transfer agreement to acquire 80% equity interests in Shenzhen Huateng Environment Information Technology Co., Ltd.* (深圳市華藤環境信息科技有限公司) (“**Huateng Environment**”) at a total consideration of RMB16,500,000. Upon completion of the transaction, the Company owns 90% equity interests in Huateng Environment.

Save as disclosed in this report, the Group did not have any substantial investments, acquisitions and disposals of subsidiaries and associated companies during the Period.

Interest Rate and Exchange Risk

Interest Rate Risk

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

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

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

Foreign Exchange Risk

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

* For identification purpose only

Pledge of Assets

As at 30 June 2017, certain assets of the Group were pledged to secure bank borrowings and letter of credit facilities granted to the Group, details of which are set out as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Fixed assets	95,497,055.53	132,774,970.72
Cash	22,488,950.44	20,414,561.53
Intangible assets	14,176,636.44	85,352,623.39
Construction in progress	<u>149,821,351.31</u>	<u>223,717,414.88</u>

Information on Employees and Remuneration Policies

As at 30 June 2017, the number of full-time employees of the Group was 4,166 (2016: 3,914) with a total staff cost for the Period of approximately RMB186,747,642.09 (2016: RMB176,685,578.28). The Group offers continuous training and remuneration package of additional benefits to its employees, including retirement benefits, housing allowance and medical insurance.

Contingent Liabilities

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

Save as disclosed above, the Group had no significant contingent liabilities as at 30 June 2017.

Capital commitment

As at 30 June 2017, the capital commitment of the Group was as follows:

Item	30 June 2017	31 December 2016
Capital expenditures contracted for but not provided for in the financial statement		
– Foreign investment	22,619,999.00	46,119,999.00
– Construction in progress	297,978,276.00	373,885,193.52
– Acquisition of plant and machinery	<u>107,126,412.00</u>	<u>54,710,871.60</u>
Total	<u>427,724,687.00</u>	<u>474,716,064.12</u>

FUTURE PROSPECTS

In the first half of 2017, due to the increasingly stringent regulation in the environmental protection industry and the strengthening supervision of environmental protection during the Reporting Period, the Company continued to make investment to maintain the stable operation of each processing base. Although the industrial waste treatment business recorded a significant growth in operating revenue, the operating costs of various businesses have also gradually increased. At the same time, the approval, construction of new projects and the undertaking of EPC engineering also encountered various uncertainties, hence the progress failed to meet the expectation. Besides, due to the decrease in municipal waste disposal capacity, growth of the research and development investment and introduction of high-end technical personnel, as well as the market expansion for new projects and enhanced efforts in company brand promotion during the Reporting Period, the sales expenses and management fees increased significantly over the same period last year, resulting in the slower growth of the Company's net profit.

The Company's operation is stable and safe in the year of 2017. The top priority is to guarantee the steady and safe operation of existing projects. Based on that, in the second half of 2017, the Company will further implement standardised management, continuously optimize the business structure, enhance capital operation, acquire quality resources, deepen the distribution of hazardous waste market and speed up the construction of projects and the expansion of qualifications; the Company will continue to improve the capacity in technological innovation and business innovation so as to strengthen its leading position in the industry. In particular, it will make efforts in the following aspects:

(I) Optimize the business structure, Innovate the business model and accelerate expansion, mergers and acquisitions

Facing the opportunities in the gap between the supply and demand in the industry, and the expansion of production capacity in different areas, the Company introduced the model combining industrial funds with direct investment to focus on expanding mergers and acquisitions projects regarding hazardous waste projects, the qualification of environmental protection service and new environmental protection technology. We will continue to explore the establishment of waste "technology + service" innovative business model. Apart from the EPC total package capacity, we also focus on the development of the management of technology, personnel, management of the project operation and service capabilities to achieve market-oriented output. We also actively use the internet, internet of things innovative means to create the wisdom of waste management platform. In addition, the Company will devote major efforts to develop environmental protection industrial park, co-disposal in cement kilns, water environment management, soil remediation and power generation by waste heat in incineration facilities through innovation and investment cooperation mechanism and management mechanism, in order to promote the optimization and upgrading of its business structure, and to build a comprehensive environmental management platform with leading technology, comprehensive service offering and strong integration capability.

(II) Deepen the layout of hazardous waste market, speed up project construction and qualification management

In the second half of 2017, on the one hand, the Company will continue to deepen the business layout in the Pearl River Delta and the Yangtze River Delta, acquire more operational qualifications, increase market share, give full play to the regional synergy, satisfy the demand for hazardous waste treatment and disposal in the two major economic areas, and focus on Shandong province and Hebei province with large waste production volume and limited treatment capacity. On the other hand, the Company

will further increase capacity, enhance capacity utilization rate. With the release of authority to transfer hazardous wastes cross city in a province, the business layout advantages of the Company in the Yangtze River Delta will gradually emerge and joint waste treatment between production bases at different cities will bring increasing advantages, resulting in gradual improvement in capacity utilization. In addition, the Company will focus on strengthening project construction and the expansion of qualifications, and it is expected that the additional treatment qualification with an annual capacity of 157,500 tons will be approved by the end of 2017, which include the physical and chemical treatment project of Dongguan Hengjian (東莞恒建) with a capacity of 80,000 tons/year and the expansion of harmless project of Hengshui Ruitao (衡水睿韜) with a capacity of approximately 77,500 tons/year. Regarding the operation qualification management, in the second half of 2017, the Company will much more effectively match its qualifications with market capacity and production capacity through streamlining and optimization, so as to give full play to the optimal performance of qualifications.

(III) Strengthen team building and commit to staff motivation and development

In the second half of 2017, the Company will establish the grid management system, synergy mechanism and resources sharing mechanism combining environmental service, engineering technology and regional business divisions through optimization of the management mechanism and operation system. It will also speed up the development of the multi-talented management team which is in line with the strategic development needs and comprises professionals in technology and management at the general manager level of branch companies and subsidiaries so as to ensure the compliant management and stable operation of the subsidiaries and facilitate the project exploration in different regions.

In addition, the Company will increase investment in human resources for targeted solutions to critical issues on human resources efficiency. It will push forward the talent development strategy and system and mechanism 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 so as to keep them enthusiastic and motivated.

(IV) Enhance innovation and R&D capabilities and maintain core competitiveness

Technology innovation is key to establishing and maintaining core competitiveness. In the second half of 2017, the Company will accelerate the development of a reasonable and effective innovation mechanism, so as to drive corporate development with innovation. It will also continue to increase efforts to develop innovation capability so as to enhance the quality of scientific research and the use of technology in the industry. It will promote technology innovation and upgrade, expedite new product development and apply the technological achievements to support business growth. Meanwhile, the Company will deepen the cooperation of the industry, academia and the research sectors to address key and difficult issues by engaging external experts, bringing in talents, carrying out exchanges and cooperation, increasing capital investment, improving mechanism and other measures, with a view to constantly enhance the technology and core competitiveness of the Company.

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

Safety and environmental protection are prerequisites for the development of the Company. To this end, 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 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 by 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 establishment of standardised and system for technology and equipment management.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Proposed Repurchase and Cancellation of Shares of 2013 Restricted A Shares Incentive Scheme

On 29 March 2017, the Company repurchased a total of 45,000 restricted A Shares with face value of RMB1.00 each at approximately RMB5.1653 per A Share. The purchase price totaled approximately RMB232,440. The abovementioned A Shares were subsequently cancelled on 11 July 2017. The repurchased A Shares represented approximately 0.005% of the total capital of the Company immediately prior to the repurchase. For details, please refer to the announcements of the Company dated 29 March 2017, 26 June 2017 and 11 July 2017.

Proposed Repurchase and Cancellation of Shares of 2016 Restricted A Shares Incentive Scheme

On 29 March 2017, the Company repurchased a total of 250,000 restricted A Shares with face value of RMB1.00 each at approximately RMB8.71 per A Share. The purchase price totaled approximately RMB2,177,500. The abovementioned A Shares were subsequently cancelled on 11 July 2017. The repurchased A Shares represented approximately 0.028% of the total capital of the Company immediately prior to the repurchase. For details, please refer to the announcements of the Company dated 29 March 2017, 26 June 2017 and 11 July 2017.

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.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the Period.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules has been adopted as a code of securities transactions for the Directors and supervisors of the Company. The Company, having made specific enquiries with all Directors and supervisors of the Company, confirmed that, during the Period, all Directors and supervisors of the Company had complied with the required standards of dealing in securities specified in the Model Code.

OTHER EVENTS DURING THE PERIOD

PUBLIC ISSUE OF GREEN CORPORATE BONDS (FIRST TRANCHE)

From 7 March 2017 to 14 March 2017, the Company published announcements in relation to the basic information of the public issue of Green Corporate Bonds (First Tranche) and the issue clause (include but not limited to the issue price, coupon rate and the issue results).

For details, please refer to the announcements of the Company dated 7 March 2017, 9 March 2017, and 14 March 2017.

RENEWAL OF FINANCIAL SERVICES AGREEMENT

17 January 2017, the Company renewed the Financial Services Agreement with Rising Finance, in relation to the provision of financial services by Rising Finance to the Company with a term of one year commencing from the signing of the financial services agreement by both parties which was approved on the first extraordinary general meeting of the Company on 7 March 2017. The original financial services agreement will be terminated at the same time.

For details, please refer to the announcements of the Company dated 17 January 2017 and 17 March 2017.

SATISFACTION OF UNLOCKING CONDITIONS OF UNLOCKING PERIOD OF RESTRICTED A SHARES GRANTED UNDER THE 2013 RESTRICTED A SHARE INCENTIVE SCHEME

On 30 December 2016, the Board determined that the unlocking conditions of the second 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 second unlocking period would commence from the first trading day after 24 months from the date of grant of reserved Restricted A Shares to the last trading day within 36 months from the date of grant of the reserved Restricted A Shares. 40% of the reserved portion of total Restricted A Shares was 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 60 Share Incentive Participants applied to unlock, in aggregate, 800,000 Restricted A Shares, representing 0.09% of the then total share capital of the Company. The Unlocked Restricted A Shares were listed on the Shenzhen Stock Exchange on 12 January 2017.

On 29 March 2017, the Board considered and approved a resolution in relation to the satisfaction of unlocking conditions of the third 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 third unlocking period would commence from the first trading day after 36 months from the date of First Grant of Restricted A Shares to the last trading day within 48 months from the date of First Grant of the Restricted A Shares. A total number of 92 Share Incentive Participants applied to unlock, in aggregate, 8,010,000 Restricted Shares, representing approximately 0.90% of the then total share capital of the Company. The Unlocked Restricted Shares were listed on the Shenzhen Stock Exchange on 14 April 2017.

For details, please refer to the announcements of the Company dated 12 January 2017, 29 March 2017 and 11 April 2017.

THE NON-PUBLIC ISSUE OF A SHARES

On 10 May 2017, the Board announces the proposed non-public issue of a maximum of 177,430,420 (inclusive) new A Shares under specific mandate, which is expected to raise gross proceeds of up to RMB2.3 billion, and will be subscribed by the substantial shareholder Guangdong Rising Assets Management Co., Ltd. for not more than 33% (inclusive) of the final number of New A Shares to be issued under the Proposed Non-public Issue of A Shares, for an amount of not more than RMB759 million (inclusive).

On 22 June 2017, the Company received the Approval of the Non-public Issue of A Shares by Dongjiang Environmental Company Limited (Yue Guo Zi Han [2017] No. 660) from Guangdong Provincial People's Government State-owned Assets Supervision and Administration Commission, that the Non-public Issue of A Shares of the Company, and the subscription by substantial shareholder have been approved in principle.

On 26 June 2017, the proposal of the Non-public Issue of new A Shares, and the subscription by substantial shareholder were approved at the 2016 annual general meeting (the “**AGM**”), the first class meeting of the holders of A shares and the first class meeting of the holders of H shares of the Company (the “**Class Meeting**”) held on 26 June 2016.

For details of the Non-public Issue of new A Shares, please refer to announcements of the Company dated 10 May 2017, 22 June 2017 and 26 June 2017, the notice dated 9 June 2017 and the circular dated 9 June 2017.

TERMINATION OF FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated on 12 April 2016, the Company and Sound (Tianjin) Renewable Resources Investment Holding Co., Ltd., Beijing Xinyi Resources Science and Technology Co., Ltd. and the other shareholders of Xiamen Oasis Environmental Stock Company Limited (“**Xiamen Oasis**”) entered into the “the Cooperation Framework Agreement of Xiamen Oasis Environmental Stock Company Limited” (“**Original Agreement**”) in relation to the intentionality agreement of transferring 100% of the equity interest in Xiameng Oasis (Demerged). In consideration of the integrated business development planning in Fujian market, after the friendly negotiation, the Company and the related parties above entered into the “Supplemental Agreement of ‘the Corporation Framework Agreement of Xiamen Oasis Environmental Stock Company Limited’” in relation to agreement of termination of the Original Agreement in July 2017, and they will no longer perform the cooperation arranged in the Original Agreement.

CHANGE OF ARTICLES OF ASSOCIATION

During the Period, the change of the registered capital, the share capital and the definition of senior management positions were approved at the AGM dated 26 June 2017 and Class Meetings.

CHANGE OF DIRECTOR

During the Period, Mr. Chen Shu Sheng (“**Mr. Chen**”) retired from the position executive Director since the end of the AGM dated 26 June 2017 of the Company, and did not seek for re-election.

Mr. Zhang Kai was appointed as a new executive Director at the AGM on the same day.

CHANGE OF CHIEF EXECUTIVE OFFICER

During the Period, Mr. Chen will no longer serve as the chief executive officer of the Company with effect from 28 June 2017, on which his tenure of the chief executive officer expired. Meanwhile, executive Director Mr. Li Yong Peng has been appointed as the chief executive officer of the Company with effect on the same day.

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Hin Wing (chairman of the Audit Committee), Mr. Qu Jiu Hui and Mr. Zhu Zhengfu. The Audit Committee has reviewed the Company’s unaudited financial statements for the Period and has provided its advice and comments thereon.

By order of the Board
Dongjiang Environmental Company Limited*
Liu Ren
Chairman

Shenzhen, the PRC, 20 August 2017

As at the date of this announcement, the Board of Directors of the Company comprises three executive Directors, being Mr. Liu Ren, Mr. Li Yong Peng and Mr. Zhang Kai; three non-executive Directors, being Mr. Liu Boren, Mr. Deng Qian and Mr. Huang Yiming; and three independent non-executive Directors, being Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Zhu Zhengfu.

* For identification purpose only