綠色動力
DYNAGREEN

綠色動力環保集團股份有限公司
Dynagreen Environmental Protection Group Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)
Stock Code : 1330

ANNUAL REPORT 2018

IMPORTANT NOTICE

I. The board of directors, the supervisory committee and the directors, supervisors and senior management of the Company hereby warrant the truthfulness, accuracy and completeness of the contents of the annual report, guarantee that there are no false representations, misleading statements or material omissions contained in this annual report, and are jointly and severally responsible for the liabilities of the Company.

II. All directors of the Company attended the board meeting.

III. KPMG Huazhen LLP issued a standard unqualified audit report for the Company.

IV. Qiao Dewei, an officer of the Company; Hu Shengyong, the Chief Financial Officer; and Zhao Linbin, the Chief Accountant, declare that they warrant the truthfulness, accuracy and completeness of the financial statements in the annual report.

V. Proposal of profit distribution or capitalisation of capital reserve during the Reporting Period approved by the Board

It is proposed to distribute a cash dividend of RMB1 (before tax) for every 10 shares to all shareholders based on the aggregate share capital of 1,161,200,000 shares on the share-based equity registration date. A total of RMB116.12 million in cash dividends will be distributed, and the remaining undistributed profits will be carried forward to the next year. In 2018, the Company did not convert capital reserve into share capital and did not issue bonus shares. This proposal needs to be submitted to the Company's shareholders' general meeting for consideration.

VI. Risk statement relating to forward-looking statements

✓ Applicable ☐ Not applicable

Forward-looking statements such as future plans and development strategies described in this report do not constitute an actual commitment of the Company to investors. Investors should be aware of investment risks.

VII. Whether there was any appropriation of the Company's funds for purposes other than operations by the controlling shareholder and its related parties

No

VIII. Whether there was any provision of guarantee to external parties in violation of the stipulated decision-making procedures?

No

IX. Major risk alerts

Certain risks that may exist have been described in this report in details. Please refer to the "Possible Risks" in Part 3 "Discussion and Analysis of the Future Development of the Company" in Section 5 "Discussion and Analysis of Business Situations".

X. Others

✓ Applicable ☐ Not applicable

The contents of this annual report are in compliance with all the disclosure requirements in relation to annual report under the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Formats of Annual Reports (Amended in 2017) (《公開發行證券的公司 信息披露內容與格式準則第2號－年度報告的內容與格式(2017年修訂)》), the SSE Listing Rules and the Stock Exchange Listing Rules. In addition, this annual report has been simultaneously published in Mainland China and Hong Kong. This report has been prepared in Chinese and English. Should there be any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

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I. DEFINITIONS

I. Definitions

In this report, the following expressions shall, unless the context otherwise requires, have the following meanings:

Definitions of frequently-used terms

The Company or Dynagreen	Dynagreen Environmental Protection Group Co., Ltd. (綠色動力環保集團股份有限公司)
The Group	Dynagreen Environmental Protection Group Co., Ltd. and its subsidiaries
BSAM	Beijing State-owned Assets Management Co., Ltd.
Blue-ocean Environment	Blue-ocean Environment Investment Holding Company Limited (藍洋環保投資控股有限公司)
Changzhou Company	Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. (常州綠色動力環保熱電有限公司)
Haining Company	Haining Dynagreen Renewable Energy Co., Ltd. (海寧綠色動力再生能源有限公司),
Taizhou Company	Taizhou Dynagreen Renewable Energy Co., Ltd. (泰州綠色動力再生能源有限公司)
Wuhan Company	Wuhan Dynagreen Renewable Energy Co., Ltd. (武漢綠色動力再生能源有限公司)
Pingyang Company	Pingyang Dynagreen Renewable Energy Co., Ltd. (平陽綠色動力再生能源有限公司)
Yongjia Company	Yongjia Dynagreen Renewable Energy Co., Ltd. (永嘉綠色動力再生能源有限公司)
Rushan Company	Rushan Dynagreen Renewable Energy Co., Ltd. (乳山綠色動力再生能源有限公司)
Anshun Company	Anshun Dynagreen Renewable Energy Co., Ltd. (安順綠色動力再生能源有限公司)
Huizhou Company	Huizhou Dynagreen Environment Co., Ltd. (惠州綠色動力環保有限公司)
Jizhou Company	Tianjin Dynagreen Renewable Energy Co., Ltd. (天津綠色動力再生能源有限公司)
Jurong Company	Jurong Dynagreen Renewable Energy Co., Ltd. (句容綠色動力再生能源有限公司)
Ninghe Company	Tianjin Dynagreen Environmental Energy Co., Ltd. (天津綠動環保能源有限公司)
Bengbu Company	Bengbu Dynagreen Renewable Energy Co., Ltd. (蚌埠綠色動力再生能源有限公司)
Tongzhou Company	Beijing Dynagreen Environment Co., Ltd. (北京綠色動力環保有限公司)
Miyun Company	Beijing Dynagreen Renewable Energy Co., Ltd. (北京綠色動力再生能源有限公司)
Shantou Company	Shantou Dynagreen Renewable Energy Co., Ltd. (汕頭市綠色動力再生能源有限公司)
Zhangqiu Company	Zhangqiu Dynagreen Renewable Energy Co., Ltd. (章丘綠色動力再生能源有限公司)
Bobai Company	Bobai Dynagreen Renewable Energy Co., Ltd. (博白綠色動力再生能源有限公司)

I. DEFINITIONS (CONTINUED)

Hongan Company	Hongan Dynagreen Renewable Energy Co., Ltd. (紅安綠色動力再生能源有限公司)
Yichun Company	Yichun Dynagreen Renewable Energy Co., Ltd. (宜春綠色動力再生能源有限公司)
Fengcheng Company	Fengcheng Dynagreen Environmental Protection Co., Ltd. (豐城綠色動力環保有限公司)
Huizhou Phase II Project Company	Huizhou Dynagreen Renewable Energy Co., Ltd. (惠州綠色動力再生能源有限公司)
Huludao Company	Lvyi (Huludao) Environmental Services Limited (綠益(葫蘆島)環境服務有限公司)
Wenzhou Company	Wenzhou Dynagreen Environmental Energy Co., Ltd. (溫州綠動環保能源有限公司)
Longhui Company	Longhui Dynagreen Renewable Energy Co., Ltd. (隆回綠色動力再生能源有限公司)
Pingyao Company	Pingyao Dynagreen Renewable Energy Co., Ltd. (平遙縣綠色動力再生能源有限公司)
Qingdao Company	Qingdao Dynagreen Renewable Energy Co., Ltd. (青島綠色動力再生能源有限公司)
Dongyang Fuli	Zhejiang Dongyang Fuli Construction Limited Company (浙江省東陽市富力建設有限公司)
Beijing Research Institute	Beijing Dynagreen Environmental Protection Technology Research Institute Co., Ltd. (北京綠色動力環保技術研究院有限公司)
Dengfeng Company	Dengfeng Dynagreen Renewable Energy Co., Ltd. (登封綠色動力再生能源有限公司)
Haining Expansion Project Company	Haining Dynagreen Haiyun Environmental Protection Energy Co., Ltd. (海寧綠動海雲環保能源有限公司)
Shishou Company	Shishou Dynagreen Renewable Energy Co., Ltd. (石首綠色動力再生能源有限公司)
Promising	Guangdong Promising Environmental Protection Company Limited (廣東博海昕能環保有限公司)
Guangyuan Promising	Guangyuan Promising Environmental Protection Company Limited (廣元博海昕能環保有限公司)
Guangyuan Company	Guangyuan Boneng Renewable Energy Co., Ltd. (廣元博能再生能源有限公司)
Jiamusi Company	Jiamusi Bohai Environmental Protection and Electricity Company Limited (佳木斯博海環保電力有限公司)
Zhaoqing Company	Zhaoqing Boneng Renewable Energy Power Generation Co., Ltd. (肇慶市博能再生能源發電有限公司)
Shulan Company	Shulan Boneng Environmental Protection Company Limited (舒蘭市博能環保有限公司)
Zhangye Company	Zhangye Boneng Environmental Protection Company Limited (張掖博能環保有限公司)
Yongxing Company	Yongxing Boneng Environmental Energy Co., Ltd. (永興博能環保能源有限公司)
Dongguan Changneng	Dongguan Changneng Clean Energy and Greening Service Co., Ltd. (東莞市長能清潔能源綠化服務有限公司)

I. DEFINITIONS (CONTINUED)

Changzhou Project	Jiangsu Changzhou City Wujin District Municipal Solid Waste Incineration Thermoelectric Project (江蘇常州市武進區生活垃圾焚燒熱電項目)
Wuhan Project	Hubei Wuhan Xinghuo Waste-to-Energy Plant Project (湖北武漢星火垃圾焚燒發電廠項目)
Taizhou Project	Jiangsu Taizhou City Municipal Solid Waste-to-Energy Project (江蘇泰州市生活垃圾焚燒發電項目)
Pingyang Project	Zhejiang Pingyang Municipal Solid Waste-to-Energy Plant Project (浙江平陽生活垃圾焚燒發電廠項目)
Anshun Project	Guizhou Anshun Waste-to-Energy Project (貴州安順垃圾焚燒發電項目)
Haining Project	Zhejiang Haining City Waste Incineration Thermoelectric Plant Project (浙江海寧市垃圾焚燒熱電廠項目)
Yongjia Project	Zhejiang Yongjia Waste-to-Energy Plant Project (浙江永嘉垃圾焚燒發電廠項目)
Rushan Project	Shandong Rushan City Municipal Solid Waste-to-Energy Project (山東乳山市生活垃圾焚燒發電項目)
Jizhou Project	Tianjin Jizhou District Municipal Solid Waste-to-Energy Project (天津市薊州區生活垃圾焚燒發電項目)
Huizhou Project	Guangdong Huizhou City Huiyang District Lanzilong Municipal Soild Waste-to-Energy Project (廣東惠州市惠陽區欖子壟生活垃圾焚燒發電項目)
Jurong Project	Jiangsu Jurong City Municipal Solid Waste-to-Energy Project (江蘇句容市生活垃圾焚燒發電項目)
Bengbu Project	Anhui Bengbu City Municipal Solid Waste-to-Energy Plant Project (安徽蚌埠市生活垃圾焚燒發電廠項目)
Tongzhou Project	Beijing Tongzhou District Renewable Energy Power Plant (北京市通州區再生能源發電廠)
Ninghe Biomass Power Project	a biomass power generation project in Ninghe County, Tianjin (天津寧河縣生物質發電項目)
Ninghe Straw Incineration Power Generation Project	a straw incineration power generation project in Ninghe County, Tianjin (天津寧河縣秸稈焚燒發電項目)
Miyun Project	a construction project of an integrated waste treatment centre in Miyun County, Beijing (北京密雲縣垃圾綜合處理中心工程)
Shantou Project	a municipal waste-to-energy plant in Chaoyang District, Shantou City, Guangdong (廣東汕頭市潮陽區生活垃圾焚燒發電廠)
Zhangqiu Project	a municipal waste-to-energy plant in Zhangqiu City, Jinan City, Shandong (山東濟南市章丘區生活垃圾焚燒發電廠)
Bobai Project	a municipal waste-to-energy project in Bobai County, Guangxi (廣西博白縣生活垃圾焚燒發電項目)
Hongan Project	a municipal waste-to-energy project in Hongan County, Hubei (湖北紅安縣生活垃圾焚燒發電項目)
Yichun Project	a municipal waste-to-energy PPP project in Yichun City, Jiangxi (江西宜春市生活垃圾焚燒發電 PPP 項目)
Fengcheng Project	a municipal waste-to-energy PPP project in Fengcheng City, Jiangxi (江西豐城市生活垃圾焚燒發電 PPP 項目)
Huizhou Phase II Project	phase II of a municipal waste-to-energy PPP project in Huiyang Environmental Park (惠陽環境園), Guangdong (廣東惠陽環境園生活垃圾焚燒二期 PPP 項目)

I. DEFINITIONS (CONTINUED)

Dengfeng Project	a municipal waste-to-energy BOT project in Dengfeng City, Henan (河南登封市生活垃圾焚燒發電 BOT 項目)
Haining Expansion Project	a municipal waste-to-energy plant expansion project in Haining City, Zhejiang (浙江海寧市生活垃圾焚燒發電廠擴建項目)
Shishou Project	a municipal waste-to-energy project in Shishou City, Hubei (湖北石首市生活垃圾焚燒發電項目)
Yongjia Phase II Project	a municipal waste-to-energy plant upgrading and reconstruction project in Yongjia County, Zhejiang (浙江永嘉縣垃圾焚燒發電廠改造提升工程項目)
Huludao Project	Liaoning Huludao Industrial Waste Treatment and Disposal Center project (遼寧葫蘆島工業廢物處理處置中心項目)
Reporting Period	1 January 2018 to 31 December 2018
The end of the Reporting Period	31 December 2018
RMB or RMB'0,000	Renminbi or Renminbi ten thousand
PRC or Mainland China	the People's Republic of China, for the purposes of this report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan region
Company Law	the Company Law of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Stock Exchange Listing Rules	The Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SSE	The Shanghai Stock Exchange
SSE Listing Rules	The Rules governing the Listing of Stocks on the Shanghai Stock Exchange

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. Company profile

Company name in Chinese	綠色動力環保集團股份有限公司
Short company name in Chinese	綠色動力
Company name in English	Dynagreen Environmental Protection Group Co., Ltd.
Short company name in English	Dynagreen
Legal representative of the Company	Zhi Jun

II. Contact persons and contact methods

	Secretary to the Board	**Company secretary**	**Securities Affairs Representative**
Name	Zhu Shuguang	Seng Sze, Ka Mee Natalia	Li Jian
Correspondence address	2nd Floor, Jiuzhou Electronic Building, Keji South 12th Street, Nanshan District, Shenzhen	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	2nd Floor, Jiuzhou Electronic Building, Keji South 12th Street, Nanshan District, Shenzhen
Telephone	0755-33631280	–	0755-33631280
Facsimile	0755-33631220	–	0755-33631220
Email address	ir@dynagreen.com.cn	–	ir@dynagreen.com.cn

III. Basic information

Registered office of the Company	2nd Floor, Jiuzhou Electronic Building, Keji South 12th Street, Nanshan District, Shenzhen
Postal code of registered office of the Company	518057
Principal place of business	2nd Floor, Jiuzhou Electronic Building, Keji South 12th Street, Nanshan District, Shenzhen
Postal code of principal place of business	518057
Principal place of business in Hong Kong	1st Floor, Xiu Ping Commercial Building, 104 Jervois Street, Hong Kong
Company's website	http://www.dynagreen.com.cn/
E-mail address	ir@dynagreen.com.cn

IV. Information disclosure and place for inspection

Designated newspapers for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the CSRC for publishing the annual report for A shares	www.sse.com.cn
Website designated by Hong Kong Stock Exchange for publishing the annual report for the H Shares	www.hkexnews.hk
Place for inspection of the annual report	2nd Floor, Jiuzhou Electronic Building, Keji South 12th Street, Nanshan District, Shenzhen

V. Basic information of the Company's shares

Basic information of the Company's shares

Class of shares	Stock exchanges on which the shares are listed	Stock abbreviation	Stock code
A Shares	Shanghai Stock Exchange	綠色動力	601330
H shares	Hong Kong Stock Exchange	DYNAGREEN ENV	1330

VI. Other related information

Auditors appointed by the Company	Name	KPMG Huazhen LLP
	Office address	8/F, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing
	Names of signing accountants	Fong Kwin Huang Qiumei
Sponsor institution responsible for continuous supervision during the Reporting Period	Name	CITIC Securities Co., Ltd.
	Office address	CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Name of sponsor representative authorized as signatory	Pang Xuemei Jiao Yanyan
	Continuous supervision period	From 11 June 2018 to 31 December 2020
Legal advisers appointed by the Company (Domestic)	Name	Beijing Kangda Law Firm
Legal advisers appointed by the Company (Foreign)	Name	Morrison & Foerster
Share registrar of the Company (Domestic)	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Share registrar of the Company (Foreign)	Name	Tricor Investor Services Limited
	Office address	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Principal bankers	Name	Asian Development Bank China Merchants Bank Co., Ltd. Bank of Beijing Co., Ltd. HSBC Bank (China) Company Limited

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VII. Major accounting data and financial indicators for the last three years

(I) Major accounting data

Unit: RMB

Major accounting data	2018	2017	Increase/decrease for the current period over the corresponding period last year (%)	2016
Operating income	**1,055,060,688.81**	784,838,548.26	34.43	664,334,974.80
Net profit attributable to shareholders of the Company	**272,773,322.67**	206,477,431.15	32.11	230,995,690.91
Net profit excluding extraordinary gain and loss attributable to the shareholders of the Company	**263,216,383.79**	195,286,406.43	34.78	219,178,820.75
Net cash flows from operating activities	**–222,716,654.60**	–223,585,188.91	N/A	82,996,378.54

	As at the end of 2018	As at the end of 2017	Increase/decrease for the end of the current period over the end of the corresponding period last year (%)	As at the end of 2016
Net assets attributable to shareholders of the Company	**2,852,412,360.00**	2,231,640,176.45	27.82	2,093,647,200.50
Total assets	**10,542,416,667.63**	6,810,136,282.24	54.80	5,612,534,695.50

(II) Key financial indicators

Key financial indicators	2018	2017	Increase/decrease for the current period over the corresponding period last year(%)	2016
Basic earnings per share (RMB/share)	**0.25**	0.20	25.00	0.22
Diluted earnings per share (RMB/share)	**0.25**	0.20	25.00	0.22
Basic earnings per share excluding extraordinary gain and loss (RMB/share)	**0.24**	0.19	26.32	0.21
Weighted average return on net assets (%)	**10.73**	9.55	Increased by 1.18 percentage points	11.60
Weighted average return on net assets excluding extraordinary gain and loss (%)	**10.35**	9.03	Increased by 1.32 percentage points	11.01

Explanations on the major accounting data and financial indicators of the Company for the past three years before the end of the Reporting Period

✓Applicable ☐ Not Applicable

A summary of the Group's financial information published in the last five financial years is set out on page 279 of this annual report, as extracted from the audited financial statements and reclassified as appropriate. That summary does not form part of the audited financial statements.

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VIII. Accounting data differences between domestic and overseas accounting standards

(I) Difference arising from the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the international accounting standards and the domestic accounting Standards

☐ Applicable ✓ Not Applicable

(II) Difference arising from the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the overseas accounting standards and the domestic accounting Standards

☐ Applicable ✓ Not Applicable

(III) Explanation on difference between overseas and domestic accounting standards

☐ Applicable ✓ Not Applicable

IX. Key financial indicators of 2018 by quarter

Unit: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating income	228,414,759.10	272,916,408.83	278,128,507.26	275,601,013.62
Net profit attributable to shareholders of the Company	57,155,885.38	110,930,826.21	73,128,737.81	31,557,873.27
Net profit excluding extraordinary gain and loss attributable to the shareholders of the Company	56,459,152.15	110,504,541.57	70,006,518.89	26,246,171.20
Net cash flows from operating activities	–53,239,822.81	–135,883,037.78	–87,781,316.15	54,187,522.14

Explanation on difference between quarterly results and information disclosed in periodic reports

☐ Applicable ✓ Not Applicable

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

X. Extraordinary gains and losses items and amounts

✓Applicable ☐ Not Applicable

Unit: RMB

Extraordinary gains and losses items	Amount for 2018	Note (if applicable)	Amount for 2017	Amount for 2016
Gains and losses on disposal of non-current assets	**–267,029.18**	Disposal of fixed assets	–24,754.17	–16,501.42
Government grants recognised through profit or loss (except for government grants which closely related to company business that are fixed or quantified based on the national standard)	**6,337,895.47**	Government grants for operations	4,594,474.76	4,492,419.89
Gain from the difference between the cost of investment on the subsidiaries, associates and joint ventures and the shared fair value of identifiable net assets of the investee	**2,930,027.37**			
Gain or loss from transfer of non-monetary assets				
Gain or loss from investments under entrust by others or assets under management by others				
Provisions for impairment of asset due to force majeure factors such as natural disasters				
Profit or loss in excess of the portion of the fair value generated from transactions of which the transactional price is obviously unfair				
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date				
Gain or loss from non-related business operations or contingencies				
Reversal of impairment of the receivables on individually impairment test	/			
Reversal of impairment of the receivables and contract assets on individually impairment test			/	/
Gain or loss from entrusted loans to outside parties				
Impact on gain or loss from one-time adjustments on current gain or loss in accordance with the requirement of tax, accounting and other laws and regulations				
Other non-operating income and expenses besides items above	**–565,836.11**		–292,072.06	377,123.77
Gain or loss from other extraordinary items			8,677,186.80	
Income tax refund income	**1,799,913.12**			7,396,166.22
Effects on non-controlling shareholders				
Effects on income tax	**–678,031.79**		–1,763,810.61	–432,338.30
Total	**9,556,938.88**		11,191,024.72	11,816,870.16

XI. Items measured at fair value

☐ Applicable ✓ Not Applicable

XII. Others

☐ Applicable ✓ Not Applicable

III. CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to the shareholders of Dynagreen Environmental Protection Group Co., Ltd. (the "Company", together with its subsidiaries, the "Group") with the Company's business review for the year 2018 and its business prospects for the year 2019.

The year 2018 marks a milestone in the Company's history. The A shares of the Company were successfully issued and listed on the Shanghai Stock Exchange, enabling the Company to access the domestic capital market and laying a solid foundation for long-term development of the Company. The Company achieved vigorous growth with the completion of its largest acquisition since its inception, secured new municipal waste-energy projects with an aggregate treatment capacity of up to 7,550 tons per day and completed the construction of four new projects. As at the date of this report, there are 19 power generation projects under operation (including acquired projects), making a new phase of the Company's overall strength. 2018 has been significant growth in the Company's results. Based on the China Accounting Standards for Business Enterprises, the Company recorded RMB1,055 million in revenue, representing an increase of 34% as compared to same period last year, and recorded RMB272 million in net profit, representing an increase of 32% as compared to same period last year.

In 2018, the Group treated a total of 4,691,800 tons of municipal waste, representing a year-on-year increase of 29.56%, making its contribution to improving the urban environment. Meanwhile, the Group generated 1,398 million kWh of on-grid electricity, representing a year-on-year increase of 38.76%, supplying thousands of households with renewable energy. The Group has strictly implemented and adhered to the relevant emission standards. The Group has also maintained work safety throughout the year while operating in harmony with the community, achieving a win-win situation with customers and suppliers.

The state of environment is closely correlated to the state of a civilization. China is currently at a critical stage of building its ecological civilization in the face of a myriad of challenges. There shall be no complacency in the fight against pollutions. Environmental protection must be enhanced on all fronts. We must continue to fight our battle for the blue sky, clear water and clean soil. These factors will fuel the continuing rapid growth of the municipal waste-to-energy industry. As a listed company specializing in environment protection, we adopt the corporate mission to "create a beautiful living environment" and uphold the value of "generating social benefits as the primary goal and economic efficiency as the basis". The Group will seize the growth opportunities in this industry and further expand and strengthen its core businesses in order to consolidate its leading position in the waste-to-energy industry. We thrive to deliver even better returns to shareholders and put continuous effort into building a better and more beautiful China.

Zhi Jun
Chairman

Shenzhen, the PRC
27 March 2019

IV. BUSINESS OVERVIEW

I. Principal operations, business model and industry information of the Company during the Reporting Period

1. Principal operations of the Company

The Company is one of the earliest enterprises to conduct municipal waste-to-energy business in the PRC, and is mainly engaged in the investment, construction, operation, maintenance and technical consulting business of municipal waste-to-energy plants under BOT and other concessions. Focusing on the vast market space of the economically developed Yangtze River Delta, Bohai Economic Rim and Pearl River Delta, the Company has extended its business network to the central and western regions such as Anhui, Hubei, Guizhou, Shanxi, Guangxi, Jiangxi, Hunan, Shaanxi, Henan and Sichuan, preliminary forming a market layout based on the Yangtze River Delta, Bohai Rim and Pearl River Delta and spanning across the country. As at 31 December 2018, in respect of the municipal waste-to-energy sector, the Company had 15 projects under operation, 11 projects under construction and 12 projects under preparation. The daily waste treatment capacity of the projects under operation reached 13,510 tons, and the daily waste treatment capacity of the projects under construction reached 11,800 tons, placing the Company in a leading position in the industry in terms of the number of projects and waste treatment capacity.

2. Major business model

The Company mainly adopts the BOT model to operate its municipal waste-to-energy business as follows: The government department responsible for waste disposal selects a service provider to construct and operate the waste-to-energy plant under the BOT model through tenders or other means. After the Company is awarded the project, the Company enters into a concession agreement with the relevant local government department and establishes a project company to conduct business. According to the concession agreement entered into with the relevant local government department, the project company is responsible for raising funds to construct and operate the entire waste-to-energy plant. The concession period is usually 25 to 30 years. The relevant government department pays the project company a waste treatment fee at the agreed price, and the project company sells the electricity, steam or hot water generated during the waste incineration process. Upon the expiration of the concession, the Company has to transfer the relevant infrastructure to the concession grantor.

3. Information of municipal waste-to-energy industry

With the steady population growth, continuous advancement of urbanisation and economic development in the PRC, the volume of municipal waste generated in the PRC continues to rise, and the demand for treatment is growing. From 2004 to 2017, the volume of municipal waste increased from 155.09 million tons to 215.21 million tons in the PRC, with a compound growth rate of 2.55% (data source: China Statistical Yearbook). Harmless waste treatment is mainly divided into three ways: incineration, landfill and composting. Incineration has the advantages of significant reduction in quantity, less space required and relatively small impact on the environment, and is the fastest growing segment. From 2004 to 2017, the number of municipal waste-to-energy plants increased from 54 to 286 in the PRC, which was an increase of 4.3 times. The daily processing capacity increased from 16,900 tons to 298,100 tons, with a compound growth rate of 24.7%. The actual annual processing capacity increased from 4.49 million tons to 84.633 million tons, with a compound growth rate of 25.34%. Compared with the developed countries, the percentage of waste-to-energy treatment of China is still low, which is 40% as of 2017. According to the "13th Five-Year Plan", the percentage should be lifted from 31% in 2015 to over 50% in 2020, in respect of the proportion of municipal solid waste processed through incineration to such waste under detoxification treatment nationwide. As for Eastern China, such percentage should exceed 60%. As for municipalities, the five cities with independent-planning status and provincial capitals, efforts should be made to achieve "zero" landfilling of raw garbage.

The municipal waste-to-energy industry is characterized by policy encouragement, regional monopoly, capital intensiveness, long payback period, and insignificant seasonal fluctuations. The upstream industries of the municipal waste-to-energy industry include construction enterprises, installation companies, waste treatment and power generation equipment (such as incinerators, smog and gas treatment systems, turbine generators and waste heat boilers) suppliers. In addition, local sanitation departments provide waste to waste-to-energy enterprises. The downstream industries mainly include local government departments and power grid companies. Waste-to-energy enterprises provide waste incineration treatment services to local governments to receive waste treatment fees and provide electricity to power grid companies to receive electricity tariffs.

IV. BUSINESS OVERVIEW (CONTINUED)

II. Material changes of major assets of the Company during the Reporting Period

✓Applicable ☐ Not Applicable

As at the end of the Reporting Period, the bills receivable and accounts receivable of the Company amounted to RMB248,050,713.81, representing a year-on-year increase of 78.36%, which was mainly due to the unsettled and uncollected electricity tariffs and waste treatment fees for 15 projects under operation during the payment period; intangible assets of the Company amounted to RMB4,411,246,358.86, representing a year-on-year increase of 95.97%, which was mainly due to the increase of projects under operation and under construction as well as business combinations involving entities not under common control; other non-current assets were RMB696,623,069.56, representing a year-on-year increase of 35.10%, which was mainly due to the increase of projects under construction and increased prepayment for construction and equipment. For the changes of other major assets, please see V.II(III) "Analysis of assets and liabilities".

In which, overseas assets amounted to RMB44,059,572.57, accounting for 0.42% of total assets.

III. Analysis of core competitiveness during the Reporting Period

✓Applicable ☐ Not Applicable

1. Focused market layout spanning across the whole country

Since its establishment, the Company has adopted a proactive strategy in market development and strives to develop various regional markets. Its projects are distributed in an extensive geographical area, with a market network covering 19 provinces/municipalities/autonomous regions. Focusing on the vast market space of the economically developed Yangtze River Delta, Bohai Economic Rim and Pearl River Delta, the Company has extended its business network to the central and western regions such as Anhui, Hubei, Guizhou, Shanxi, Guangxi, Jiangxi, Hunan, Shaanxi, Henan and Sichuan, preliminary forming a market layout based on the Yangtze River Delta, Bohai Rim and Pearl River Delta and spanning across the country.

2. Extensive industry experience

The Company is among the first companies to explore industrial applications for waste treatment in the PRC, and is also one of the earliest enterprises to focus on upgrading and further developing advanced international waste-to-energy technologies in the PRC. Since its establishment in early 2000, the Company has accumulated extensive experience in project investment, construction and operation management. More than ten years of industry experience will help the Company seize the development opportunities in the industry and achieve its strategic development goals.

3. Leading expertise

The Company is the first company in the waste-to-energy industry to receive accreditation under the Clean Development Mechanism of the United Nations (聯合國清潔發展機制) in the PRC. The Changzhou Project was recognised by China Association of Environmental Protection Industry (中國環境保護產業協會) as a "National Model Project for Use of Environmental Protection Technologies" (使用環保技術的國家模範項目) in 2013. The Huizhou Project was awarded the "Quality Chinese Project for Electricity Engineering Award" (中國電力優質工程獎) and the "National Quality Project Award" (國家優質工程獎) in 2017. The "multiple drive expeller grate waste incinerator" technology independently developed by the Company is a leading incineration technology in the industry and was granted an invention patent by the government. The technology is compatible with the characteristics of the municipal waste in the PRC with an edge in performance, and was selected by the Ministry of Housing and Urban-Rural Development (住建部) as a core technology to promote for use during the 11th Five-Year Plan period. With its proprietary technology, the Company serves its customers at a more competitive price and enhances its market position.

4. Ability to deliver comprehensive service

The Company is engaged in the investment, construction, operation and maintenance business of municipal waste-to-energy plants under BOT and other concessions, and provides professional consulting services tailored to the requirements of customers, including general project planning, feasibility studies, project design, core technology, project integration and trial operation and maintenance. With its comprehensive service, the Company is capable of meeting the needs of its customers to the greatest extent, thereby enhancing its overall competitiveness.

5. Experienced management team

The management team of the Company has been engaged in business management, market development, technology development and construction and operation of waste-to-energy plants over the years. The general manager of the Company, Qiao Dewei, was recognised as one of the top 100 industry leaders in Shenzhen in December 2011, proving his social influence and charisma, and the management team under his leadership has nearly 20 years of experience in cooperation and in-depth understanding of the industry. Under the guidance of the management team, the project construction and operation team can adopt targeted strategies for the changes in the waste treatment technology and management and operation of waste-to-energy plants in a timely manner, while the marketing team can actively develop potential regional markets according to the future development planning of the Company. Such a strong team of the Company helps to enhance the operating efficiency and warrants the quality of the projects.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS)

I. Discussion and analysis of operations

(I) Industry overview

In order to reinforce ecological environment protection and enhance ecological civilisation to build a beautiful China, pollution prevention and control has been identified by the Central Committee of the Communist Party of China and the State Council as one of the three major battles in the PRC in the next several years. The action plans for prevention and control of water and soil pollution have been further implemented, and the Blue Sky Defense War Three-year Action Plan was issued. After achieving a full coverage of environmental inspection in all provinces in the PRC, a "looking back" initiative has been introduced in 2018 to form a long-term mechanism of environmental inspection so as to maintain stringent enforcement in environmental protection, thereby creating a favourable policy environment for the development of environmental industry as well as setting up higher compliance standard for the operation of environment enterprise. In 2018, "de-leverage" policy was further implemented, therefore a portion of heavy-asset enterprise in the environmental protection industry faced much pressure on financing.

2018 was also the year serving as a link between the past and the future after the implementation of the "13th Five-Year Plan" for National Construction Plan for Municipal Waste Detoxification Treatment Facilities (《「十三五」全國城鎮生活垃圾無害化處理設施建設規劃》). The policies for municipal waste-energy industry remained unchanged. The treatment capacity of the industry continued to grow with further release of market potential.

(II) Business review

For details of the principal businesses of the Group, please refer to IV "BUSINESS OVERVIEW". During the Reporting Period, the principal businesses of the Group have no major change. The business review, the major risks of the Group, the discussion and analysis of its performance and significant factors relating to its results and financial position for the year and the future business development of the Group are set out in the sections headed Chairman's Statement and Management Discussion and Analysis of this annual report respectively. The above discussion is part of the Report of Directors.

In 2018, the Company focused on the annual work plan, and made significant achievements in various aspects. Upon the completion of the A-share IPO, the Company became the first A+H listed company in the waste-to-energy industry in the PRC. The projects under operation had not only "maintained stable operation and complied with emission standards", but also had delivered the new highs in volume of waste treatment and on-grid electricity. The projects under construction were on track. The Tongzhou Project and Ninghe Biomass Project began to supply electricity to the grid in August, and the Miyun Project and the Shantou Project began to supply electricity to the grid in January and March 2019 respectively. Five projects commenced construction. With the designed treatment capacity of newly-signed project reaching 7,550 tons, excellent results had been achieved in project expansion again. With the successful acquisition of Promising, great breakthrough has been made in project mergers and acquisitions.

In 2018, the Company achieved revenue of RMB1,055,060,688.81, representing an increase of 34.43% as compared to the corresponding period last year, and a net profit attributable to shareholders of the Company of RMB272,773,322.67, representing an increase of 32.11% as compared to the corresponding period last year. As at 31 December 2018, the total assets of the Company and total equity attributable to the shareholders of the Company amounted to RMB10,542,416,667.63 and RMB2,852,412,360.00, respectively.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

1. Projects under operation performed steadily hitting new highs in volume of waste treatment and on-grid electricity

In 2018, the Company treated 4.6918 million tons of waste, representing a year-on-year increase of 29.56%, treated 252,900 tons of straws, and generated on-grid electricity of 1,398 million kWh, representing a year-on-year increase of 38.76%. The Company constantly attaches great importance to operations management. In 2018, the Group conducted its operation under the concepts of being "safe, environmental friendly, civilised and effective" to strengthen security and environment protection management and deepen refined management, maintaining stable production and meeting emission standards throughout the year.

2. The projects under construction successfully completed the expected goal, and the projects under preparation commenced construction as scheduled

In 2018, the projects under construction of the Company progressed smoothly. The Tongzhou Project and Ninghe Biomass Project were put to trial operation in August, and the Miyun Project and Shantou Project were put to trial operation in January and March 2019 respectively. 65% and 64% of construction works were completed in the Zhangqiu Project and Bobai Project, respectively. The preparation work of projects made steady progress. The Hongan Project, Fengcheng Project, Huizhou Phase II Project, Yichun Project and Haining Expansion Project commenced construction successively in the second half of the year.

3. Reaching new horizons in project development with satisfactory achievement in mergers and acquisitions

In 2018, the Group intensified efforts for project development, and sought to expand its existing projects while actively developing new waste-to-energy project. In 2018, the Company won the bids for the Huizhou Phase II Project, Dengfeng Project, Shishou Project and Haining Expansion Project, securing operating rights to treat additional 7,550 tons per day of municipal solid waste. The successful acquisition of Promising significantly increased our projects on hand and improved our market layout.

4. New breakthroughs in technology research and development and further improvement in core competitiveness

The Company continued to research into and develop large incinerators in line with the Company's trend towards large projects. The Company completed the design optimisation, manufacturing, final assembly and commissioning of the 600-ton medium to large incinerator, finalised the design plan of a 800-ton large incinerator and made 3 application for technology patents. With the 12 patents newly obtained in the year, the Group has obtained a total of 53 patents (including 9 invention patents and 44 utility model patents).

Analysis of revenue by principal activities of the Group during the Reporting Period is set out in note V.32 to the financial statements. The consolidate results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 128 to 129 in the annual report.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

II. Major operational particulars during the Reporting Period

In 2018, the Group achieved an operating income of RMB1,055,060,688.81 and net profit of RMB272,801,909.90. As at 31 December 2018, the Group's total assets and total liabilities amounted to RMB10,542,416,667.63 and RMB7,613,400,092.68 respectively. The total equity amounted to RMB2,929,016,574.95 and the gearing ratio (calculated as total liabilities over total assets) was 72.22%, and the net asset value per share attributable to the shareholders of the parent company was RMB2.46.

(I) Analysis of main businesses

1. Analysis on changes of relevant items in income statement and cash flow statement

Unit: RMB

Item	Amount for the current period	Amount for the corresponding period last year	Change (%)
Operating income	**1,055,060,688.81**	784,838,548.26	34.43
Operating cost	**468,611,731.36**	326,313,088.42	43.61
Selling expenses			
Administrative expenses	**112,904,942.74**	97,115,350.57	16.26
Research and development expenditure	**13,150,331.97**	10,241,848.71	28.40
Finance costs	**208,520,625.74**	152,936,907.18	36.34
Net cash flow generated from operating activities	**–222,716,654.60**	–223,585,188.91	N/A
Net cash flow generated from investing activities	**–1,412,356,976.57**	–374,645,302.92	N/A
Net cash flow generated from financing activities	**1,600,328,127.89**	737,035,084.95	117.13

2. Analysis of the revenue and costs

✓ Applicable ☐ Not Applicable

During the Reporting Period, the Group achieved an operating income of RMB1,055,060,688.81 (corresponding period in 2017: RMB784,838,548.26), representing an increase of 34.43% as compared to the corresponding period in 2017. The increase was mainly due to an increased number of projects under operation. In particular, operating income from waste-to-energy projects amounted to RMB848,322,012.07(corresponding period in 2017: RMB617,771,164.63), representing an increase of 37.32% as compared to the corresponding period in 2017, mainly due to an increase in the number of projects under operation. Interest income amounted to RMB206,738,676.74 (corresponding period in 2017: RMB167,067,383.63), representing an increase of 23.75% as compared to the corresponding period in 2017. The increase was mainly due to the significant increase in interest income recognised by using effective interest method as a result of the substantial increase in the long-term receivables recognised based on the completion percentage for the construction of waste-to-energy projects such as the Tongzhou Project and Shantou Project.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group increased by 27.90% to RMB586,448,957.45 (corresponding period in 2017: RMB458,525,459.84) and the gross profit margin was 55.58% (corresponding period in 2017: 58.42%), which was mainly due to the lower gross profit margin of the new projects than the average level and the increased overhaul expenses.

Total profit

During the Reporting Period, the total profit of the Group amounted to RMB308,450,851.98, representing an increase of approximately RMB52,765,361.35 as compared to corresponding period in 2017, which was mainly due to an increase in operating income.

(1) Performance of main businesses by segment, product and region

Unit: RMB

Main businesses by segment

By segment	Operating income	Operating costs	Gross profit margin (%)	Increase/ decrease in operating income as compared to last year (%)	Increase/ decrease in operating costs as compared to last year (%)	Increase/ decrease in gross profit margin as compared to last year (%)
Environmental protection service	1,019,298,514.17	386,873,780.94	62.05	30.52	21.71	Increased by 2.75 percentage points
Power generation	35,762,174.64	81,737,950.42	−128.56	814.73	866.07	Decreased by 12.15 percentage points

Main businesses by product

By product	Operating income	Operating costs	Gross profit margin (%)	Increase/ decrease in operating income as compared to last year (%)	Increase/ decrease in operating costs as compared to last year (%)	Increase/ decrease in gross profit margin as compared to last year (%)
Solid waste treatment	1,019,298,514.17	386,873,780.94	62.05	30.52	21.71	Increased by 2.75 percentage points
Straw electricity generation	35,762,174.64	81,737,950.42	−128.56	814.73	866.07	Decreased by 12.15 percentage points

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

Main businesses by region

By region	Operating income	Operating costs	Gross profit margin (%)	Increase/ decrease in operating income as compared to last year (%)	Increase/ decrease in operating costs as compared to last year (%)	Increase/ decrease in gross profit margin as compared to last year (%)
East China	502,780,521.61	239,890,612.35	52.29	17.60	29.36	Decreased by 6.81 percentage points
South China	149,500,563.98	51,432,748.83	65.60	1.09	–47.27	Increased by 16.82 percentage points
North China	192,893,617.55	130,904,798.95	32.14	58.90	74.32	Decreased by 25.47 percentage points
Central China	103,996,639.65	33,321,582.53	67.96	3.24	–6.82	Increased by 3.33 percentage points
Southwest China	105,889,346.02	13,061,988.70	87.66	59.62	8.77	Increased by 15.53 percentage points

Explanation on the main businesses by segment, product and region

✓ Applicable ☐ Not Applicable

Environmental protection service and solid waste treatment represent waste incineration power generation; power generation represents straw electricity generation.

(2) Analysis of production and sales
☐ Applicable ✓ Not Applicable

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(3) Cost analysis table

Unit: RMB

Particulars by segment							
By segment	Item relating to cost composition	Amount in the current period	Percentage to the total cost for the period (%)	Amount for the corresponding period last year	Percentage of the total cost for the corresponding period last year (%)	Percentage changes in the amount for the period as compared to that of the corresponding period last year (%)	Explanation
Environmental protection service	Staff cost	118,975,412.77	25.39%	98,293,301.98	30.12%	21.04%	Increase in the number of employees and wages
Environmental protection service	Environmental protection fee	79,130,697.49	16.89%	56,469,795.64	17.31%	40.13%	Increased operating projects and improved environmental requirements
Environmental protection service	Amortization of intangible assets	73,880,563.10	15.77%	67,038,806.83	20.54%	10.21%	Increase in operating projects
Environmental protection service	Material fee	48,263,100.46	10.30%	34,067,526.92	10.44%	41.67%	Increase in operating projects and increase in overhaul expenses
Electricity production	Staff cost	8,781,000.14	1.87%	1,193,732.86	0.37%	635.59%	The project has been in operation since November 2017
Electricity production	Straw fuel and material procurement	60,562,041.79	12.92%	6,218,754.63	1.91%	873.86%	The project has been in operation since November 2017
Electricity production	Amortization of intangible assets	8,938,827.97	1.91%	1,487,399.76	0.46%	500.97%	The project has been in operation since November 2017

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

Particulars by product

By product	Item relating to cost composition	Amount in the current period	Percentage to the total cost for the period (%)	Amount for the corresponding period last year	Percentage of the total cost for the corresponding period last year (%)	Percentage changes in the amount for the period as compared to that of the corresponding period last year (%)	Explanation
Solid waste treatment	Staff cost	118,975,412.77	25.39%	98,293,301.98	30.12%	21.04%	Increase in the number of employees and wages
Solid waste treatment	Environmental protection fee	79,130,697.49	16.89%	56,469,795.64	17.31%	40.13%	Increased operating projects and improved environmental requirements
Solid waste treatment	Amortization of intangible assets	73,880,563.10	15.77%	67,038,806.83	20.54%	10.21%	Increase in operating projects
Solid waste treatment	Material fee	48,263,100.46	10.30%	34,067,526.92	10.44%	41.67%	Increase in operating projects and increase in overhaul expenses
Straw power generation	Staff cost	8,781,000.14	1.87%	1,193,732.86	0.37%	635.59%	The project has been in operation since November 2017
Straw power generation	Straw fuel and material procurement	60,562,041.79	12.92%	6,218,754.63	1.91%	873.86%	The project has been in operation since November 2017
Straw power generation	Amortization of intangible assets	8,938,827.97	1.91%	1,487,399.76	0.46%	500.97%	The project has been in operation since November 2017

Description on other situations of cost analysis

☐ Applicable ✓ Not Applicable

(4) Major customers and suppliers

✓ Applicable ☐ Not Applicable

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

Relations with customers

The customers of the Group mainly comprise the municipal administrative authorities of the local governments and power grid companies. Pursuant to the "Concession Agreement" entered into between the Group and the municipal administrative authorities of the local governments, the Group provides waste treatment service to the municipal administrative authorities and receives waste treatment fee. The amount of processed waste is measured with the equipment monitored by both parties, and the waste treatment standards are in line with the relevant technical and emission standards. The "Concession Agreement" stipulates the waste treatment fee, which will be reviewed and adjusted on a regular basis, and settled monthly or every several months. The Group is dedicated to provide quality and professional waste treatment service to municipal administrative authorities of the local governments, so as to improve urban environment and establish a brand image.

Pursuant to the "Electricity Sale and Purchase Agreement" entered into by the Group and the power grid companies, the Group sells the electricity it generated (net of those for self-consumption) to the power grid companies and receives sales revenue. The unit price of electricity is based on the unified price issued by the National Development and Reform Commission. The on-grid electricity is measured by electric meters approved by both parties and the fee will be settled monthly or every several months.

Sales to the Group's largest customer amounted to RMB149,421,200, accounting for 14.16% of the total sales for the year. Sales to the Group's five largest customers amounted to RMB477,132,200, accounting for 45.22% of the total sales for the year, in which sales to related parties was RMB0.00, accounting for 0.00% of the total sales for the year.

Relations with suppliers

The Group mainly procures various kinds of equipment, construction and installation services and consumables. The Group maintains a database of suppliers and, in accordance with the procurement procedures and policies it established, selects suppliers publicly based on their merits through bidding and other procedures as permitted by laws. The Group will enter into procurement contracts with the selected suppliers and make payment at the time the suppliers provide products or services. The Group values the relationship with suppliers and has established long term cooperation with them based on the principles of "fairness and mutual benefits".

Purchases from the Group's largest supplier amounted to RMB393,548,100, accounting for 21.42% of the total purchases for the year, mainly providing construction services for Tongzhou, Shantou and Zhangqiu projects. Purchases from the Group's five largest suppliers amounted to RMB652,292,200, accounting for 35.50% of the total purchases for the year, in which purchases from related parties was RMB0.00, accounting for 0.00% of the total purchases for the year.

Other Explanation

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

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

3. Expenses

✓ Applicable ☐ Not Applicable

(1) *Administrative expenses*
During the Reporting Period, the administrative expenses of the Group amounted to approximately RMB112,904,942.74 (corresponding period in 2017: RMB97,115,350.57), which accounted for approximately 10.70% (corresponding period in 2017:12.37%) of the operating income of Group.

(2) *Finance costs*
During the Reporting Period, the finance costs for the Group amounted to RMB208,520,625.74, representing an increase of approximately RMB55,583,718.56 over the previous year. This was mainly due to an increase in bank borrowings as required by the construction projects.

(3) *Income tax expenses*
During the Reporting Period, the income tax expenses of the Group amounted to approximately RMB35,648,942.08 (2017: RMB49,208,059.48), accounting for approximately 11.56% (2017: 19.25%) of total profit of the Group. The ratio of income tax expenses to total profit decreased mainly because of the deferred tax assets generated by the deductible losses.

4. R&D investment

Table of R&D investment

✓ Applicable ☐ Not Applicable

Unit: RMB

Expense-type research and development expenses for the current period	13,150,331.97
Capitalised research and development expenses for the current period	0
Total R&D expenditures	13,150,331.97
Proportion of total research and development expenses to the revenue (%)	1.25%
Number of R&D staff	31
Percentage of R&D staffs to the total staffs of the Company (%)	1.57%
Percentage of capitalised R&D investment (%)	0

Explanation

☐ Applicable ✓ Not Applicable

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

5. Cash flows

✓ Applicable ☐ Not Applicable

Unit: RMB

Item	From the beginning of the year to the end of the reporting period (January to December)	Corresponding period last year	Amount of change	Change (%)	Main reason
Cash received from sale of goods, rendering of services and the Build-Operate-Transfer ("BOT") projects and the Build-Transfer ("BT") projects	1,159,829,740.08	941,622,039.04	218,207,701.04	23.17	Increase in operating income
Increase of principal of BOT and BT long-term receivables	717,017,878.55	636,327,960.41	80,689,918.14	12.68	Increased projects under construction in this period
Cash paid for other operating activities	84,246,726.44	50,150,117.59	34,096,608.85	67.99	Increased retention money payment and operating expenses in the current period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	880,476,896.80	377,942,310.02	502,534,586.78	132.97	Increase in the number of projects under construction in the current period
Cash paid for acquisition of subsidiaries	439,238,742.38		439,238,742.38	100.00	Acquisition of Promising and Huludao Company in the current period
Cash paid for acquisition of a associate	62,224,489.80		62,224,489.80	100.00	Investment in Fengcheng Company(a joint venture) in the current period
Cash received from investments	62,012,939.95		62,012,939.95	100.00	
Including: Cash received from non-controlling shareholders of subsidiaries	62,012,939.95		62,012,939.95	100.00	Investment from non-controlling shareholders of Huludao Company, Haining Expansion Project Company and Yichun Company
Cash received from IPO	382,298,000.00		382,298,000.00	100.00	Equity financing from IPO
Cash received from loans	2,245,454,431.14	1,631,815,591.45	613,638,839.69	37.60	Increased borrowing from banks and BSAM in the current period

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(II) Explanation of major changes in profit due to non-main operations

☐ Applicable ✓ Not Applicable

(III) Analysis of assets and liabilities

✓ Applicable ☐ Not Applicable

1. Assets and liabilities

Unit: RMB

Item	Amount as at the end of the current period	Percentage of amount as at the end of the current period to total assets (%)	Amount as at the end of the prior period	Percentage of amount as at the end of the prior period to total assets (%)	Change of amount as at the end of the current period to amount as at the end of the prior period (%)	Explanation
Bills receivable and accounts receivable	**248,050,713.81**	**2.35**	139,070,371.30	2.04	78.36	
Including: Bills receivable	**16,329,816.00**	**0.15**	1,188,000.00	0.02	1,274.56	Mainly due to the recovery of the bills in the Anshun, Jizhou and Ninghe Projects in the current period
Accounts receivable	**231,720,897.81**	**2.20**	137,882,371.30	2.02	68.06	Mainly due to the increase in projects under operation and the extension of settlement period
Prepayments	**35,883,159.32**	**0.34**	10,665,860.03	0.16	236.43	Mainly due to the increased prepayment for purchases
Other receivables	**67,278,534.97**	**0.64**	43,025,535.20	0.63	56.37	Mainly due to the increased loans to Fengcheng Company
Inventories	**20,094,393.80**	**0.19**	13,468,671.92	0.20	49.19	Mainly due to increased operating projects and corresponding increase in turnover materials
Other current assets	**138,886,404.79**	**1.32**	73,146,086.71	1.07	89.88	Mainly due to the increase in deductible value-added tax
Long-term receivables	**3,836,000,876.02**	**36.39**	2,851,455,610.55	41.87	34.53	Mainly due to the increase in projects under construction
Long-term equity investments	**31,222,775.27**	**0.30**	0	0.00	100.00	Investment in Fengcheng Company in the current period
Fixed assets	**49,538,030.79**	**0.47**	11,222,619.07	0.16	341.41	Mainly due to the acquisition of Promising
Intangible assets	**4,411,246,358.86**	**41.84**	2,250,956,146.38	33.05	95.97	Mainly due to the increase of projects under construction in the current period and business combinations involving entities not under common control in the current period

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

Item	Amount as at the end of the current period	Percentage of amount as at the end of the current period to total assets (%)	Amount as at the end of the prior period	Percentage of amount as at the end of the prior period to total assets (%)	Change of amount as at the end of the current period to amount as at the end of the prior period (%)	Explanation
Goodwill	**43,910,821.67**	**0.42**		0.00	N/A	Deriving from the acquisition of Huludao Company under business combinations involving entities not under common control in the current period
Other non-current assets	**696,623,019.55**	**6.61**	515,636,575.91	7.57	35.10	Mainly due to the increase in prepayment for construction and equipment
Short-term loans	**854,000,000.00**	**8.10**	310,154,600.00	4.55	175.35	Increased borrowings from BSAM in the current period
Bills payable and accounts payable	**900,854,708.97**	**8.55**	480,416,745.67	7.05	87.52	
Including: accounts payable	**900,854,708.97**	**8.55**	480,416,745.67	7.05	87.52	Due to increased payables for the purchase of materials, equipment as a result of the increase in projects under construction
Contract liabilities	**6,145,947.92**	**0.06**		0.00	N/A	Electricity fees received in advance
Employee benefits payable	**76,002,585.39**	**0.72**	52,761,417.16	0.77	44.05	Increased bonuses and salary as a result of the increase in headcount in the current period
Other payables	**369,910,815.21**	**3.51**	50,690,875.83	0.74	629.74	
Including: Interest payable	**14,141,187.13**	**0.13**	10,553,478.35	0.15%	34.00	Increased unpaid interests at the end of the period as a result of an increase in borrowings
Dividends payable			1,287,651.80	0.02%	N/A	Already paid in the current period
Other payables	**355,769,628.08**	**3.37**	38,849,745.68	0.57%	815.76	Mainly due to the increase in unpaid amounts for equity acquisition
Non-current liabilities due within one year	**539,592,998.16**	**5.12**	364,932,684.97	5.36	47.86	Mainly due to the increase in long-term loans due within one year
Long-term loans	**4,390,551,321.62**	**41.65**	2,914,085,622.20	42.79	50.67	Increased bank borrowings in the current period
Deferred tax liabilities	**109,709,057.59**	**1.04**	29,602,706.45	0.43	270.60	Mainly due to assets appraisal appreciation as a result of the acquisition of Promising and Huludao Company under business combinations involving entities not under common control

Other explanation

Nil

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

2. Assets with restrictive ownership title or right of use as at the end of the Reporting Period

✓ Applicable ☐ Not Applicable

Item	Carrying amount at the end of the period (RMB)	Carrying amount at the beginning of the period (RMB)	Reason for restriction
Cash at bank and on hand	76,757,520.00	29,200,000.00	Used for issuing performance bond
Intangible assets	2,609,152,080.47	1,377,340,726.06	Providing guarantees for loans
Accounts receivable	157,661,328.79	81,476,656.43	Providing guarantees for loans
Long-term receivables due within one year	23,565,132.64	17,810,034.34	Providing guarantees for loans
Long-term receivables	1,391,320,745.16	885,252,044.73	Providing guarantees for loans
Total	4,258,456,807.05	2,391,079,461.56	

3. Other explanation

✓ Applicable ☐ Not Applicable

(1) *Financial resources and liquidity*

The Group adopts prudent principles in cash and financial management to ensure proper risk management and reduction in costs of fund. It finances its operations primarily from cash flow generated internally and loans from principal banks. As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB683,978,483.72, representing an increase of RMB18,686,114.50 as compared to RMB665,292,369.22 at the end of 2017. The cash balance increased as compared with last year mainly because the cash inflows generated from financing activities exceeded the cash outflows generated from project construction. As at 31 December 2018, the Group's gearing ratio increased from 67.19% at the end of 2017 to 72.22%.

(2) *Capital management*

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can provide returns for its shareholders while maintaining the best capital structure to reduce capital costs. The Group makes use of its gearing ratio for the management of capital structure. The ratio is calculated based on the total liabilities.

The Group's capital structure is managed on the basis of the gearing ratio. Gearing ratios is defined as total liabilities divided by total assets. During the 12 months ended 31 December 2018, the Group's strategy remained unchanged from 2017. As at 31 December 2018 and 31 December 2017, the gearing ratios of the Group were 72.22% and 67.19% respectively.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(3) *Loans and borrowings and pledge of assets*

As of 31 December 2018, the Group had total outstanding borrowings of approximately RMB5,776,854,612.13, representing an increase of RMB2,199,556,108.39 as compared to RMB3,577,298,503.74 at the end of 2017. The borrowings included secured loans of RMB4,739,854,612.13 and unsecured loans of RMB1,037,000,000.00. The Group's borrowings were denominated in Renminbi and Hong Kong dollars. Most of the Group's borrowings were at floating rates. As of 31 December 2018, the Group had composite banking credit facilities in the amount of RMB9,896,491,000.00, of which RMB3,622,492,544.07 had not been utilised. The composite banking credit facilities had terms ranging from 1 year to 15 years. The Group currently does not have any interest rate hedging policies. However, the management team keeps monitoring the Group's interest rate risks and would consider other necessary actions when significant interest rate risks are anticipated. Certain receivables and operating rights in connection with the Group's service concession arrangements (including intangible assets, long-term receivables, long-term receivables due within one year, and accounts receivable) were pledged under the banking credit facilities. The book value of the pledged receivables and operating rights amounted to approximately RMB3,615,492,544.07 as at 31 December 2018.

(4) *Contingent liabilities*

The Company has issued financial guarantees to banks in respect of the banking credit facilities granted to certain subsidiaries. The Board of the Company does not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2017 and 31 December 2018 under the guarantees was the credit facility drawn down by the subsidiaries of RMB2,310,027,316.83 and RMB2,845,159,102.65 respectively.

(5) *Commitments*

As at 31 December 2017 and 31 December 2018, the Group's outstanding purchase commitments in relation to the construction contracts which had not been provided for in the Group's financial statements were RMB2,193,993,914.87 and RMB3,140,925,730.64 respectively.

The total future minimum lease payments under non-cancellable operation leases are payable as follows:

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
Within 1 year	**2,421,278.00**	728,382.00
Over 1 year but within 2 years	**152,370.00**	211,788.00
Over 2 years but within 3 years (inclusive)	**4,400.00**	–
Total	**2,578,048.00**	940,170.00

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(IV) Analysis for industrial operation information

✓ Applicable ☐ Not Applicable

Analysis of operation information in the environmental protection industry

1 *Air pollution control*

(1) Main business model and upstream and downstream information
☐ Applicable ✓ Not applicable

(2) Product sales and orders
☐ Applicable ✓ Not applicable

(3) Project operation
☐ Applicable ✓ Not applicable

2 *Solid waste treatment*

(1) Project operation
✓ Applicable ☐ Not applicable

Unit: RMB'0,000

Project name	Place	Type of solid waste	Total investment	Designed capacity (tons/day)	Capacity utilisation rate (%)	Date of operation commencement	Project status	Term of concession rights	Critteria for waste treatment fees
Wuhan Project	Wuhan, Hubei	Municipal waste	40,555	1,000	124	August 2013	Completed	27 years	68
Anshun Project	Anshun, Guizhou	Municipal waste	37,868	700	136	July 2015	Completed	30 years (from the operation commencement date of the renewable energy power plant after its completion)	70
Huizhou Project	Huizhou, Guangdong	Municipal waste	56,857	1,200	112	May 2016	Completed	30 yearst	90.77

Note: Unless otherwise specified, the term of the concession rights includes the construction period, the same below.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(2) Power generation business

✓ Applicable ☐ Not applicable

Unit: RMB

Project name	Electricty generation efficiency	Volume of electricity generated	On-grid tariff (RMB/kWh)	Subsidy policy	Term of concession rights
Wuhan Project	99%	15,581.74	0.65	Note	27 years
Anshun Project	100%	10,464.54	0.66	Note	30 years (from the operation commencement date of the renewable energy power plant after its completion)
Huizhou Project	97%	20,322.05	0.54	Note	30 years

Note: According to the Notice on Improving the Pricing Policy of Waste Incineration Power Generation from the NDRC (Fa Gai Jia Ge [2012] No. 801) (《國家發展改革委關於完善垃圾焚燒發電價格政策的通知》(發改價格 [2012]801號)), for waste-to-energy projects using municipal waste as raw materials, the portion not exceeding on-grid electricity of 280 kWh per ton of municipal waste implements a national waste-to-energy benchmark on-grid price of RMB0.65 per kWh (inclusive of tax). The portion of waste-to-energy benchmark price exceeding on-grid benchmark tariff of local desulfurization coal-fired electricity generation units is subject to two-tier sharing. Of which, the local provincial power grid bears at a rate of RMB0.1 per kWh, being the "provincial subsidies"; while the remaining portion is included in the nationally collected additional subsidies for renewable energy tariff, being the "national subsidies".

(3) Equipment situation

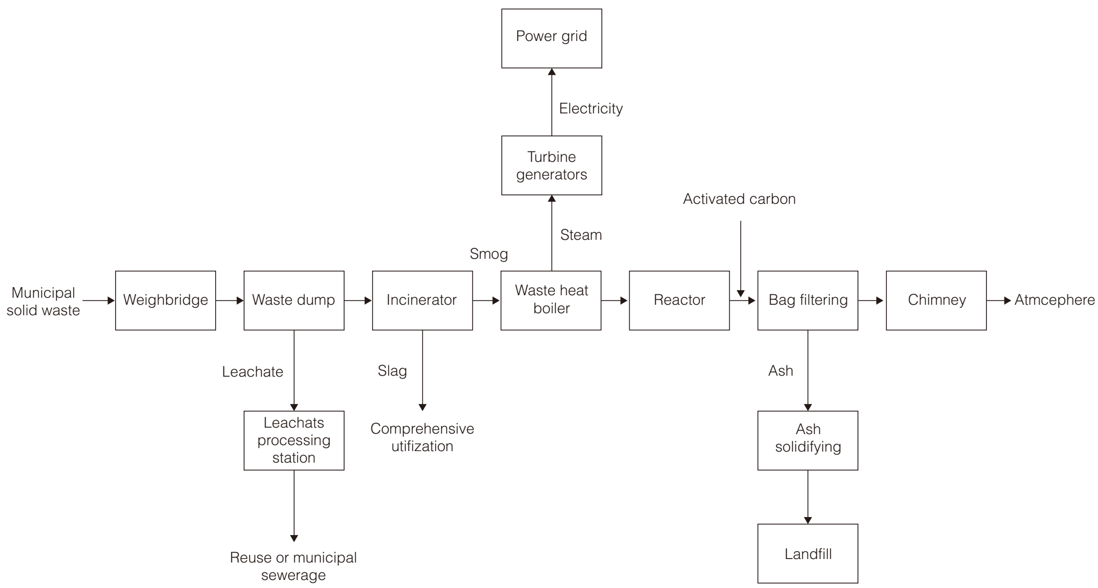
Project name	Incineration equipment	Power Equipment	Flue gas treatment system	Procurement method and the ratio of equipment depreciation or amortization amount to the total cost of the project
Wuhan Project	3X350 expeller grate waste incinerator	1X12MW+1X6MW Turbine generators	Denitration, semi-dry lime deacidification, dry deacidification, activated carbon injection device and bag filter in SNCR furnace	Note
Anshun Project	2X350 expeller grate waste incinerator	1X12MW Turbine generators	Denitration, semi-dry lime deacidification, activated carbon injection device and bag filter in SNCR furnace	Note
Huizhou Projet	3X400 expeller grate waste incinerator	1X15MW+1X9MW Turbine generators	Denitration, semi-dry lime deacidification, dry deacidification, activated carbon injection device and bag filter in SNCR furnace	Note

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

Note: The incinerator used in the above projects is manufactured by a third party commissioned by the Company, and the Company owns their intellectual property rights. Except for the incinerator, other equipment is purchased. "The ratio of equipment depreciation or amortization amount to the total cost of the project" is not applicable. The Company's construction expenditure on BOT projects is recognized as financial assets and intangible assets according to the accounting standards of enterprises.

(4) Main processes and technologies

The specific process of waste incineration power plant is illustrated in the following diagram:



The core equipment of the waste incineration power generation system is incinerator. The Company mainly uses the self-developed three-drive expeller grate waste incinerator. The incinerator has a unique integrated three-stage design. Its drying and burning configuration are equipped with independent driving mechanism. It can flexibly adjust the running speed of each section according to the combustion condition, which can better control the distribution of the fire bed, so that the ash slag has a lower thermal burn rate.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(5) Qualifications

No.	Project Company	Qualifications required to conduct business	Issuing authority	Validity period
1	Changzhou Company	Municipal Domestic Waste Management Disposal Service License	Changzhou City Administration (常州市城市管理局)	2015.11.26-2030.12.30
2	Haining Company	Municipal Domestic Waste Management Disposal Service License	Haining Comprehensive Administrative Enforcement Bureau (海甯市綜合行政執法局)	2016.2.29-2021.2.28
3	Pingyang Company	Municipal Domestic Waste Management Disposal Service License	Pingyang County Housing and Urban-Rural Planning and Construction Bureau (平陽縣住房和城鄉規劃建設局)	2017.6.8-2019.6.7
4	Yongjia Company	Municipal Domestic Waste Management Disposal Service License	Yongjia County Comprehensive Administrative Law Enforcement Bureau (永嘉縣綜合行政執法局)	2017.7.5-2022.7.4
5	Wuhan Company	Municipal Domestic Waste Management Disposal Service License	Wuhan City Management Committee (武漢市城市管理委員會)	2015.9.2-2033.11.9
6	Rushan Company	Municipal Domestic Waste Management Disposal Service License	Rushan Urban and Rural Construction Bureau (乳山市城鄉建設局)	2016.12.5-2019.12.4
7	Taizhou Company	Municipal Domestic Waste Management Disposal Service License	Taizhou City Administration (泰州市城市管理局)	2017.5.17-2027.5.16
8	Anshun Company	Municipal Domestic Waste Management Disposal Service License	Anshun Xixiu District City Administration (安順市西秀區城市管理局)	2017.9.22-2019.9.21
9	Huizhou Company	Municipal Domestic Waste Treatment Service License	Huizhou City, Huiyang District City Environmental Health Administration (惠州市惠陽區市容環境衛生管理局)	2013.1.23-2043.1.22
10	Jixian Company	Municipal Domestic Waste Treatment Service License	Tianjin Cityscape and Garden Management Committee (天津市市容和園林管理委員會)	2018.3.14-2046.5.2
11	Jurong Company	Municipal Domestic Waste Management Disposal Service License	Jurong City Administration (句容市城市管理局)	2017.3.20-2032.3.31
12	Bengbu Company	Municipal Domestic Waste Management Disposal Service License	Handan City Management Administrative Law Enforcement Bureau (蚌埠市城市管理行政執法局)	2018.1.12-2019.1.11

(6) Market share

According to the latest information disclosed in the China Statistical Yearbook, the waste incineration capacity in 2017 was 84,633,000 tons in China. In 2017, the Company's waste incineration treatment was 3,658,200 tons, accounting for 4.32% of the total treatment amount.

3 *Environmental rehabilitation business*

☐ Applicable ✓ Not Applicable

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(V) Investment analysis

1. *Overall analysis of external equity investments*
✓ Applicable ☐ Not Applicable

Unit: RMB0'000

Equity investments during the Reporting Period	Equity investments during the corresponding period last year	Change year-on-year %
129,442.28	26,850	382

(1) Material equity investments
✓ Applicable ☐ Not Applicable

Name of investee	Principal business	Way of equity investment	Amount of Investment (RMB)	Shareholding	Source of funding	Partner	Term of investment	Type of product	Expected returns	Gains or losses from investment during the period	Lawsuit is involved or not
Huludao Company	Treatment of hazardous waste	Acquisition	130,000,000	80%	Internal funds	Fan Jie					No
Haining Dynagreen Haiyun Environmental Energy Co., Ltd. (海寧綠動海雲環保能源有限公司)	Municipal waste-energy	Establishment	234,000,000	60%	Internal funds	Haining Municipal Water Investment Group Co., Limited (海寧市水務投資集團有限公司)					No
Guangdong Promising Environmental Protection Company Limited	Municipal waste treatment	Acquisition	610,000,000	100%	Internal funds						No

On 23 August 2018, the Company entered into an acquisition agreement with an independent third party, pursuant to which the Company acquired 100% equity interest in Guangdong Promising Environmental Protection Company Limited for a total consideration of RMB610,000,000. As at the end of the Reporting Period, the transaction has been completed, and the financial position of the subject company did not have material deviation.

On 21 September 2018, the Company entered into a joint venture agreement with an independent third party, pursuant to which the Company and the independent third party jointly established Haining Dynagreen Haiyun Environmental Energy Co., Ltd. (海寧綠動海雲環保能源有限公司) (the "Project Company"), which will invest, construct and operate the Expansion of Haining Waste-to-Energy Power Plant under the support of Haining Municipal Government. The registered capital of the Project Company is RMB390,000,000, to which the Company contributed RMB234,000,000, accounting for 60% of the total contribution.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(2) Material non-equity investments
✓ Applicable ☐ Not Applicable

Name of project	Source of funding	Investment during the Reporting Period (RMB'0,000)	Accumulated investment (RMB'0,000)	Project progress
Tongzhou Project	Self-financing and borrowings	12,266.13	89,766.30	Trial operation in August 2018
Ninghe Biomass Project	Self-financing and borrowings	2,225.34	19,931.64	Trial operation in August 2018
Shantou Project	Self-financing and borrowings	34,922.24	47,304.17	Trial operation in March 2019
Zhangqiu Project	Self-financing and borrowings	28,121.09	30,724.96	64.86%
Bobai Project	Self-financing and borrowings	15,455.09	18,335.39	64.33%

(3) Details of future material investment and capital assets planning
As at 31 December 2018, save for the investment or construction of the waste-to-energy projects won by the Company through tender as announced in prior announcements and described in this annual report, the Group had no plan for material investment or acquisition of capital assets. However, the Company will actively pursue opportunities for investments in its ordinary course of business in order to enhance its profitability.

(4) Financial assets measured at fair value
☐ Applicable ✓ Not Applicable

(VI) Material disposal of assets and equity

☐ Applicable ✓ Not Applicable

(VII) Analysis of major companies controlled or invested by the Company

✓ Applicable ☐ Not Applicable

Unit: RMB'0,000

Name of company	Principal business	Regisered capital	Total assets	Net assets	Net profit	Operating income	Operating profit
Huizhou Company	Waste treatment and power generation	22,000	70,343.87	31,541.59	7,388.83	13,799.05	7,530.48
Wuhan Company	Waste treatment and power generation	12,948.4	44,526.01	28,112.08	5,299.51	10,381.50	6,122.93
Anshun Company	Waste treatment and power generation	10,000	45,003.62	20,417.39	8,135.04	10,588.93	8,675.17
Tongzhou Company	Waste treatment and power generation	37,500	132,147.85	34,241.28	1,748.50	8,059.78	2,381.95

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(VIII) Structured entities controlled by the Company

☐ Applicable ✓ Not Applicable

III. Discussion and analysis of the Company's future development

(I) Industry pattern and trends

✓ Applicable ☐ Not Applicable

China is currently in a critical period of ecological civilization building with much pressure. It is impressive for fully strengthening the protection of the ecological environment to win the battle of environmental pollution prevention and control. In June 2018, the Central Committee of the Communist Party of China and the State Council promulgated the Opinion on Strengthening Ecological Environment Protection in a Comprehensive Manner to Facilitate Pollution Prevention and Control (《關於全面加強生態環境保護堅決打好污染防治攻堅戰的意見》), which emphasizes on making solid progress in land protection and targets to attain a full coverage of all urban and county-level municipal waste treatment capacities and basically complete the rectification of all improper garbage dumping points by 2020 while promoting the utilisation of waste resources and developing waste-to-energy business. In July, the National Development and Reform Commission (NDRC) issued the Opinion on Innovation and Improvement of the Price Mechanism for Promoting Green Development (《關於創新和完善促進綠色發展價格機制的意見》), and proposed to improve the charging mechanism for solid waste disposal. Cities and towns across the country will fully establish a domestic waste disposal charging system by the end of 2020. The establishment of a rural waste disposal charging system will also be explored. 2019 will also be the crucial year for the achievement of the targets set up in the "13th Five-Year Plan" for National Construction Plan for Municipal Waste Detoxification Treatment Facilities (《「十三五」全國城鎮生活垃圾無害化處理設施建設規劃》).

Therefore, the waste-to-energy industry in the PRC is still in a promising period full of opportunities, while the competition remains fierce in the industry. With the heavy-asset nature of the waste-to-energy industry and against the backdrop of the mitigation of major financial risks and de-leveraging in the country, financing ability will be of greater importance to the sustainable development of enterprises in the industry.

(II) Company development strategy

✓ Applicable ☐ Not Applicable

With the corporate mission of "creating a beautiful living environment", the Company will manage to seize the opportunity of the industry development by fully leveraging on its advantages in the aspects of brand, technology, talent team and financing channels, and continue to penetrate into the waste-to-energy sector, so as to consolidate its leading position in the industry. Meanwhile, the Company will strengthen technology R&D and innovation, establish project construction management standards, enhance project operation and management level, improve internal management system to keep its comprehensive strength ranking top in the industry.

(III) Business plan

✓ Applicable ☐ Not Applicable

The Company will continue to accelerate the preparation and construction of projects. In particular, the Bobai Project and Zhangqiu Project will be completed in the year, the Anshun Project Phase II and Shantou Project Phase II will be completed and put into operation by the end of the year, and 70%, 70%, 80%, 70% and 85% of the total construction volume of Fengcheng, Yichun, Huizhou Phase II Project, Haining Expansion and Hongan Projects will be completed by the end of the year respectively. The Company will also strive to commence the construction of the Yongjia Phase II Project, Shishou Project, Huludao Project, Dengfeng Project and Tongzhou Phase II Project in the year.

The internal business segments of the Company will be optimized and integrated to establish a unified business development team. The Company will increase efforts for market expansion as well as investment and mergers and acquisitions through a combination of new project development, existing project expansions and project mergers and acquisitions.

(IV) Potential risks and measures adopted

✓ Applicable ☐ Not Applicable

1. Risk of industry policies

The waste-to-energy industry is greatly affected by industry policies. Pursuant to the Renewable Energy Law of the PRC (《中華人民共和國可再生能源法》) (as amended in 2009), the government implements a full coverage purchase system for renewable energy power generation. Pursuant to the Notice on Improving the Pricing Policy of Waste Incineration Power Generation from the NDRC (Fa Gai Jia Ge [2012] No. 801) (《國家發展改革委關於完善垃圾焚燒發電價格政策的通知》) (發改價格[2012] 801號) issued by the NDRC on 28 March 2012, the waste-to-energy projects are converted into on-grid electricity based on the volume of waste treatment received in the plants with a conversion ratio of 280 kWh per ton of municipal waste. The part that does not exceed the above-mentioned amount of electricity implements a national waste-to-energy benchmark price of RMB0.65 per kWh (inclusive of tax). The part that exceeds the above-mentioned amount of electricity implements the on-grid tariff for the local coal-fired generating units. All the waste-to-energy projects approved after 2006 shall follow such regulation. In the future, if the government reduces its support for the waste-to-energy industry, the operations, profitability and cash flows of the Company may be adversely affected.

The Group will pay close attention to policy developments and convey our desire to maintain policy stability through industry organizations. When negotiating a franchise agreement, we will set up corresponding terms, through which, if there is a major change in the external policy, the loss can be compensated by raising the garbage disposal fee.

2. Risk of environmental protection policies

The waste-to-energy business conducted by the Company is strictly regulated by the environmental protection departments at all levels in the country. In recent years, the environmental pollution problems have become increasingly prominent in the PRC. On the one hand, the government has introduced favourable policies to support the rapid development of the environmental protection industry, and on the other hand, it has also strengthened the supervision on the environmental protection industry. The Company operates in strict compliance with the relevant requirements of the environmental protection departments. As the government has been raising the environmental protection standards, the Company's investment in environmental protection will correspondingly increase, which may adversely affect the operations, profitability and cash flows of the Company.

The Group will increase power generation through technology research and development and facility renovation to offset the adverse impact of rising costs in environmental protection.

3. Risk of tax policies

The Company and its subsidiaries rely on the government's policies in respect of the environmental protection industries to enjoy tax incentives for certain taxes such as corporate income tax and value-added tax. From 2016 to 2018, the Company enjoyed total tax incentives of RMB102.863 million, RMB91.9444 million and RMB115.782 million respectively, accounting for 40.60%, 35.95% and 38.63% of the total profit of the Company for the year. If the country reduces the tax incentives for the environmental protection industries in the future, the operations, profitability and cash flows of the Company may be adversely affected.

The Group will pay close attention to policy developments and convey our desire to maintain policy stability through industry organizations. When negotiating a franchise agreement, we will set up corresponding terms, through which, if there is a major change in the external policy, the loss can be compensated by raising the garbage disposal fee.

4. Risk of negative public perceptions on waste-to-energy business

The public may have a negative view on waste-to-energy business. The public may be worried that the construction and operation of the projects may cause secondary pollution to the surrounding environment. To this end, the NDRC added a social stability risk assessment procedure in the project approval procedures, and the Ministry of Environmental Protection also strengthened the requirements for environmental impact assessment and further regulated the environmental impact assessment hearings and public investigation procedures. The "Not in My Back Yard" effect and the strict regulatory policies of the government intensify the difficulty of project site selection, leading to an increase in project preparation time and costs. If the negative public perceptions on waste-to-energy business are further aggravated in the future, the profitability of the Company may be adversely affected as a result of increased difficulty of operation.

The Group will discharge pollutants strictly according to environmental protection standards and will publish emission data to public. The Group will organize community residents to visit the waste-to-energy plants operated by the Group to provide the public with a deeper understanding of waste-to-energy business.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

5. Risk of unstable supply and calorific value of municipal solid waste

The operating efficiency of a waste-to-energy plant depends on the supply and calorific value of municipal solid waste. Municipal solid waste is mainly transported by the local government to the waste-to-energy plant of the Company by land transportation. The supply is mainly affected by the local waste collection system and population. If the local government lacks or fails to establish a complete waste collection and delivery system on time, it will not be able to supply the Company with continuous and stable supply of municipal solid waste, which may result in insufficient capacity utilisation of the Company. In addition, the calorific value of waste will also affect the amount of electricity generated by waste-to-energy plants. If the calorific value of municipal solid waste is insufficient, the amount of electricity generated cannot be guaranteed. Therefore, the instability of the supply and calorific value of municipal solid waste may affect the operational efficiency of the waste-to-energy plants of the Company, which will adversely affect the operations and profitability of the Company.

Before the operation of the project, the Group conducts a full evaluation and analysis of the quantity and calorific value of the wastes provided by the government to ensure that wastes are provided in accordance with the quantity and quality reasonably agreed in the concession agreement. In the case of insufficient quantity of garbage and insufficient calorific value, the Group will actively search for domestic garbage and pollution-free fuel in the garbage supply area and surrounding areas to assist combustion. In addition, the Group has agreed in the concession agreement that if the amount of garbage is lower than the guaranteed value, the government will pay the fee at the guaranteed value.

6. Risk of cost overruns and delays in the construction of the BOT projects of the Company

The cost and progress of the project construction are affected by a number of unfavourable factors, including price fluctuations in construction materials, equipment and components, shortages in equipment, materials or manpower, strikes and labour disputes, unexpected engineering, design, environmental or geological issues, impact of infrastructure facilities, unexpected increase in costs, the "Not in My Back Yard" effect and others. These factors may be beyond the control of the Company, which may lead to cost overruns and delays in the construction of the BOT projects of the Company, which may in turn result in the Company's failure to achieve the expected returns and adversely affect the operations and financial conditions of the Company.

The Group pays attention to the establishment of a harmonious relationship with the government agencies related to the project and urges the government to complete all legal procedures and ancillary infrastructure facilities of the project. The Group clearly stipulated in the concession agreement that if the project construction conditions are not reached, or the project is suspended, the construction period is delayed, and the cost is increased due to the reasons caused by the government, then the government should compensate the project investors accordingly. In addition, the Group selects suppliers preferentially, requiring construction units to attach great importance to project construction, increase investment in personnel and equipment, and form a strong project management team.

7. Risk of substandard performance in environmental protection

In the course of project construction and operation, the Company may be subject to environmental pollution risks such as air pollution, noise pollution, harmful substances, sewage and solid waste discharge. Although the Company has adopted measures such as waste gas purification, waste water and solid waste treatment and noise prevention to avoid or minimize the potential adverse impact of its projects on the environment, environmental pollution risks may still exist due to equipment failures or human errors in the actual production and operation processes of the project companies, which may adversely affect the operations, brand reputation and profitability of the Company.

The Group attaches great importance to environmental protection compliance, starting with corporate culture, management system, financial budget as well as supervision and assessment to ensure that our emissions meet the standards.

(V) Other disclosure

☐ Applicable ✓ Not Applicable

IV. Description about the situation and the cause for the Company's not disclosing pursuant to relevant rules due to non-applicable rules, national secrets or special reasons

☐ Applicable ✓ Not Applicable

V. Other disclosure (disclosure pursuant to the requirements of the Stock Exchange Listing Rules)

(I) Total comprehensive income attributable to the shareholders of the Company

During the Reporting Period, the Group's total comprehensive income attributable to the shareholders of the Company was RMB274,753,383.55 (corresponding period in 2017: RMB200,692,975.95). The increase was mainly due to an increase in net profit.

(II) Foreign exchange risks and exchange gains and losses

The functional currency of the Group is Renminbi while a portion of funds raised by the Group from initial public offering is in the form of bank deposits denominated in Hong Kong dollars. Therefore, it may be subject to the risks of exchange rate fluctuations of the Renminbi and Hong Kong dollars. Apart from the above, most of the assets and transactions of the Group are denominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated in Renminbi, thus the Group is not exposed to any significant foreign exchange risks. The Group currently has no hedging policy with respect to the foreign exchange risks.

(III) Use of proceeds

The Company raised a total of HK$1,190.25 million of proceeds after the completion of the Global Offering (as defined in the prospectus of the Company dated 9 June 2014) of H Shares on 19 June 2014 and the completion of the exercise of the Over-allotment Option (as defined in the prospectus of the Company dated 9 June 2014) on 3 July 2014. The net proceeds amounted to HK$1,126 million after deducting various share issuance costs.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

As of the date of this annual report, HK$1,126 million had been utilised for the purpose stated in the ordinary resolution in relation to change of use of proceeds passed at the annual general meeting of 2017 held on 15 June 2018.

As approved by the Approval in Relation to the Initial Public Offering of Dynagreen Environmental Protection Group Co., Ltd. (Zheng Jian Xu Ke [2018] No. 746) (《關於核准綠色動力環保集團股份有限公司首次公開發行股票的批覆》(證監許可[2018] 746號)) issued by the CSRC, the Company issued 116.2 million A shares, which were listed on the Shanghai Stock Exchange on 11 June 2018. The par value per share was RMB1.00. The issue price was RMB3.29 per share, and the total proceeds were RMB382,298,000. After deducting the issuance expenses of RMB36,279,200, the net proceeds amounted to RMB346,018,800. The net proceeds per share were RMB2.98. On the date the terms of the A share offering were fixed (i.e. 18 May 2018), the market price of the H shares of the Company was HK$4.110.

Pursuant to the Prospectus for the Initial Public Offering of A Shares of the Company, the proceeds from the offering will be invested in the following items after deducting the issuance expenses as disclosed before:

Unit: RMB'0,000

No.	Item	Total investment	Proceeds invested
1	Tianjin Ninghe County Straw-fed Waste-to-Energy Project	24,893.00	8,000.00
2	Tianjin Ninghe County Biomass Power Project	25,437.35	8,000.00
3	Bengbu City Municipal Solid Waste-to-Energy Plant Project	50,401.44	8,601.88
4	Replenishment of working capital	–	10,000.00
	Total	100,731.79	34,601.88

As at the end of the Reporting Period, the proceeds of RMB100 million were used in the replenishment of working capital, and the proceeds of RMB246,018,800 were used to replace the self-raised funds invested in advance in the projects for which these proceeds should be used in August 2018. All proceeds have been used as intended.

(IV) Final dividend

The Board proposed to pay a dividend of RMB0.1 (before tax) per share for the year ended 31 December 2018 ("2018 Final Dividend"), totaling RMB116.12 million. According to the Articles of Association of the Company, the dividend shall be denominated and declared in Renminbi. The proposed Final Dividend is subject to approval by shareholders at the forthcoming annual general meeting ("AGM"). Dividend on domestic shares of the Company will be paid in Renminbi while dividend on H shares will be paid in Hong Kong dollars. The exchange rate shall be the average central parity rate of the applicable foreign exchange rate announced by the People's Bank of China for the seven days before and including the date of the AGM. The payment of 2018 Final Dividend is subject to the consideration and approval by shareholders at the AGM, which is expected to be declared before 1 August 2019.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011] 348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China and Hong Kong (or Macau). For the individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, i.e., any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominee Limited, other nominees, trustees, or holders of H shares registered in the name of other groups and organisations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008] 897號)). Should the holders of H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

(V) AGM

The AGM of the Company will be held on 5 June 2019 (Wednesday), while the notice of the AGM will be published and dispatched to shareholders of the Company in the manner as stipulated on the Stock Exchange Listing Rules when appropriate.

(VI) Closure of register of members

In order to determine the shareholders eligible to attend the AGM of the Company, the register of members of the Company will be closed from 6 May 2019 (Monday) to 5 June 2019 (Wednesday), both days inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H Share registrar, Tricor Investor Services Limited at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong time) on 3 May 2019 (Friday), being the last share registration date.

In order to determine the shareholders entitled to the 2018 Final Dividend, the register of members of the Company will be closed from 12 June (Wednesday) to 17 June 2019 (Monday), both days inclusive, during which no transfer of shares will be registered. In order to qualify for the entitlement to the 2018 Final Dividend (subject to approval by shareholders at the AGM), all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H Share registrar, Tricor Investor Services Limited at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong time) on 11 June 2019 (Tuesday), being the last share registration date.

(VII) Professional tax advice recommended

If the Shareholders of the Company have any doubt about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

(VIII) Pre-emptive rights

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

(IX) Fixed assets

Details of movements in the fixed assets of the Group during the Reporting Period are set out in note V.10 to the financial statements.

(X) Reserve

Details of movements in the reserve of the Group during the Reporting Period are set out in the consolidated statement of changes in equity in the financial statements on page 135 of this report.

V. DISCUSSION AND ANALYSIS OF OPERATIONS (REPORT OF DIRECTORS) (CONTINUED)

(XI) Distributable reserve

During the Reporting Period, the Company's reserve available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to RMB768,994,200. In addition, none of the Company's share premium account is available for distribution as dividends by way of capitalization issues.

(XII) Permitted indemnity provision

The Company did not have any arrangement with a term providing for indemnity against liability incurred by the Director during their tenure as such. During the Reporting Period, the Company has taken out liability insurance for the Directors, Supervisors and senior management.

(XIII) Charitable donation

During the Reporting Period, the Group did not make any charitable donation.

(XIV) 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.

(XV) Equity-linked agreement

During the Reporting Period, the Group did not enter into any equity-linked agreements.

(XVI) Competing business

During the Reporting Period, none of the Directors, Supervisors, chief executive or the shareholders of the Company or their respective associates engage in or 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.

VI. SIGNIFICANT EVENTS

I. Proposal of profit distribution for ordinary shares or conversion of capital reserve

(I) Formulation, implementation or adjustment of the cash dividend policy

✓ Applicable ☐ Not applicable

The Resolution on the three-year shareholders' profit distribution plan after listing of A shares had been passed at the sixth meeting of the second session of the Board and the first Extraordinary General Meeting for the year 2016. The profit distribution plan proposed that: the Company may declare profit distribution by cash, stock or a combination of both, and consider payment of cash dividends as a matter of priority. Profit distribution shall not exceed the accumulated profit distributable or adversely affect the sustainable operating ability of the Company. The Company may distribute interim dividends according to profit and capital needs of the Company. The Company shall give priority to the payment of cash dividends. If no cash dividends are available, no scrip dividends shall be issued for the same year. Any cash dividends proposed shall satisfy the following criteria: the current profit and accumulated retained earnings of the Company shall be positive and its cash flow shall be sufficient to support the continuous operation and long-term development of the Company; the profit to be distributed in cash shall not be less than 10% of the distributable profits of the year, and the cumulative profit distributed in cash in any three consecutive financial years shall not be less than 30% of the average distributable profit of the Company for such three years.

The dividend proposal of the Company for the year 2018 was made according to the above plan.

(II) Profit distribution plan for ordinary shares, conversion plan of capital reserve of the Company or related proposals for the previous three years, including the Reporting Period

Unit: RMB'0,000

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (tax included)	Number of shares transferred for every 10 shares (share)	Amount of cash dividend (tax included)	Net profit attributable to ordinary shareholders of the Company in the consolidated financial statement during the year of dividend distribution	Percentage in net profit attributable to ordinary shareholders of the Company in the consolidated financial statement (%)
2018	0	1	0	11,612	27,277.33	42.57
2017	0	0	0	0	20,647.74	0
2016	0	0.6	0	6270	23309.57	26.90

(III) The inclusion of shares repurchased through cash offer in cash dividend

☐ Applicable ✓ Not applicable

VI. SIGNIFICANT EVENTS (CONTINUED)

(IV) Profits are made during the Reporting Period and the parent company's profits distributed to ordinary shareholders are positive. However, if the proposal on distribution of cash profit of ordinary shares is unavailable, the Company shall disclose in detail the causes thereof as well as the purpose and use plan of the undistributed profit

☐ Applicable ✓ Not applicable

II. Performance of undertakings

(I) Undertakings during or carried forward to the Reporting Period by the Company's beneficial controllers, shareholders, related parties, acquirers of the Company, the Company and other related parties

✓ Applicable ☐ Not applicable

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Time and period of the undertaking	Whether there is deadline for performance	Whether the undertaking was strictly and timely performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertakings related to initial public offering	Restriction on selling of shares	BSAM	Within 36 months from the listing date of the A shares of Dynagreen, the shares issued prior to the public offering of shares by Dynagreen directly or indirectly held by the company shall neither be transferred or entrusted to other parties for management, nor be repurchased by Dynagreen. If the closing price of the shares has been lower than the issue price for 20 consecutive trading days within 6 months after the listing of the A shares of Dynagreen, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the issuer's shares held by the company shall be automatically extended by 6 months.	11 June 2018 to 10 June 2021	Yes	Yes		

VI. SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Time and period of the undertaking	Whether there is deadline for performance	Whether the undertaking was strictly and timely performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Others	BSAM	For the shares of Dynagreen held by the company prior to the initial public offering of A shares by Dynagreen, if the company reduces the shares held within two years after the expiry of the lockup period, the price shall not be lower than the issue price and the issuer's shares reduced each year shall not exceed 5%.	11 June 2021 to 10 June 2023	Yes	Yes		
	Restriction on selling of shares	Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership) (安徽省江淮成长投資基金中心(有限合伙))	Within 12 months from the listing date of the A shares of Dynagreen, the shares issued prior to the public offering of shares by Dynagreen directly or indirectly held by the company shall neither be transferred or entrusted to other parties for management, nor be repurchased by Dynagreen.	11 June 2018 to 10 June 2019	Yes	Yes		
	Restriction on selling of shares	Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership) (保利龍馬鴻利股權投資基金(天津)合夥企業(有限合夥))	Within 12 months from the listing date of the A shares of Dynagreen, the shares issued prior to the public offering of shares by Dynagreen directly or indirectly held by the company shall neither be transferred or entrusted to other parties for management, nor be repurchased by Dynagreen.	11 June 2018 to 10 June 2019	Yes	Yes		

VI. SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Time and period of the undertaking	Whether there is deadline for performance	Whether the undertaking was strictly and timely performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Restriction on selling of shares	Gongqingcheng Jingxiu Investment Partnership (Limited Partnership) (共青城景秀投資合夥企業(有限合夥)), Qiao Dewei, Hu Shengyong, Hou Zhiyong, Cheng Yan, Huang Jianzhong, Zhong Xia, Zhang Yong and Zhu Shuguang	Within 12 months from the listing date of the A shares of Dynagreen, the shares issued prior to the public offering of shares by Dynagreen directly or indirectly held by the company/me shall neither be transferred or entrusted to other parties for management, nor be repurchased by Dynagreen.	11 June 2018 to 10 June 2019	Yes	Yes		
	Restriction on selling of shares	Zhongshang Longrun Huanke Investment Co., Ltd. (中商龍潤環科投資有限公司)	Within 12 months from the listing date of the A shares of Dynagreen, the shares issued prior to the public offering of shares by Dynagreen directly or indirectly held by the company shall neither be transferred or entrusted to other parties for management, nor be repurchased by Dynagreen.	11 June 2018 to 10 June 2019	Yes	Yes		
	Restriction on selling of shares	Beijing Huitai Hengrui Investment Co., Ltd. (北京惠泰恒瑞投資有限公司)	Within 12 months from the listing date of the A shares of Dynagreen, the shares issued prior to the public offering of shares by Dynagreen directly or indirectly held by the company shall neither be transferred or entrusted to other parties for management, nor be repurchased by Dynagreen.	11 June 2018 to 10 June 2019	Yes	Yes		

VI. SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Time and period of the undertaking	Whether there is deadline for performance	Whether the undertaking was strictly and timely performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Others	Qiao Dewei, Hu Shengyong, Hou Zhiyong, Cheng Yan, Huang Jianzhong, Zhong Xia, Zhang Yong and Zhu Shuguang	For the shares of Dynagreen held by the undertaking party prior to the initial public offering of A shares by Dynagreen, if the undertaking party reduces the shareholding held within two years after the expiry of the lockup period, the price shall not be lower than the issue price.	11 June 2021 to 10 June 2023	No	Yes		
	Others	BSAM, Qiao Dewei, Hu Shengyong, Hou Zhiyong, Cheng Yan, Huang Jianzhong, Zhong Xia, Zhang Yong and Zhu Shuguang	The proposal on price stabilisation will be executed when the share prices of Dynagreen are lower than the latest audited net assets per share for 20 consecutive trading days within 3 years after listing.	11 June 2018 to 10 June 2021	Yes	Yes		
	Others	BSAM	For any loss or risk of Dynagreen and its subsidiaries caused by BOT projects not obtained through bidding, BSAM will provide timely, full and effective compensation to Dynagreen and its subsidiaries to ensure Dynagreen and/or its domestic subsidiaries will not suffer any loss.	30 May 2016	No	Yes		

VI. SIGNIFICANT EVENTS (CONTINUED)

(II) Where the Company has profit forecasts on assets or projects, and the Reporting Period was within the term of profit forecasts, the Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor

☐ Achieved ☐ Not achieved ✓ Not Applicable

(III) Execution of the performance undertakings and its impact on the goodwill impairment testing

☐ Applicable ✓ Not Applicable

III. Occupation of funds and repayment of debts during the Reporting Period

☐ Applicable ✓ Not Applicable

IV. Explanation of the Company on the "non-standard opinions audit report" from accounting firm

☐ Applicable ✓ Not Applicable

V. Analysis and explanation from the Company on the reasons and impact of the change of accounting policies, accounting estimates or correction on significant accounting errors

(I) Analysis and explanation from the Company on the reasons and impact of the change of accounting policies or accounting estimates

✓ Applicable ☐ Not applicable

For the contents and reasons of the changes in the current accounting policies and the main impact of the changes, please refer to Note 3, 29 "Changes in significant accounting policies and accounting estimates" in Section XIII.

On 14 November 2018, the Resolution on Change in the Accounting Policy in respect of the Recognition of Tariff Revenue was considered and approved at the third meeting of the third session of the Board of the Company, pursuant to which, the Company's change in the accounting policy for the recognition of tariff revenue from the national renewable energy subsidies was approved and was implemented from 1 January 2019. Details are available on the announcement of the Company dated 14 November 2018 published on the websites of the Stock Exchange and the SSE.

(II) Analysis and explanation from the Company on the reasons and impact of the correction on significant accounting errors

☐ Applicable ✓ Not Applicable

(III) Communication with the previous accounting firm

☐ Applicable ✓ Not Applicable

(IV) Other Explanation

☐ Applicable ✓ Not Applicable

VI. Information in relation to the review on the annual results by audit committee

The audit committee of the Board has reviewed the accounting standards and policies adopted by the Group and the audited consolidated financial statements for the year together with the management and the external auditors.

The Audit Committee of the third session of Board of the Company heard the report of KPMG Huazhen LLP on the progress of the audit on 2018 annual report of the Company, reviewed the "key audit matters" in the auditor's Report, and agreed with the judgment of KPMG Huazhen LLP on the "key audit matters" and the audit procedures implemented.

VII. Appointment and dismissal of auditor

Unit: RMB

	Existing Auditors
Name of auditor	KPMG Huazhen LLP
Remuneration of auditor	3,080,000
Term of the auditor for audit services	3 years

	Name	Compensation
The auditors for internal control audit	KPMG Huazhen LLP	
Financial advisor		
Sponsor	CITIC Securities	

Explanation of appointment or dismissal of auditors

✓ Applicable ☐ Not applicable

During the Reporting Period, as passed at the 2017 annual general meeting of the Company, the Company re-appointed KPMG Huazhen LLP as its auditors to provide financial reporting audit services for the Company in 2018 with a term from the date of the general meeting at which this resolution was passed to date of the conclusion of the next annual general meeting.

Explanation of change of auditors during the audit period

☐ Applicable ✓ Not Applicable

VI. SIGNIFICANT EVENTS (CONTINUED)

VIII. Risk of suspension of listing

(I) Causes of Suspension of Listing

☐ Applicable ✓ Not Applicable

(II) Measures to be taken by the Company

☐ Applicable ✓ Not Applicable

IX. Situation and causes for termination of listing

☐ Applicable ✓ Not Applicable

X. Matters related to bankruptcy and reorganisation

☐ Applicable ✓ Not applicable

XI. Material litigation and arbitration

☐ The Company had material litigation and arbitration during the year.

✓ The Company did not have material litigation and arbitration during the year.

(I) Litigation and arbitration which have been published in temporary announcement and without further progress

☐ Applicable ✓ Not applicable

(II) Litigation and arbitration which have not been published in temporary announcement or with further progress

☐ Applicable ✓ Not applicable

(III) Other explanation

☐ Applicable ✓ Not applicable

XII. Punishment and rectification of the Company and its Directors, supervisors, senior management, controlling shareholder, beneficial controller and bidders

✓ Applicable ☐ Not applicable

At the end of June 2018, Taizhou Company received the Administrative Punishment Decision issued by Taizhou Environmental Protection Bureau (Tai Huan Fa Zi [2018] No. 7), pursuant to which, it was fined RMB1 million due to excessive emissions. The Company attached great importance to such circumstances and ordered Taizhou Company to rectify in a timely manner according to the specific requirements of Taizhou Environmental Protection Bureau, including but not limited to further strengthening operational management, equipment maintenance, personnel training, and analysis and rectification of all possible factors affecting the environmental impact assessment monitoring results while improving communication with the local competent authorities to avoid other wastes from being mixed into the municipal solid waste to be treated, and such rectification measures have been completed.

XIII. Explanation on credibility of the Company and its controlling shareholder and beneficial controllers during the Reporting Period

☐ Applicable ✓ Not applicable

XIV. Equity incentive plan, employee shareholding plan or other employee incentive measures of the Company and their impacts

(I) Incentive matters which have been published in temporary announcements and without further progress or changes

☐ Applicable ✓ Not applicable

(II) Incentive matters which have not been published in temporary announcements or with further progress

Equity incentive

☐ Applicable ✓ Not applicable

Other explanation

☐ Applicable ✓ Not applicable

Employee shareholding plan

☐ Applicable ✓ Not applicable

Other incentive measures

☐ Applicable ✓ Not applicable

VI. SIGNIFICANT EVENTS (CONTINUED)

XV. Significant related party transactions

(I) Related party transactions in connection with day-to-day operation

1. Non-exempt connected transactions (disclosure pursuant to the requirements of the Stock Exchange Listing Rules)

On 4 April 2018, Tongzhou Company, a subsidiary of the Company, entered into the Showcase Video Production Agreement with Beijing Crystal Digital Technology Co., Ltd.* (北京水晶石數字科技有限公司) ("Beijing CDT"), pursuant to which Beijing CDT agreed to produce a showcase video and an interactive program for the Beijing Tongzhou District Renewable Energy Plant to Tongzhou Company. Beijing BeiAo Group Co., Ltd.* (北京北奧集團有限責任公司) ("Beijing BeiAo") is a wholly-owned subsidiary of BSAM (a Controlling Shareholder) and Beijing CDT is a direct subsidiary of Beijing BeiAo. Therefore, Beijing BeiAo and Beijing CDT are connected persons of the Company and the transaction contemplated under the Showcase Video Production Agreement constitutes a connected transaction of the Company pursuant to the Stock Exchange Listing Rules. The consideration under the Showcase Video Production Agreement was RMB4,273,000. For details of the transaction, please refer to the announcement of the Company dated 4 April 2018.

On 18 May 2018, Tongzhou Company, entered into the Exhibition Hall Construction Agreement with Beijing CDT, pursuant to which Beijing CDT agreed to undertake the construction of the exhibition project for the exhibition hall of the Beijing Tongzhou District Renewable Energy Plant for Tongzhou Company. The transaction contemplated under the Exhibition Hall Construction Agreement also constitutes a connected transaction of the Company. The consideration under the Exhibition Hall Construction Agreement was RMB3,850,000. For details of the transaction, please refer to the announcement of the Company dated 18 May 2018.

The related party transactions with the Company's shareholder and fellow subsidiary for the Reporting Period disclosed in Note X.5(1), X.5(5) and X.5(6) to the consolidated financial statements constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Stock Exchange Listing Rules. However, those transactions were exempt from the disclosure requirements by virtue of Chapter 14A.90 of the Stock Exchange Listing Rules as they were financial assistance received by the Group from a connected person or commonly held entity, which were conducted on normal commercial terms and were not secured by the assets of the Group.

The related-party transactions between the Company and Shenzhen Crystal Digital Technology Co., Ltd. disclosed in Note X.5(8) to the consolidated financial statements was entered into in 2017 and were announced by the Company on 21 August 2017 pursuant to Chapter 14A of the Stock Exchange Listing Rules. Certain payments relating to such related-party transactions were recognized as the Company's expenses in the Reporting Period due to invoicing terms.

The related-party transactions entered into between the Company and Beijing Shibo International Games Co., Ltd. (北京時博國際賽事有限公司) for the Reporting Period disclosed in Note X.5(8) to the consolidated financial statements constituted connected transactions as defined in Chapter 14A of the Stock Exchange Listing Rules. However, those transactions were exempt from the disclosure requirement by virtue of 14A.76(1) of the Stock Exchange Listing Rules.

The related party transactions in relation to the provision of financial guarantee by the controlling shareholders as disclosed in Note X.5(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.90 of the Stock Exchange Listing Rules.

The related party transactions in relation to the emoluments of Directors, Supervisors and employees as disclosed in Note X.5(2) to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Stock Exchange Listing Rules.

Save as disclosed above, none of the related party transactions of the Group for the Reporting Period disclosed in Note X.5 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Stock Exchange Listing Rules which were required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Stock Exchange Listing Rules.

2. Matters which have been published in temporary announcements and without further progress or changes

☐ Applicable ✓ Not applicable

3. Matters which have been published in temporary announcements but with further progress or changes

☐ Applicable ✓ Not applicable

4. Matters which have not been published in temporary announcements

☐ Applicable ✓ Not applicable

(II) Related party transactions in connection with purchase or sale of assets or equity interest

1. Matters which have been published in temporary announcements and without further progress or changes

☐ Applicable ✓ Not applicable

2. Matters which have been published in temporary announcements but with further progress or changes

☐ Applicable ✓ Not applicable

3. Matters which have not been published in temporary announcements

☐ Applicable ✓ Not applicable

4. Disclose the performance of the results relating to the results agreement during the Reporting Period

☐ Applicable ✓ Not applicable

VI. SIGNIFICANT EVENTS (CONTINUED)

(III) Significant related party transactions in connection with joint external investment

1. Matters which have been published in temporary announcements and without further progress or changes

☐ Applicable ✓ Not applicable

2. Matters which have been published in temporary announcements but with further progress or changes

☐ Applicable ✓ Not applicable

3. Matters which have not been published in temporary announcements

☐ Applicable ✓ Not applicable

(IV) Claims and liabilities between related parties

1. Matters which have been published in temporary announcements and without further progress or changes

☐ Applicable ✓ Not applicable

2. Matters which have been published in temporary announcements but with further progress or changes

✓ Applicable ☐ Not applicable

The balance of the financial assistance provided by BSAM to the Company based on benchmark rate was RMB910 million as at the end of the Reporting Period.

3. Matters which have not been published in temporary announcements

☐ Applicable ✓ Not applicable

(V) Others

✓ Applicable ☐ Not applicable

The Group entered into the Non-Competition Agreement with BSAM (a connected entity of the Company by virtue of being the controlling shareholder of the Company) on 23 December 2013, under which BSAM has agreed not to and will procure its subsidiaries (other than listed subsidiaries of BSAM) not to compete with us in our Core Business and has granted us options for new business opportunities, the call option and pre-emptive rights. In addition, if requested by the Hong Kong Stock Exchange or other regulatory authorities, BSAM will use its best endeavors to procure its associated companies and joint ventures (if any) to comply with the Non-Competition Agreement. According to the Non-Competition Agreement, when the Group decides whether to exercise the options for acquisition of new business opportunities, subscription right or the pre-emptive rights, the Group shall comply with related requirements under the Chapter 14A of the Stock Exchange Listing Rules. The Company and the independent non-executive Directors have received the statement issued by BSAM confirming its compliance with the Non-Competition Agreement during the Reporting Period.

XVI. Material contracts and their performance

(I) Trusteeship, contracting and leasing matters

1. Trusteeship

☐ Applicable ✓ Not applicable

2. Contracting

☐ Applicable ✓ Not applicable

3. Leasing

☐ Applicable ✓ Not applicable

VI. SIGNIFICANT EVENTS (CONTINUED)

(II) Guarantees

✓ Applicable ☐ Not applicable

Unit: RMB

External guarantees provided by the Company (excluding those for subsidiaries)

Guarantor	Relationship Between the guarantor and the Company	Guaranteed party	Amount of guarantee	Date of occurrence of guarantee (signature date of agreement)	Date of commencement of guarantee	Expiry date of guarantee	Guarantee type	Completed or not	Overdue or not	Amount overdue	Anti-guarantee or not	Connected parties guarantee or not	Connected relations

Total guarantees during the Reporting Period (excluding those for subsidiaries)	0
Total guarantee balance as at the end of Reporting Period (A) (excluding those for subsidiaries)	0
Guarantees for subsidiaries provided by the Company together with its subsidiaries	
Total guarantees for subsidiaries during the Reporting Period	968,573,818.41
Total guarantee balance for subsidiaries as at the end of Reporting Period (B)	2,845,159,102.65
Total amount of guarantees provided by the Company (including those for subsidiaries)	
Total amount of guarantees (A+B)	2,845,159,102.65
Total amount of guarantees over the net assets of the Company (%)	99.75
Including:	
Amount of guarantees provided to shareholders, beneficial controllers and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided for guaranteed parties with the gearing ratio exceeding 70% (D)	1,788,542,780.68
Amount of the total guarantees exceeding 50% of net assets (E)	1,418,952,922.61
Total amount of above three guarantees (C+D+E)	3,207,495,703.29
Explanations on outstanding guarantee which may undertake joint liability for satisfaction	
Explanations on guarantees	

Guarantee to banks in respect of new banking credit facilities granted to certain subsidiaries

In order to ensure the smooth completion of operating targets of the Company, to support the development of the subsidiary project companies, and to meet financing needs of the project companies, the Company sought shareholders' approval on the provision of guarantee in respect of banking facilities granted to its project companies at the annual general meeting for 2017. As contained in the relevant circular to shareholders, it is expected that the amount of guarantee to be provided in respect of new banking facilities granted to the project companies in 2018 would not exceed RMB2,300,000,000. As at 31 December 2018, guarantee provided by the Company in respect of new banking facilities granted to its project companies amounted to RMB968,573,800.

(III) Entrusted others to manage cash assets

1. Entrusted wealth management

(1) *Overall entrusted wealth management*
☐ Applicable ✓ Not applicable

Others
☐ Applicable ✓ Not applicable

(2) *Individual entrusted wealth management*
☐ Applicable ✓ Not applicable

Others
☐ Applicable ✓ Not applicable

(3) *Provisions for impairment of entrusted wealth management*
☐ Applicable ✓ Not applicable

2. Entrusted loans

(1) *Overall entrusted loans*
☐ Applicable ✓ Not applicable

Others
☐ Applicable ✓ Not applicable

(2) *Individual entrusted loans*
☐ Applicable ✓ Not applicable

Others
☐ Applicable ✓ Not applicable

(3) *Provisions for Impairment of entrusted loan*
☐ Applicable ✓ Not applicable

3. Others

☐ Applicable ✓ Not applicable

(IV) Other material contracts

☐ Applicable ✓ Not applicable

VI. SIGNIFICANT EVENTS (CONTINUED)

XVII. Explanation on other significant events

☐ Applicable ✓ Not applicable

XVIII. Active fulfillment of social responsibility

(I) Poverty alleviation work of the Company

☐ Applicable ✓ Not applicable

(II) Activities in connection with social responsibilities

☐ Applicable ✓ Not applicable

(III) Environmental information

1. Explanation on environmental protection of the Company and its major subsidiaries falling into the category of major pollutant-emission units designated by the environmental protection authorities

✓ Applicable ☐ Not applicable

(1) Information on pollutant emission

✓ Applicable ☐ Not applicable

Changzhou Company, Haining Company, Yongjia Company, Pingyang Company, Wuhan Company, Taizhou Company, Rushan Company, Anshun Company, Huizhou Company, Jizhou Company, Jurong Company and Bengbu Company, which are subsidiaries of the Company, are the major pollutant-emission units designated by the environmental protection authorities. These companies are all the operating entities of municipal waste-to-energy plants.

The main pollutants emitted by the major pollutant-emission units of the Company are sulfur dioxide, smog, oxynitride and COD. Sulfur dioxide, smog and oxynitride are emitted from smog. The above pollutants are treated by the smog treatment system according to standard and then emitted through the chimney. COD is discharged from waste water, and there is no discharge outlet for reuse. After the sewage is treated according to standard for connecting with the pipeline network, it is carried to the urban sewage treatment plant for centralised treatment through the sewage pipe network. Generally, an inlet is provided for the sewage pipe network.

VI. SIGNIFICANT EVENTS (CONTINUED)

The concentration of major pollutants discharged from projects of the above companies during the Reporting Period as stated in the latest commissioned test report is summarised as follows:

No.	Name of unit	Name of pollutants	Testing institution	Number and date of the testing report	Emission concentration		Emission limit
1	Changzhou Company	Sulfur dioxide	Suzhou Centre Testing International Co., Ltd. (蘇州市華測檢測技術有限公司)	A2018092912128C 12 November 2018	1# furnace	ND	100
					2# furnace	ND	100
					3# furnace	ND	100
		Oxynitride			1# furnace	250	300
					2# furnace	148	300
					3# furnace	152	300
		Smog			1# furnace	<20	30
					2# furnace	<20	30
					3# furnace	<20	30
		COD				22	500
		Dioxin		EDD36K003671a 4 May 2018	1# furnace	0.0068	0.1
					2# furnace	0.037	0.1
					3# furnace	0.064	0.1
2	Haining Company	Sulfur dioxide	Ningbo Centre Testing International Co., Ltd. (寧波市華測檢測技術有限公司)	EDD37K000402001 2 March 2018	1# furnace	ND	100
					2# furnace	ND	100
		Oxynitride			1# furnace	97	300
					2# furnace	46	300
		Smog			1# furnace	<20	30
					2# furnace	<20	30
		COD				58	500
		Dioxin	SGS-CSTC Standards Technical Services(Shanghai) Co.,Ltd.(通標標準技術服務 (上海)有限公司)	SHE18-05833 20 July 2018	1# furnace	0.03	0.1
				SHE18-05834 21 July 2018	2# furnace	0.019	0.1

VI. SIGNIFICANT EVENTS (CONTINUED)

No.	Name of unit	Name of pollutants	Testing institution	Number and date of the testing report	Emission concentration		Emission limit
3	Yongjia Company	Sulfur dioxide	Ningbo Centre Testing International Co., Ltd.	A2180173872101001C 8 October 2018	1# furnace	ND	100
					2# furnace	47	100
		Oxynitride			1# furnace	93	300
					2# furnace	110	300
		Smog			1# furnace	ND	30
					2# furnace	ND	30
		Dioxin	Ningbo Centre Testing International Co., Ltd.	EDD36K001279 3 and 4 April 2018	1# furnace	0.0101	0.1
					2# furnace	0.0146	0.1
4	Pingyang Company	Sulfur dioxide	Ningbo Centre Testing International Co., Ltd.	A2180173869101001C 8 October 2018	1# furnace	ND	100
					2# furnace	ND	100
		Oxynitride			1# furnace	114	300
					2# furnace	67	300
		Smog			1# furnace	ND	30
					2# furnace	<20	30
		Dioxin	Suzhou Centre Testing International Co., Ltd.	EDD36K006760 28 and 29 November 2018	1# furnace	0.032	0.1
					2# furnace	0.047	0.1
5	Wuhan Company	Sulfur dioxide	Wuhan Centre Testing International Co., Ltd. (武漢市華測檢測技術有限公司)	EDD18K002199003 20 September 2018	1# furnace	ND	100
				EDD18K003374002 13 December 2018	2# furnace	ND	100
					3# furnace	ND	100
		Oxynitride		EDD18K002199003 20 September 2018	1# furnace	153	300
				EDD18K003374002 13 December 2018	2# furnace	180	300
					3# furnace	128	300
		Smog		EDD18K002199003 20 September 2018	1# furnace	<20	30
				EDD18K003374002 13 December 2018	2# furnace	<20	30
					3# furnace	<20	30
		Dioxin	Jiangxi Gaoyan Test Technology Service Co., Ltd. (江西高研檢測技術服務有限公司)	JDF18100012 12 December 2018	1# furnace	0.082	0.1
					2# furnace	0.025	0.1
					3# furnace	0.015	0.1

VI. SIGNIFICANT EVENTS (CONTINUED)

No.	Name of unit	Name of pollutants	Testing institution	Number and date of the testing report	Emission concentration		Emission limit
6	Rushan Company	Sulfur dioxide	Qingdao Centre Testing International Co., Ltd. (青島華測檢測技術有限公司)	EDD38K002160 13 November 2018	1# furnace	3	100
					2# furnace	3	100
		Oxynitride			1# furnace	97	300
					2# furnace	96	300
		Smog			1# furnace	1	30
					2# furnace	1	30
		COD				14	100
		Dioxin	Suzhou Centre Testing International Co., Ltd.	A2180124236101C 4 August 2018	1# furnace	0.0048	0.1
					2# furnace	0.0074	0.1
7	Taizhou Company	Sulfur dioxide	Taike Testing Technology Jiangsu Co., Ltd. (泰科檢測科技江蘇有限公司)	Tai Ke Huan Jian (Gas) Zi (2018) No. 505 26 October 2018	1# furnace	3	100
					2# furnace	3.67	100
		Oxynitride			1# furnace	98.67	300
					2# furnace	90.33	300
		Smog			1# furnace	3.3	30
					2# furnace	5.3	30
		COD		Tai Ke Huan Jian (Water) Zi (2018) No. 625 26 October 2018		45	350
		Dioxin		Tai Ke Huan Jian (Dioxin) Zi (2018) No. 169 26 October 2018	1# furnace	0.024	0.1
					2# furnace	0.016	0.1
8	Anshun Company	Sulfur dioxide	Guizhou Centre Testing International Co., Ltd. (貴州省華測檢測技術有限公司)	EDD63K000410CR1a 7 September 2018	1# furnace	4	100
					2# furnace	ND	100
		Oxynitride			1# furnace	157	300
					2# furnace	126	300
		Smog			1# furnace	ND	30
					2# furnace	ND	30
		Dioxin	Wuhan Centre Testing International Co., Ltd. (武漢市華測檢測技術有限公司)	EDD18K001158003 19 June 2018	1# furnace	0.0012	0.1
					2# furnace	0.0053	0.1

VI. SIGNIFICANT EVENTS (CONTINUED)

No.	Name of unit	Name of pollutants	Testing institution	Number and date of the testing report	Emission concentration		Emission limit
9	Huizhou Company	Sulfur dioxide	South China Institute of Environmental Sciences of MEP (環境保護部華南環境科學研究所)	Hua Huan Jian Ce Zi 2018 No. 887 26 October 2018	1# furnace	ND	100
					2# furnace	ND	100
					3# furnace	ND	100
		Oxynitride			1# furnace	48	300
					2# furnace	59	300
					3# furnace	102	300
		Smog			1# furnace	ND	30
					2# furnace	ND	30
					3# furnace	ND	30
		Dioxin		Hua Huan Jian Ce Zi [Dioxin] 2018 No. 334 6 December 2018	1# furnace	0.0071	0.1
					2# furnace	0.0037	0.1
				Hua Huan Jian Ce Zi [Dioxin] 2018 No. 348 14 December 2018	3# furnace	0.0610	0.1
10	Jizhou Company	Sulfur dioxide	Tianjin Jinbin Huace Product Testing Center Co., Ltd. (天津津濱華測產品檢測中心有限公司)	EDD47K005318 14 November 2018	1# furnace	66	100
					2# furnace	26	100
		Oxynitride			1# furnace	221	300
					2# furnace	214	300
		Smog			1# furnace	1.6	30
					2# furnace	2	30
		Dioxin	Analysis and Testing Center of Zhejiang University (浙江大學分析測試中心)	JY20180047 23 April 2018	1# furnace	0.079	0.1
					2# furnace	0.075	0.1
11	Jurong Company	Sulfur dioxide	Taike Testing Technology Jiangsu Co., Ltd.	Tai Ke Huan (Zong) Zi (2018) No. 196 4 December 2018	1# furnace	2.7	100
					2# furnace	3	100
		Oxynitride			1# furnace	181	300
					2# furnace	141	300
		Smog			1# furnace	3	30
					2# furnace	2.4	30
		Dioxin		Tai Ke Huan (Zong) Zi (2018) No. 079 27 June 2018	1# furnace	0.066	0.1
					2# furnace	0.017	0.1
12	Bengbu Company	Sulfur dioxide	Anhui Centre Testing International Co., Ltd. (安徽華測檢測技術有限公司)	EDD39K001963002 29 September 2018	1# furnace	15	100
					2# furnace	9	100
		Oxynitride			1# furnace	153	300
					2# furnace	129	300
		Smog			1# furnace	1.4	30
					2# furnace	1.2	3
		Dioxin		A2180175712102Ca 24 December 2018	1# furnace	0.0068	0.1
				A2180175712103C 18 December 2018	2# furnace	0.0066	0.1

Note: "ND" refers to no detect; the unit of sulfur dioxide, oxynitride, smog and COD is mg/m^3, and the unit of dioxin is ngTEQ/m^3.

VI. SIGNIFICANT EVENTS (CONTINUED)

The above emission limits of pollutants are based on the Municipal Solid Waste Incineration Pollution Control Standards (《生活垃圾焚燒污染控制標準》) (GB18485-2014) and the Integrated Standard for Waste Water Discharge (《污水綜合排放標準》) (GB8978-1996). The regular commissioned test reports issued with respect to the major pollutant-emission units during the Reporting Period indicated that the emissions of pollutant met the prescribed standards and there was no excessive emissions.

The estimated total emissions and the approved total annual emissions of major pollutants of the major pollutant-emission units of the Company during the Reporting Period (six months) are summarised as follows:

Name of pollutant	**Actual emissions (ton)**	**Emission indicators (ton/year)**
Sulfur dioxide	235.34	1,028.452
Oxynitride	1,640.96	2,978.13
Smog	53.40	166.615
COD	4.9	71.333

(2) *Construction and operation of facilities for pollution prevention and control*

✓ Applicable ☐ Not applicable

The pollution prevention facilities constructed for the projects of the Company mainly include smog, waste water and solid waste treatment facilities. For smog, a combination of "in-furnace SNCR denitrification + semi-dry deacidification + dry deacidification + activated carbon adsorption + bag filter" is mainly adopted for smog purification techniques and the smog is emitted through the chimney after being treated and meeting the emission requirements. For waste water, the processing techniques of "pretreatment + anaerobic + nitrification denitrification + MBR membrane treatment + nanofiltration + reverse osmosis" are mainly adopted, and the waste water is reused for production or enters the urban sewage plant through pipeline network after being treated and meeting the emission requirements. For solid waste, ash is solidified before sending to the landfill. During the Reporting Period, the pollution prevention facilities of each project were operating normally.

VI. SIGNIFICANT EVENTS (CONTINUED)

(3) *Environmental impact assessment of construction projects and other environmental protection administrative licensing*

✓ Applicable ☐ Not applicable

No.	Name of project	Date of reply to environmental impact assessment	Authority for reply
1	Changzhou City Wujin District Municipal Solid Waste Incineration Thermoelectric Project	22 February 2006	Environmental Protection Department of Jiangsu Province
2	Haining City Waste Incineration Thermoelectric Plant Project	31 October 2006	State Environmental Protection Administration
3	Pingyang Municipal Solid Waste-to-Energy Plant Project	14 May 2010	Environmental Protection Department of Zhejiang Province
4	Yongjia Waste-to-Energy Plant Project	23 April 2009	Environmental Protection Department of Zhejiang Province
5	Rushan City Municipal Solid Waste-to-Energy Project	9 August 2011	Environmental Protection Department of Shandong Province
6	Wuhan Xinghuo Waste-to-Energy Plant Project	24 November 2008	Environmental Protection Department of Hubei Province
7	Taizhou City Municipal Solid Waste-to-Energy Project	16 September 2011	Environmental Protection Department of Jiangsu Province
8	Anshun Waste-to-Energy Project	10 October 2013	Environmental Protection Department of Guizhou Province
9	Huizhou City Huiyang District Lanzilong Municipal Solid Waste-to-Energy Project	24 December 2014	Environmental Protection Bureau of Huizhou City
10	Tianjin City Jixian Municipal Solid Waste-to-Energy Project	22 August 2014	Environmental Protection Bureau of Tianjin City
11	Jurong City Municipal Solid Waste-to-Energy Project	December 2013	Environmental Protection Department of Jiangsu Province
12	Bengbu City Municipal Solid Waste-to-Energy Plant Project	1 February 2016	Environmental Protection Bureau of Bengbu City

(4) *Emergency plan for emergency environmental incidents*
✓ Applicable ☐ Not applicable

In respect of each project, the Company has formulated emergency plans for emergency environmental incidents, and filed the plans with the local environmental protection administrative departments of the local people's government at or above the county level, and organised emergency drills every year according to the plans.

(5) *Environmental self-monitoring programme*
✓ Applicable ☐ Not applicable

The Company formulates self-monitoring programme for every year according to the national or local pollutant emission standards, environmental impact assessment reports and their approval and environmental monitoring technical specifications, in order to keep abreast of its pollutant emission status and its impact on the surrounding environmental quality. The results of self-monitoring will be disclosed to the public.

(6) *Other environmental information to be disclosed*
☐ Applicable ✓ Not applicable

2. *Environmental information of companies other than major pollutant-emission units*
☐ Applicable ✓ Not applicable

3. *Reasons for not disclosing the environmental information of companies other than major pollutant-emission units*
☐ Applicable ✓ Not applicable

4. *Further progress or changes of environmental information disclosed during the Reporting Period*
☐ Applicable ✓ Not applicable

(IV) Other Explanation

✓ Applicable ☐ Not applicable

The Environmental, Social and Governance Report of the Company is disclosed separately at the same time with the annual report. The Report includes more details about the environmental, social and governance aspects of the Company.

VI. SIGNIFICANT EVENTS (CONTINUED)

XIX. Convertible bonds

(I) Issuance of convertible bonds

☐ Applicable ✓ Not applicable

(II) Holders and guarantors of convertible bonds during the Reporting Period

☐ Applicable ✓ Not applicable

(III) Changes in convertible bonds during the Reporting Period

☐ Applicable ✓ Not applicable

Accumulated conversion of convertible bonds during the Reporting Period

☐ Applicable ✓ Not applicable

(IV) Previous adjustments to conversion price

☐ Applicable ✓ Not applicable

(V) The Company's liabilities, creditworthiness and availability of cash for repayment of debts in future years

☐ Applicable ✓ Not applicable

(VI) Other description of convertible bonds

☐ Applicable ✓ Not applicable

XX. Subsequent events

The Group achieved an earning of RMB272,801,900 for the year of 2018. As at 31 December 2018, the retained profits recorded on the Group's consolidated statements was RMB768,994,200. Taking into account factors such as the Group's operating results, financial position and its capital requirement for future development, the Company proposed a profit distribution plan for 2018 as follows: to distribute cash dividends of RMB116.12 million, or RMB0.1 per share (before tax), to all shareholders based on the total existing issued 1.1612 billion shares.

Save for the above matters, the Company has no other subsequent events.

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. Changes in Share Capital of Ordinary Shares

(I) Table of changes in ordinary shares:

1. Table of changes in ordinary shares:

Unit:'0,000 shares

	Before change		Increase or decrease (+/–)					After change	
	Number	Percentage (%)	New issue	Bonus issue	Shares converted from reserves	Others	Sub-total	Number	Percentage (%)
I. Restricted shares	64,064.0208	61.3053						64,064.0208	55.1705
1. Shares held by the state									
2. Shares held by state-owned legal persons	50,118.9618	47.9607						50,118.9618	43.1614
3. Shares held by other domestic investors	13,945.0590	13.3446						13,945.0590	12.0091
Including: shares held by domestic non-state-owned legal persons	13,945.0590	13.3446						13,945.0590	12.0091
Shares held by domestic natural persons									
4. Shares held by overseas investors									
Including: shares held by overseas legal persons									
Shares held by overseas natural persons									
II. Non-restricted shares	40,435.9792	38.6947	11,620				11,620	52,055.9792	44.8295
1. RMB ordinary shares			11,620				11,620	11,620	10.0069
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	40,435.9792	38.6947						40,435.9792	34.8226
4. Others									
III. Total number of ordinary shares	104,500	100%	11,620				11,620	116,120	100%

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

2. Explanation of changes in ordinary shares

✓ Applicable ☐ Not applicable

As approved by the Approval in Relation to the Initial Public Offering of Dynagreen Environmental Protection Group Co., Ltd. (Zheng Jian Xu Ke [2018] No. 746) (《關於核准綠色動力環保集團股份有限公司首次公開發行股票的批覆》(證監許可 [2018]746號)) issued by the CSRC, the Company issued 116,200,000 A shares, which were listed on the Shanghai Stock Exchange on 11 June 2018.

Details of movements in the share capital of the Company during the Reporting Period are set out in note V.27 to the financial statements.

3. The effects of changes in Share Capital of Ordinary Shares on the financial indicators of the Company such as earnings per share and net assets per share, in the previous year and the latest period (if any)

✓ Applicable ☐ Not applicable

The Company issued a total of 116,200,000 A shares in 2018 at an issue price of RMB3.29 per share, which diluted earnings per share and increased net assets per share.

4. Other information considered necessary by the Company or required by the securities regulatory authorities to be disclosed

☐ Applicable ✓ Not applicable

(II) Changes in restricted shares

☐ Applicable ✓ Not applicable

2. Share issue and listings

(I) Issuance of securities during the Reporting Period

✓ Applicable ☐ Not applicable

Unit: Share Currency: RMB

Class of shares and their derivative securities	Offer date	Offer price (or interest rate (%))	Issuance amount	Date of listing	Number permitted for listing	Date of closing
Ordinary shares						
A shares	30 May 2018	3.29	116,200,000	11 June 2018	116,200,000	

Issuance of securities during the Reporting Period (bonds with different interest rates within the effective period shall be separately specified):

☐ Applicable ✓ Not applicable

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Changes in total ordinary shares and share structure and changes in the structure of assets and liabilities

✓ Applicable ☐ Not applicable

Changes in total ordinary shares and share structure, please refer to the "Table of changes in ordinary shares" in this section.

(III) Shares held by employees

☐ Applicable ✓ Not applicable

III. Shareholders and De Facto Controller

(I) Total number of shareholders:

Number of holders of the ordinary shares as of the end of the Reporting Period	50,858
Number of holders of the ordinary shares as of the end of the month preceding the disclosure of the annual report	45,554
Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period	
Number of holders of preference shares with recovered voting rights as of the end of the month preceding the disclosure of the annual report	

As of the Latest Practicable Date prior to the publication of this annual report, based on the publicly available information and as far as the Directors are aware, the Company has a total public float of 614,232,112 shares, representing 52.89% of the issued share capital of the Company. Among them, public float of H shares is 379,500,000 shares, accounting for 32.68% of the issued share capital of the Company; public float of A shares is 234,732,112 shares, accounting for 20.21% the issued share capital of the Company.

Based on the information that is publicly available to the Company and to the knowledge of the Directors, from the date on which the Company became listed on the Hong Kong Stock Exchange and up to 31 December 2018, the Company had maintained a public float as required under the Listing Rules.

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of the top ten shareholders and the top ten holders of tradable shares (or shareholders not subject to selling restrictions) as at the end of the Reporting Period

Unit: share

Shareholding of the top ten shareholders					Pledged or frozen		
Name of shareholder (full name)	Change during the Reporting Period	Number of shares held as at the end of the Period	Percentage (%)	Number of shares held subject to selling restrictions	Status	Number	Nature of shareholder
BSAM	0	501,189,618	43.1614	501,189,618	Nil		State-owned legal person
HKSCC NOMINEES LIMITED	11,000	379,480,000	32.6799	0	Nil		Overseas legal person
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)	0	49,725,295	4.2822	49,725,295	Nil		Domestic non-state – owned legal person
Shanghai Zhonghui Jinjiu Investment Co., Ltd. (上海中匯金玖投資有限公司) Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership)	0	27,889,610	2.4018	27,889,610	Nil		Domestic non-state – owned legal person
Beijing State-owned Assets Management (Hong Kong) Company Limited	0	24,859,792	2.1409	0	Nil		Overseas legal person
Gongqingcheng Jingxiu Investment Partnership (Limited Partnership)	0	20,918,478	1.8015	20,918,478	Nil		Domestic non-state – owned legal person
Beijing Huitai Hengrui Investment Co., Ltd.	0	20,917,207	1.8013	20,917,207	Nil		Domestic non-state – owned legal person
Zhongshang Longrun Huanke Investment Co., Ltd.	0	20,000,000	1.7224	20,000,000	Pledged	20,000,000	Domestic non-state – owned legal person
Huang Jiawei	1,930,000	1,930,000	0.1662	0	Nil		Domestic natural person
Huo Chunlin	500,000	500,000	0.0431	0	Nil		Domestic natural person

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

Top ten holders of shares not subject to selling restrictions

Name of shareholder	Number of tradable shares not subject to selling restrictions held	Class and number of shares: Type	Class and number of shares: Number
HKSCC NOMINEES LIMITED	379,480,000	Overseas listed foreign shares	379,480,000
Beijing State-owned Assets Management (Hong Kong) Company Limited	24,859,792	Overseas listed foreign shares	24,859,792
Huang Jiawei	1,930,000	RMB ordinary shares	1,930,000
Huo Chunlin	500,000	RMB ordinary shares	500,000
Gao yan	415,383	RMB ordinary shares	415,383
Huang Ming	356,000	RMB ordinary shares	356,000
Zheng Weifeng	331,948	RMB ordinary shares	331,948
Ouyang Tuo	327,300	RMB ordinary shares	327,300
Yu Qingjie	320,000	RMB ordinary shares	320,000
Yu Yipeng	281,900	RMB ordinary shares	281,900

Particulars of related-party relationship or concert party arrangement among the shareholders above	Beijing State-owned Assets Management (Hong Kong) Company Limited is a wholly – owned subsidiary of BSAM

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

Number of shares held by the top ten shareholders subject to selling restrictions and conditions of such selling restrictions

✓ Applicable ☐ Not applicable

Unit: share

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Listing and trading of restricted shares: Time permitted to be listed and traded in the market	Listing and trading of restricted shares: Number of shares permitted to be listed and traded in the market	Conditions of selling restrictions
1	BSAM	501,189,618	10 June 2021	0	Undertaking in relation to restriction on selling of shares
2	Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)	49,725,295	10 June 2019	0	Undertaking in relation to restriction on selling of shares
3	Shanghai Zhonghui Jinjiu Investment Co., Ltd. – Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership)	27,889,610	10 June 2019	0	Undertaking in relation to restriction on selling of shares
4	Gongqingcheng Jingxiu Investment Partnership (Limited Partnership)	20,918,478	10 June 2019	0	Undertaking in relation to restriction on selling of shares
5	Beijing Huitai Hengrui Investment Co., Ltd.	20,917,207	10 June 2019	0	Undertaking in relation to restriction on selling of shares
6	Zhongshang Longrun Huanke Investment Co., Ltd.	20,000,000	10 June 2019	0	Undertaking in relation to restriction on selling of shares

Particulars of related-party relationship or concert party arrangement among the shareholders above	There was no related-party relationship or concert party arrangement among the shareholders above

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

(III) Strategic investors or general legal persons becoming the top 10 shareholders by placing of new shares

☐ Applicable ✓ Not applicable

(IV) Substantial shareholders' interests or short positions in the shares and underlying shares

Save as disclosed in the section headed "Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", as at 31 December 2018, according to the Register kept under Section 336 of the SFO, the following shareholders who had 5% or more interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO:

Shareholder	Number of shares held	Capacity	Approximate percentage of share holding in the relevant class of shares[1]	Approximate percentage of share holding in the total share capital of the Company[2]
BSAM	501,189,618 A shares (long position)	Beneficial owner	66.22%	43.16%
Beijing State-owned Assets Management (Hong Kong) Company Limited ("BSAM (HK)")[3]	24,859,792 H shares (long position)	Beneficial owner	6.15%	2.14%
BSAM[3]	24,859,792 H shares (long position)	Interest in controlled corporation	6.15%	2.14%
National Council for Social Security Fund	28,293,000 H shares (long position)	Beneficial owner	6.99%	2.43%
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)[4]	49,725,295 A shares (long position)	Beneficial owner	6.57%	4.28%
Beijing Green Innovation Investment Company Limited[4] (北京綠色創想投資有限公司)	49,725,295 A shares (long position)	Interest in controlled corporation	6.57%	4.28%

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

Shareholder	Number of shares held	Capacity	Approximate percentage of share holding in the relevant class of shares(1)	Approximate percentage of share holding in the total share capital of the Company(2)
Beijing Zhixinheng Jin Investment Co., Ltd.(4) (北京智信恒金投資有限公司)	49,725,295 A shares (long position)	Interest in controlled corporation	6.57%	4.28%
Bai Hongtao(4)	49,725,295 A shares (long position)	Interest in controlled corporation	6.57%	4.28%
Pan Ling(4)	49,725,295 A shares (long position)	Interest in controlled corporation	6.57%	4.28%
Mondrian Investment Partners Limited	20,372,000 H shares (long position)	Investment manager	5.04%	1.75%

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 31 December 2018.

(2) The calculation is based on the total number of 1,161,200,000 Shares in issue as at 31 December 2018.

(3) BSAM (HK) is a wholly-owned subsidiary of BSAM. Pursuant to the SFO, BSAM is deemed to be interested in the H Shares held by BSAM (HK), holding 24,859,792 H Shares, representing approximately 6.15% of the total H Shares of the Company and approximately 2.14% of the total share capital of the Company.

(4) 53.33% equity interest of Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership) is held by Beijing Green Innovation Investment Company Limited. 45.78% equity interest of Beijing Green Innovation Investment Company Limited is held by Beijing Zhixinheng Jin Investment Co., Ltd. The equity interest of Beijing Zhixinheng Jin Investment Co., Ltd. is held as to 50% by each of Bai Hongtao and Pan Ling. Based on the above and pursuant to the SFO, each of Beijing Green Innovation Investment Company Limited, Beijing Zhixinheng Jin Investment Co., Ltd., Bai Hongtao and Pan Ling is therefore deemed to be interested in the A shares held by Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership).

Apart from the above, as at 31 December 2018, no other interests required to be recorded in the Register kept under Section 336 of the SFO have been notified to the Company.

Our non-executive Directors, Mr. ZHI Jun, Mr. CHENG Suning, Mr. GUO Yitao (resignation with effect from 19 October 2018) and Mr. FENG Changzheng (resignation with effect from 19 October 2018), are employees of BSAM or entities under the BSAM group.

IV. Information on Controlling Shareholders and De Facto Controller

(1) Information on controlling shareholder

1 Legal Representative

✓ Applicable ☐ Not applicable

Name	BSAM
Authorised Representative and Legal Representative	YUE Peng
Date of establishment	4 September 1992
Main business	State-owned assets management within authorized scope, including state-owned (share) rights management, financing and investment, property (equity) rights acquisition, mergers and transfers; asset custody; import and export of goods; technology import and export; import and export agent.
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Holding 63.30% of the shares of CAPINFO COMPANY LIMITED (首都信息發展股份有限公司) (1075.HK); directly and indirectly holding 52.48% of the shares of Beijing Certificate Authority Co., Ltd. (北京數字認證股份有限公司) (300579); indirectly holding 9.64% of the shares of Beijing Konruns Pharmaceutical Co., Ltd (北京康辰藥業股份有限公司) (603590).
Other explanations	Nil

2 Natural person

☐ Applicable ✓ Not applicable

3 Special explanation on the Company not having controlling shareholders

☐ Applicable ✓ Not applicable

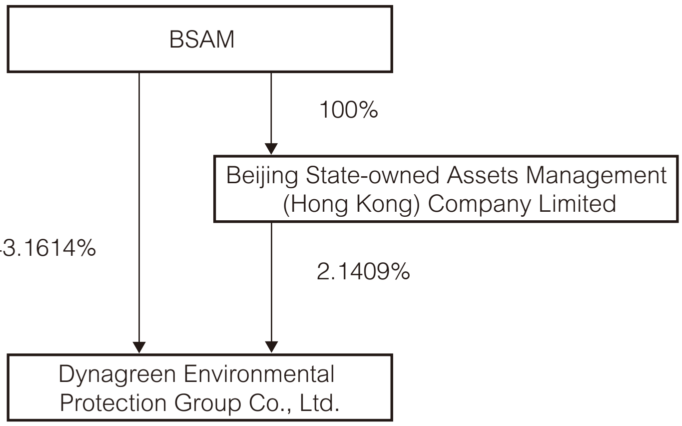
VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

4 Index and date of changes in controlling shareholders during the Reporting Period

☐ Applicable ✓ Not applicable

5 Diagram of the ownership and controlling relationship between the Company and its beneficial controller

✓ Applicable ☐ Not applicable



(II) De Facto Controller

1 Legal Representative

✓ Applicable ☐ Not applicable

Name	BSAM
Authorised Representative and Legal Representative	YUE Peng
Date of establishment	4 September 1992
Main business	State-owned assets management within authorized scope, including state-owned (share) rights management, financing and investment, property (equity) rights acquisition, mergers and transfers; asset custody; import and export of goods; technology import and export; import and export agent.
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Holding 63.30% of the shares of CAPINFO COMPANY LIMITED (1075.HK); directly and indirectly holding 52.48% of the shares of Beijing Certificate Authority Co., Ltd. (300579); indirectly holding 9.64% of the shares of Beijing Konruns Pharmaceutical Co., Ltd (603590).
Other explanations	Nil

VII. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

2 Natural person

☐ Applicable ✓ Not applicable

3 Special explanation on the Company not having controlling shareholders

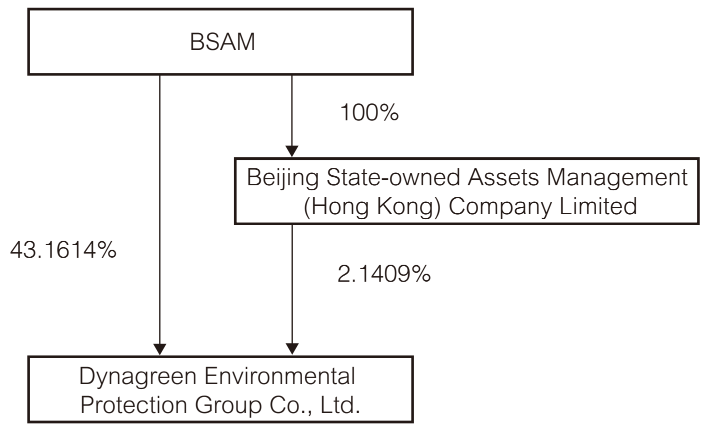
☐ Applicable ✓ Not applicable

4 Index and date of changes in controlling shareholders during the Reporting Period

☐ Applicable ✓ Not applicable

5 Diagram of the ownership and controlling relationship between the Company and its beneficial controller

✓ Applicable ☐ Not applicable



6 Control of the Company by de facto controllers by way of trust or other means of asset management

☐ Applicable ✓ Not applicable

(III) Other explanation regarding the controlling shareholder and the de facto controller

☐ Applicable ✓ Not applicable

V. OTHER LEGAL PERSON SHAREHOLDERS HOLDING OVER 10% OF THE TOTAL SHARES OF THE COMPANY

☐ Applicable ✓ Not applicable

VI. EXPLANATION ON REDUCED SHAREHOLDING

☐ Applicable ✓ Not applicable

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the Reporting Period, there was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries.

VIII. PREFERENCE SHARES

☐ Applicable ✓ Not applicable

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

1. Information on the changes of shareholdings and on the remuneration

(1) Information on the change of shareholdings and on the remuneration of current Directors, supervisors and senior management, and former directors, supervisors and senior management during the Reporting Period

✓ Applicable ☐ Not applicable

Unit: share

Name	Position (Note)	Gender	Age	The beginning of the term	The end of the term	Number of shares at the beginning of the year	Number of shares at the end of the year	Increase/ Decrease in shareholding during the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB0'000)	Whether received remuneration from the related parties of the Company
ZHI Jun	Chairman	Male	56	2012.4.11	2021.10.18	0	0			0	Yes
GUO Yitao	Director	Male	46	2016.4.18	2018.10.19	0	0			0	Yes
FENG Changzheng	Director	Male	49	2017.6.9	2018.10.19	0	0			0	Yes
CHENG Suning	Director	Male	34	2018.10.19	2021.10.18	0	0			0	Yes
CAO Jinjun	Director	Male	58	2018.10.19	2021.10.18	0	0			0	Yes
LIU Shuguang	Director	Male	50	2012.4.11	2021.10.18	0	0			0	Yes
QIAO Dewei	Director/General Manager	Male	52	2012.4.11	2021.10.18	0	0			203.66	No
HU Shengyong	Director/Chief Financial Officer	Male	49	2014.11.7	2021.10.18	0	0			142.79	No
KWAN Kai Cheong	Independent Non-executive Director	Male	69	2014.1.22	2018.2.26	0	0			3.42	No
FU Jie	Independent Non-executive Director	Female	40	2018.2.26	2021.10.18	0	0			8.56	No
OU Yuezhou	Independent Non-executive Director	Male	68	2015.6.19	2021.10.18	0				8	No
CHEN Xin	Independent Non-executive Director	Female	43	2012.4.11	2018.10.19	0	0			4	No
XIE Lanjun	Independent Non-executive Director	Male	53	2018.10.19	2021.10.18	0	0			2	No
LUO Zhaoguo	Chairman of the Supervisory Committee	Male	41	2013.6.19	2021.10.18	0	0			0	Yes
CAI Binquan	Supervisor	Male	47	2017.6.9	2018.10.19	0	0			0	Yes
HE Hong	Shareholder representative/ Supervisor	Female	43	2018.10.19	2021.10.18	0	0			0	Yes
WANG Meilin	Employee Representative Supervisor	Female	34	2017.6.2	2021.10.18	0	0			23.26	No
HOU Zhiyong	Deputy General Manager	Male	60	2012.4.11	2018.10.19	0	0			121.52	No
CHENG Yan	Deputy General Manager	Male	55	2012.4.11	2021.10.18	0	0			123.79	No
HUANG Jianzhong	Deputy General Manager	Male	53	2012.4.11	2021.10.18	0	0			174.29	No
ZHONG Xia	Deputy General Manager	Female	50	2014.8.20	2018.10.19	0	0			142.78	No
ZHANG Yong	Deputy General Manager	Male	47	2017.1.1	2021.10.18	0	0			132.79	No
ZHU Shuguang	Deputy General Manager/ Secretary to the Board	Male	43	2017.1.1	2021.10.18	0	0			142.79	No
Total	/	/	/	/	/	0	0		/		/

Note: The Directors and senior executives of the Company, namely QIAO Dewei, HU Shengyong, CHENG Yan, HUANG Jianzhong, HOU Zhiyong, ZHONG Xia, ZHANG Yong and ZHU Shuguang indirectly hold shares of the Company through Jingxiu Investment.

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

Name	Major Working Experience
ZHI Jun	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
CHENG Suning	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
LIU Shuguang	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
CAO Jinjun	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
QIAO Dewei	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
HU Shengyong	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
OU Yuezhou	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
FU Jie	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
XIE Lanjun	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
LUO Zhaoguo	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
HE Hong	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
WANG Meilin	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
ZHANG Yong	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
HUANG Jianzhong	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
CHENG Yan	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”
ZHU Shuguang	Details please refer to “2.(1) Resume of existing DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”

Other explanations

✓ Applicable ☐ Not applicable

The Company held an extraordinary general meeting on 19 October 2018, elected the third session of the Board of Directors and the board of supervisors, and appointed the new batch of senior management at the first meeting of the third session of the Board of Directors held on the same day.

(II) Equity incentive granted to Directors and senior management during the Reporting Period

☐ Applicable ✓ Not applicable

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 2018, none of the Directors, Supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

No share option scheme was adopted by the Company since the establishment.

2. The changes in shareholding and remuneration of current and resigned Directors, supervisors and senior management during the Reporting Period

(I) Resume of existing Directors, supervisors and senior management

1. Director

Mr. ZHI Jun (直軍), aged 56, is the Chairman of the Board and became a non-executive Director of the Company on 11 April 2012. Mr. ZHI served as a financial officer of Beijing Public Transport Company (北京市公共交通總公司) from August 1985 to December 1987, and served as the deputy financial director of that company from December 1987 to May 1992. He served as the Finance Department Chief (deputy level) of Beijing Tramways (北京市電車公司) from May 1992 to April 1993, and served as the deputy financial director of Beijing Public Transport Company (北京市公共交通總公司) from April 1993 to August 1994, then served as the financial director from August to October 1994, and served as the chief accountant of that company from October 1994 to September 2004. Between September 2004 and November 2006, Mr. ZHI served as the director and chief accountant of Beijing Public Transport Holdings, Ltd. (北京市公共交通控股(集團)有限公司), and he served as the director, deputy general manager and chief accountant of that company from November 2006 to March 2010. Since February 2011, Mr. ZHI has served as the president of BSAM. He resigned from the position as a chairman of Beijing Science Park Development (Group) Co., Ltd. (北京科技園建設(集團)股份有限公司) in May 2016. Mr. ZHI graduated from Beijing Economics College (北京經濟學院) majoring in Finance and Accounting in August 1985. Mr. ZHI qualified as a senior accountant, the certificate of which was issued by the Beijing Evaluation Committee of Senior Professional Technology Position (北京市高級專業技術職務評審委員會), in November 1996. Mr. ZHI is the Chairman of the Strategy Committee of the Company.

Mr. LIU Shuguang (劉曙光), aged 50, became a non-executive Director of the Company on 11 April 2012. Mr. LIU served as a director and the vice-president of Beijing Taikeping Electrical Appliances Limited Company (北京泰克平電子儀器有限公司) between July 1991 and June 1992. Mr. LIU served as a director and the vice-president of Beijing Huatai Industrial Company (北京華泰實業總公司) from June 1992 to April 1994. Mr. LIU also served as the legal representative and president of Beijing Jupeng Investment Company (北京巨鵬投資公司) from April 1994 to May 2016. Since May 2016, Mr. LIU has served as a director of Beijing Jupeng Investment Company. Between October 2003 and December 2011, Mr. LIU also served as the deputy chairman of the Board of Capital Securities Co., Ltd. (首創證券有限責任公司). From May 2011 to April 2012, Mr. LIU served as a Director of Dynagreen Environmental Engineering Co., Ltd. Mr. LIU obtained his Executive Master of Business Administration degree from China Europe International Business School (中歐國際工商學院) in September 2007. Mr. LIU is a member of the Strategy Committee of the Company.

Mr. CHENG Suning(成蘇寧), aged 34, became a non-executive director of the Company on 19 October 2018. Mr. CHENG served as the sales consultant of the sales department of Shenyang Huabao Auto Sales & Service Co., Ltd. (沈陽華寶汽車銷售服務有限公司) from September 2007 to May 2010, and served as officer of sales department of Jianghe Paper Product US Co., Ltd (江河紙業美國公司) from September 2011 to August 2012. Since April 2013, Mr. CHENG has served various positions of the Urban Function and Social Investment Department of BSAM, including project director, project manager, senior project manager and deputy general manager. Mr. CHENG graduated from the University of Illinois at Chicago with a master's degree. Mr. CHENG is a member of the Audit Committee and the Nomination Committee of the Company.

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

Mr. CAO Jinjun(曹進軍), aged 58, became a non-executive director of the Company on 19 October 2018. Mr. CAO served as the technician of Civil Design Institute of Inner Mongolia First Machinery Group Co., Ltd. (內蒙古第一機械製造廠) from August 1980 to August 1982. He was a technician of Shijiazhuang Phosphorus Plant (石家莊市黃磷廠) from August 1982 to August 1985. From August 1985 to December 2001, Mr. CAO held various positions in Shijiazhuang Dongfang Group (石家莊東方集團公司), including technician, office head of the First Thermal Power Plant (熱電一廠), deputy director of the Joint Stock System Reform Office of the Group (集團公司股份制改革辦公室), deputy director of Security Department of Shenzhen Dongfang Thermoelectric Co.,Ltd. (東方熱電股份公司) and securities affairs representative. Mr. CAO served as the deputy general manager of Shenzhen Dongfang Thermal Power Investment Co., Ltd. (深圳東方熱電投資有限公司) from December 2002 to October 2008. He worked in Shenzhen Cy-tech Biotech Co., Ltd. (深圳賽泰克生物科技有限公司) from October 2008 to June 2017. Since June 2017, Mr. CAO has been the senior manager of Beijing Huitai Hengrui Investment Co., Ltd.. Mr. CAO graduated from college. Mr. CAO is a member of the Remuneration and Appraisal Committee of the Company.

Mr. QIAO Dewei (喬德衛), aged 52, became an executive Director on 11 April 2012 and is the General Manager of the Company. Mr. QIAO worked as a clerk at the Central Enterprises Management Department of the Bureau of Finance in Hubei Province (湖北省財政廳中央企業管理處) from July 1988 to July 1994, and worked as a clerk at the deputy director level from August 1994 to December 1995. He worked as the deputy manager of the Finance Department at Wuhan International Trust and Investment Company (武漢國際信託投資公司) from January 1996 to December 1997, and worked as a manager of the Finance Department at that company from January 1998 to February 2001. Mr. QIAO worked as the president assistant of Wuhan Zhengxin State-owned Assets Management Company (武漢正信國有資產經營有限公司) from March 2001 to September 2005. Between September 2005 and August 2008, Mr. QIAO served as the chief financial officer of the Company. Between September 2008 and April 2009, Mr. QIAO worked as the acting general manager of the Company, and has worked as the General Manager of the Company since April 2009. Mr. QIAO was a Director of the Company from September 2005 to May 2011, and has also been a Director of the Company since April 2012. Mr. QIAO graduated from Zhongnan University of Economics and Law (中南財經大學) with a Bachelor's degree in Economics in July 1988 and obtained his Master's degree in Law from Hubei University (湖北大學) in June 1999. Between May 2005 and August 2006, Mr. QIAO furthered his studies in a learning project under the postgraduate course in Financial Management at Tsinghua University, and obtained his Executive Master of Business Administration degree from Peking University in July 2013. Mr. QIAO qualified as an accountant, the certificate of which was issued by Profession Administration Department of Ministry of Finance (財政部專業主管部門), in November 1993. Mr. QIAO is a member of the Strategy Committee. Mr. QIAO also has indirect shareholding interest in the Company through Gongqingcheng Jingxiu Investment Partnership (Limited Partnership).

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

Mr. HU Shengyong (胡聲泳), aged 49, became an executive Director on 7 November 2014 and is the Chief Financial Officer of the Company. Mr. HU worked at the finance department of Wuhan Zhengxin State-owned Assets Management Company (武漢正信國有資產經營有限公司) ("Zhengxin Company") from August 1996 to November 2000. Under the delegation of Zhengxin Company, he served as the chief accountant at Wuhan Unity Laser Co., Ltd. (武漢團結鐳射股份有限公司) from November 2000 to May 2001 and served as director of the general office of the chief financial officer and a manager of Department of Auditors of Zhengxin Company from May 2001 to March 2004. Mr. HU served as the president assistant as well as the general manager of the Audit Department of Wuhan Securities (武漢證券公司) from April 2004 to September 2005, and served as the general manager of the Central China Region of Sunrise Environmental Protection Group (晨興環保集團公司華中區) from September 2005 to August 2008. Between August 2008 and January 2010, Mr. HU served as the president assistant of Shenzhen Dynagreen Environmental Engineering Co., Ltd (深圳綠色動力環境工程有限公司) (the predecessor of the Company). From January 2010 to April 2012, Mr. HU served as the Chief Financial Officer of Shenzhen Dynagreen Environmental Engineering Co., Ltd (深圳綠色動力環境工程有限公司) (the predecessor of the Company). Since April 2012, Mr. HU has served as the Chief Financial Officer of the Company. Mr. HU concurrently served as the Secretary of the Board from April 2012 to December 2013. Mr. HU graduated from China University of Geosciences (中國地質大學) with an Engineering Bachelor's degree majoring in Economic Management Engineering in June 1991. Mr. HU qualified as a senior accountant, the certificate of which was issued by Senior Evaluation Committee of Accounting Profession of Hubei Province (湖北省會計專業高級評委會) in March 2003. Mr. HU concurrently serves as the chairman of the board of directors of Wuhan Dynagreen Renewable Energy Co., Ltd. (武漢綠色動力再生能源有限公司) and Haining Dynagreen Renewable Energy Co., Ltd. (海寧綠色動力再生能源有限公司), which are the subsidiaries of the Company. Mr. HU is a member of the Strategy Committee of the Company.

Mr. OU Yuezhou (區岳州), aged 68, was appointed as an independent non-executive Director of the Company on 19 June 2015. Mr. OU is the chairman of Guangdong Province Environmental Protection Enterprise Association (廣東省環境保護產業協會). Mr. OU served as deputy director in Guangdong Environmental Protection Engineering Laboratory (廣東省環境保護工程研究室) under Guangdong Environmental Protection Bureau from January 1982 to January 1983, the deputy chief of business department of Guangdong Environmental Engineering & Equipment General Corporation (廣東省環境工程裝備總公司) under Guangdong Environmental Protection Bureau from January 1983 to November 1985, the deputy director of Guangdong Province Environmental Protection Engineering Research & Design Office (廣東省環境保護工程研究設計室) under Guangdong Environmental Protection Bureau from November 1985 to May 1987, the director of Guangdong Environmental Protection Engineering Laboratory under Guangdong Environmental Protection Bureau from April 1988 to January 1992, the deputy general engineer, general engineer, deputy general manager and general manager of Guangdong Environmental Engineering & Equipment General Corporation under Guangdong Environmental Protection Bureau from January 1992 to January 2000. From January 2000 to December 2004, he worked as the president of Guangdong Province Environmental Protection Engineering Research & Design Institute (廣東省環境保護工程研究設計院), the general manager of Guangdong Environmental Engineering & Equipment General Corporation, the deputy general manager of Guangdong Ipek Environmental Protection Industry Co., Ltd. (Group) (廣東省伊佩克環保產業有限公司(集團)). From January 2005 to September 2011, Mr. OU was the deputy general manager and general engineer of Guangye Environmental Protection Industry Group Co., Ltd (廣業環保產業集團) in Guangdong province. From September 2011 up to today, he serves as the chairman of Guangdong Province Environmental Protection Enterprise Association (廣東省環境保護產業協會). Mr. OU graduated from South China University of Technology majoring in Chemical Engineering with a Bachelor's degree in Engineering in July 1982. Then, he studied in civil and environmental engineering department of Tsinghua University majoring in environmental engineering from June 1982 to December 1982, environmental engineering in Japanese Hyogo Hazards Research Institute (日本國兵庫公害研究所) from May 1987 to April 1988 and environmental engineering in Ministry of Environmental Protection and DHV company in Holland under the government of Ude Frieze province, Netherlands (荷蘭國烏德列茲省政府) from January 1996 to June 1996. Mr. OU is the chairman of the Remuneration and Appraisal Committee and a member of the Nomination and Strategy Committee of the Company.

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

Ms. FU Jie (傅捷), aged 40, was appointed as an independent non-executive Director of the Company on 26 February 2018. Ms. FU is a member of the China Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (ACCA). Ms. FU graduated with a bachelor's degree in economics with a Finance Major from Central University of Finance and Economics in 2000. Ms. FU worked for Ernst & Young Hua Ming LLP from August 2004 to March 2016, and served as the senior manager of audit department from October 2012 to March 2016. She participated in the audit work for a number of Hong Kong listed companies and A-share listed companies in China. She was the certified public accountant who signed the audit report of ZTE Corporation from 2012 to 2015. She was appointed as the chief financial officer of China U-Ton Holdings Limited (Stock Code: 6168) on April 2016 and is mainly responsible for the Company's financial management, investment and financing and investor relations. Ms. FU was an independent non-executive director of Dahe Media Co., Ltd, a company listed on Hong Kong Stock Exchange (Stock Code: 8243) from June 2018 to August 2018. Ms. FU is the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee of the Company.

Mr. XIE Lanjun (謝蘭軍), aged 53, was appointed as an independent non-executive Director of the Company on 19 October 2018. From February 1989 to May 2000, Mr. XIE served as a lawyer and deputy director of the law firm of the Heyuan Municipal Justice Bureau of Guangdong Province. Mr. XIE served as a practicing lawyer of Guangdong V&T Law Firm (廣東萬商律師事務所) from May 2000 to August 2002, and a partner and practicing lawyer of Guangdong Xindongfang Law Firm(廣東新東方律師事務所) from August 2002 to March 2005. Mr. XIE served as a partner and practicing lawyer of Guangdong Allied Law Firm (廣東雅爾德律師事務所) from March 2005 to January 2009. Mr. XIE has been a senior partner and practicing lawyer of Beijing Zhongyin (Shenzhen) Law Firm (北京市中銀(深圳)律師事務所) since January 2009 and has served as an external director of Shenzhen Airport Group since June 2017. Since December 2018, he served as an independent director of China Resources Shenguotou Trust Co., Ltd. (華潤深國投信託有限公司). In 2002, Mr. XIE obtained the qualification certificate of independent directors of the listed company. Mr. XIE was graduated from Lanzhou University (蘭州大學) with a bachelor's degree. Mr. XIE is the chairman of the Nomination and a member of the Audit Committee of the Company.

2. Supervisors

Mr. LUO Zhaoguo (羅照國), aged 41, is the chairman of the supervisory committee of the Company (the "Supervisory Committee") and became a Supervisor of the Company on 19 June 2013. Mr. LUO worked as an accountant of the Finance Department and director assistant of Beijing Metallurgical Equipment Research and Design Institute (北京冶金設備研究設計總院) of China Metallurgical Group Corporation (中冶集團) from August 2000 to August 2007 and from August 2007 to October 2008 respectively. From November 2008 to July 2013, Mr. LUO has served as the fund manager of the Department of Finance Planning of BSAM. Since July 2003, Mr. LUO has served as the deputy general manager and the general manager of the Department of Finance Planning of BSAM. Mr. LUO graduated from the Management School of the University of Science and Technology Beijing (北京科技大學) with a Bachelor's degree majoring in Accounting in July 2000. Mr. LUO obtained his Master's degree in Management from Capital University of Economics and Business (首都經濟貿易大學) in July 2009.

Ms. WANG Meilin (王梅林), aged 34, became an employee representative supervisor of the Company on 2 June 2017. She was a legal assistant at Guangdong Guanghe Law Firm (廣東廣和律師事務所) from July 2007 to January 2010. She served as a legal counsel at Zhong An Credit Venture Capital Limited (中安信業創業投資有限公司) in Shenzhen from February 2010 to October 2012. Since November 2012, she has successively worked as the legal counsel and legal manager of the Company. Ms. WANG graduated from Zhaoqing University (肇慶學院) in Guangdong with a Bachelor's Degree in Law in July 2007. Ms. WANG obtained the Qualification Certificate for Legal Professions (司法職業資格證書) awarded by the Ministry of Justice of the People's Republic of China in March 2013.

Ms. HE Hong (何紅女士), aged 43, became a shareholder representative supervisor of the Company on 19 October 2018. From 1998 to 2000, Ms. HE served as the assistant to the financial manager of Shanghai Shengkang Liaoshi Real Estate Development Co., Ltd. (上海勝康廖氏房地產開發有限公司). Ms. HE served as the financial manager of Diebold Financial Equipment (Shanghai) Co., Ltd. (迪堡金融設備(上海)有限公司) from 2001 to 2002. Ms. HE was the chief financial officer of Shanghai Weiyin Information Technology Co., Ltd. (上海維音信息技術股份有限公司) from 2003 to 2011. Ms. HE was the co-founder of Shanghai Zhonghuijin Investment Co., Ltd. (上海中匯金投資集團股份有限公司) since 2011. Ms. HE was graduated from Shanghai University of Finance and Economics (上海財經大學) with a master's degree.

3. SENIOR MANAGEMENT

Mr. QIAO Dewei (喬德衛), is the general manager of the Company. Please refer to the sub-section headed "Executive Directors" for biographical details of Mr. QIAO.

Mr. HU Shengyong (胡聲泳), is the Chief Financial Officer of the Company. Please refer to the sub-section headed "Executive Directors" for biographical details of Mr. HU.

Mr. ZHANG Yong (張勇), aged 47, is the chairman of labor union, deputy general manager and manager of the president's office of the Company. Mr. ZHANG was a technical management staff of Sichuan Qingyan Machinery Plant (State-owned 5027 Plant) (四川慶岩機械廠(國營5027廠)) from July 1993 to July 1994; a resident representative at factory of New Power Tech (Shenzhen) Co., Ltd (力新科技(深圳)有限公司) from July 1994 to October 1996; vice manager, manager and assistant to general manager of the department of quality control of Weiyong Technology (Shenzhen) Co., Ltd (維用科技(深圳)有限公司) from October 1996 to May 2004; the operation support director (chief operating officer) of E-Bi International Supply Chain Management Co., Ltd (億柏國際供應鏈管理有限公司) from May 2004 to September 2006. Mr. ZHANG served as the deputy officer and officer of the president's office in the Company from September 2006 to March 2014; the chairman of labor union of the Company since February 2014; and served as the chief operating officer and manager of the president's office from March 2014 to December 2016. Since January 2017, he has been a deputy general manager and officer of the president's office of the Company. Mr. ZHANG graduated from Sichuan Normal College (四川師範學院) (now known as China West Normal University (西華師範大學)) with a Bachelor of Science in July 1993, and studied Business Administration in the Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟管理學院) from September 2002 to January 2005 and obtained his Master of Business Administration.

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

Mr. HUANG Jianzhong (黃建中), aged 53, is a Deputy General Manager of the Company. Between June 1989 and October 1990, Mr. HUANG served as a director of the General Office of Shenzhen China Travel Service Home Appliances Unit (深圳市中旅家電總匯辦公室). Mr. HUANG worked at the Shenzhen China Travel Service (深圳市中國旅行社) from October 1990 to December 1991. Between December 1991 and August 1993, Mr. HUANG served as a director of the General Office of Shenzhen China Travel Services Automobile Transportation Company (深圳市中旅汽車運輸公司) and served as the assistant to general manager of Transportation Department at Shenzhen China Travel Services Eastern International Travelling Development Company (深圳市中旅東部國際旅遊開發有限公司) from August 1993 to May 1994. Mr. HUANG served as the Head of Credit-lending Section at Shenzhen Commercial Bank, Longgang Sub-branch (深圳市商業銀行龍崗支行) from May 1994 to April 1998 and served as the director of Marketing Department of Shenzhen Commercial Bank, Zhenhua Sub-branch (深圳市商業銀行振華支行) from April to August 1998. Mr. HUANG served as a deputy general manager and chief financial officer of Shenzhen Dow's Waste-to-Energy Tech Development Co., Ltd (深圳市道斯垃圾處理技術開發有限公司) from August 1998 to March 2001, and concurrently served as the deputy general manager and chief financial officer of Shenzhen Dow's Environmental Science and Technology Co., Ltd (深圳道斯環保科技有限公司) from August 1998 to March 2001. Between March 2001 and December 2009, Mr. HUANG was the director, deputy general manager and chief financial officer of Dynagreen International Holding (綠色動力國際控股), and concurrently served as the chairman of the board of Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司) (the predecessor of the Company) from January 2002 to September 2005 and served as a director of Blue-ocean Environment from September 2005 to December 2009, and the chairman of the board of Foshan Shunde Shuneng Garbage Power Company Limited (佛山市順德區順能垃圾發電有限公司) from November 2007 to August 2010. Mr. HUANG was the chief operational officer of Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司) (the predecessor of the Company) from January 2010 to April 2012, and concurrently served as the general manager of Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. (常州綠色動力環保熱電有限公司) from April to August 2010. Mr. HUANG has been a Deputy General Manager of the Company since April 2012. Mr. HUANG graduated from the College of Economics of Jinan University (暨南大學經濟學院) with a Bachelor's degree in Economics in Planning and Statistics in June 1989, and obtained his Master's degree in Economics from Zhongnan University of Economics & Law (中南財經政法大學) in December 2002. Mr. HUANG qualified as a Senior Operating Manager, the certificate of which was issued by Labor Bureau of Hubei Province (湖北省勞動廳), in July 2000.

Mr. CHENG Yan (成雁), aged 55, a Deputy General Manager of the Company. Between August 1990 and June 1996, Mr. CHENG served as the deputy general manager and chief marketing officer at Shenzhen Haiwang Company (深圳海王藥業有限公司), and served as a director and deputy general manager of Science Expert Industrial Co., Ltd. (深圳市科爾通實業有限公司) from October 1996 to January 2000. Between April 2000 and April 2012, Mr. CHENG served as a Deputy General Manager and Chief Investment Officer of the Company from April 2000 to January 2010 and from January 2010 to April 2012 respectively, and has served as a Deputy General Manager of the Company since April 2012. Mr. CHENG graduated from Chang'an University (長安大學) (formerly named as Xi'an Highway Institute (西安公路學院)) with a Bachelor's degree in Engineering in July 1985 and obtained his Executive Master of Business Administration degree from Peking University (北京大學) in January 2006.

Mr. ZHU Shuguang (朱曙光), aged 43, is currently the Secretary of the Board, Authorized Representative and a Deputy General Manager of the Company. Mr. ZHU worked at China Securities (華夏證券) before March 2002. He worked in securities investment while working at Shenzhen Han's Laser Technology Co., Ltd. (深圳市大族激光科技股份有限公司) from August 2002 to March 2004. Between April 2004 and August 2008, Mr. ZHU was the deputy general director of Department of Securities of Shenzhen Baoneng Group (深圳市寶能投資集團有限公司). Mr. ZHU was a manager of Department of Securities of AVIC Sanxin Co., Ltd. (中航三鑫股份有限公司) as well as deputy general manager and secretary of the board of Shenzhen JMT Glass Co., Ltd. (深圳三鑫精美特有限公司), a subsidiary of AVIC Sanxin Co., Ltd., from August 2008 to August 2010. Mr. ZHU has been the Officer of Treasury Department of the Company from September 2010 to February 2017, and the Secretary of the Board from 3 December 2013 to present. Mr. ZHU has also concurrently served as the General Manager of the Legal Affairs Department of the Company from May 2015 to present. Since January 2017, he has been a deputy general manager of the Company. Mr. ZHU graduated from Central University of Finance and Economics (中央財經大學) with a Bachelor's degree in Economics in July 1999.

4. COMPANY SECRETARY

Mrs. SENG SZE, Ka Mee Natalia is the Vice Chairman of Tricor Hong Kong and Offshore, and Member of Tricor China Management Committee. She leads the strategic development and management of Tricor's operations across Hong Kong, China and Offshore markets. Mrs. SENG was in the founding team of the Company Secretarial Practice of Ernst & Young in Hong Kong for two decades up to year 2002 before the practice was sold to Tricor Group. Her professional practice area covers business advisory, corporate governance, fiduciary services and regulatory compliance for private and public listed companies and non-profit organisations.

Mrs. SENG is a Chartered Secretary, a Past President (2007-2009) and an incumbent Council Member of The Hong Kong Institute of Chartered Secretaries (HKICS). She is also a Fellow of The Taxation Institute of Hong Kong (TIHK) and The Hong Kong Institute of Directors (HKIoD). Mrs. SENG holds a Master's degree in Business Administration (Executive) from City University of Hong Kong.

Mrs. SENG has been appointed by government as a member of the Standing Committee on Company Law Reform (SCCLR) for a period of two consecutive terms (February 2016 – January 2020). She represented HKICS as a member of an Advisory Group on the Rewrite of the Companies Ordinance. She was also appointed by government as a lay member to the Council of the Hong Kong Institute of Certified Public Accountants (HKICPA) (December 2013 – November 2015). Mrs. SENG has been appointed as a Council Member of The Hong Kong Committee for UNICEF since September 2017. (Note: The Company has engaged Tricor as external service provider and appointed Mrs. SENG as the Company Secretary since 22 January 2014.)

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

(II) Positions in Shareholder Entities

✓ Applicable ☐ Not applicable

Name	Name of shareholder entity	Position held in the shareholder entity	Starting date of term of office	Expiry date of term of office
ZHI Jun	BSAM	Deputy secretary of the party committee, President		
GUO Yitao	BSAM	Strategic management director		
FENG Changzheng	BSAM	General manager of the urban function and social investment department		
CHENG Suning	BSAM	Deputy general manager of the urban function and social investment department		
LUO Zhaoguo	BSAM	General manager of the Department of Finance Planning		
LIU Shuguang	Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)	General manager of Anhui Botao Venture Capital Fund Management Co., Ltd. (安徽博韜創投基金管理有限公司) (Executive Partner)		
CAO Jinjun	Beijing Huitai Hengrui Investment Co., Ltd.	Senior manager		
CAI Binquan	Beijing Huitai Hengrui Investment Co., Ltd.	Chairman		
HE Hong	Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership)	Supervisor of Shanghai Zhonghuijin Investment Co., Ltd. (上海中匯金投資集團股份有限公司) (Executive Partner)		
Positions in Shareholder Entities	Nil			

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

(III) Positions in Other Entities

✓ Applicable ☐ Not applicable

Name	Name of other entity	Position held in the other entity	Starting date of term of office	Expiry date of term of office
KWAN Kai Cheong	Morrison & Company Limited (香港馬禮遜有限公司)	President		
CHEN Xin	University of Chinese Academy of Social Sciences (中國社科院大學)	Teacher		
OU Yuezhou	Guangdong Province Environmental Protection Enterprise Association (廣東省環保產業協會)	Chairman		
FU Jie	China U-Ton Holdings Limited (中國優通控股有限公司)	Chief financial officer		
XIE Lanjun	Beijing Zhongyin (Shenzhen) Law Firm (北京市中銀(深圳)律師事務所)	Senior partner		
Position held in the other entity	Nil			

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

✓ Applicable ☐ Not applicable

Procedures for determining the remuneration of Directors, supervisors and senior management	Non-independent Directors and supervisors do not receive Directors and supervisors' allowances and independent Directors' allowances, which shall be discussed by the Board of the Company and approved by the general meeting. The emoluments of the senior management are recommended by the remuneration and appraisal committee of the Board of the Company, and approved by the Board.
Determination criteria for the remuneration of Directors, supervisors and senior management	Such remuneration is determined according to the remuneration level in the industry, combined with the remuneration system and annual operation performance of the Company.
Payment of the remuneration payable to Directors, supervisors and senior management	
Total remuneration actually received by all Directors, supervisors and senior management at the end of the Reporting Period	

Details of the emoluments for Directors, Supervisors and highest paid employees of the Company are set out in notes X.5(2) to the financial statements.

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

✓ Applicable ☐ Not applicable

Name	Position	Change situation	Date of changes	Reasons for changes
GUO Yitao	Non-executive Director	Resignation	19 October 2018	Expiry of tenure without re-election
FENG Changzheng	Non-executive Director	Resignation	19 October 2018	Expiry of tenure without re-election
CHENG Suning	Non-executive Director	Election	19 October 2018	
CAO Jinjun	Non-executive Director	Election	19 October 2018	
KWAN Kai Cheong	Independent non-executive Director	Resignation	26 February 2018	Resignation
FU Jie	Independent non-executive Director	Election	26 February 2018	
CHEN Xin	Independent non-executive Director	Resignation	19 October 2018	Expiry of tenure without re-election
XIE Lanjun	Independent non-executive Director	Election	19 October 2018	
LUO Zhaoguo	Supervisor	Election	19 October 2018	
CAI Binquan	Supervisor	Resignation	19 October 2018	Expiry of tenure without reelection
HE Hong	Supervisor	Election	19 October 2018	
ZHONG Xia	Deputy general manager	Resignation	19 October 2018	Full-time deputy secretary of the party committee of the Company
HOU Zhiyong	Deputy general manager	Resignation	19 October 2018	Retirement

V. THE RECORDS OF BEING PUBLISHED BY SECURITIES REGULATORS IN RECENT THREE YEARS

☐ Applicable ✓ Not applicable

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

VI EMPLOYEES OF PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

As at 31 December 2018, the Group had a total of 1,970 staff members.

Number of in-service employees of the parent company	260
Number of in-service employees of the major subsidiaries	1,710
Total number of in-service employees	1,970
The number of retired employees whose expenses are borne by the parent company and the major subsidiaries	0

Composition of professions

Type of profession	**Number of staff in the profession**
Production staff	1,124
Technical staff	384
Finance staff	84
Administrative staff	258
Others	120
Total	1,970

Education level

Type of education level	Number of persons
Master	21
Bachelor	419
College graduate	890
Below college graduate	640
Total	1,970

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

(II) Remuneration Policy

✓ Applicable ☐ Not applicable

The Company provides remuneration with "competitiveness in the industry" to employees. The Company has established a compensation management system based on "management by objectives and performance appraisal". The remuneration of employees is linked to their completion of tasks assigned by the Company and performances. The remuneration management of the Company follows the "model differentiation principle". According to work needs, the Company implements four different compensation modes of "effective annual salary system, basic annual salary system, project salary system and basic monthly salary system" for different positions.

The Company will maintain the stability of the remuneration system, and will continue to improve on the basis of the implementation of current remuneration system in accordance with the actual situation of the Company. The Company will make timely adjustments to the salary level of employees according to the operation situation, price index and industry salary level, so that the income level of employees will continue to be competitive.

(III) Training Program

✓ Applicable ☐ Not applicable

By facilitating various kinds of training, including self-study, after-work training and on-the-job and off-the-job training, the Group educates its employees about its history, corporate culture, vision, business philosophy and basic rules, as well as its systems and operations management, environmental and safety issues, waste-to-energy know-how, relevant laws and regulations as well as the Group's core technologies and production procedures. In particular, the Group recruits recent graduates with high level of education from technical schools, secondary technical schools, colleges and universities and trains them through trainee mentoring programs so as to expand a pool of reserve talent.

(IV) Labour Outsourcing

☐ Applicable ✓ Not applicable

(V) Post-employment Benefits – Defined Contribution Plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government authorities. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government.

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

VII. OTHERS

✓ Applicable ☐ Not applicable

(I) Directors' Supervisors and Chief Executives' Interest and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2018, the interests and short positions of the Directors, Supervisors and the chief executives 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 ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company; or (iii) which were required to be 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 the Listing Rules were as follows:

Director	Number of shares held	Capacity	Approximate percentage of shareholding in the relevant class of shares(1)	Approximate percentage of shareholding in the total share capital of the Company(2)
Mr. Qiao Dewei(3)	20,918,478 Shares A Shares (Long position)	Interest in controlled corporation	2.76%	1.80%

Notes:

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 31 December 2018.

(2) The calculation is based on the total number of 1,161,200,000 Shares in issue as at 31 December 2018.

(3) Gongqingcheng Jingxiu Investment Partnership (Limited Partnership) ("Jingxiu Investment", originally known as Shenzhen Jingxiu Investment Partnership (Limited Partnership)) held 20,918,478 A Shares, representing approximately 2.76% of the total A Share and approximately 1.80% of the total share capital of the Company respectively. As Mr. Qiao Dewei is a general partner of Jingxiu Investment according to the partnership agreement of Jingxiu Investment, pursuant to the SFO, Mr. Qiao Dewei is deemed to be interested in the A Shares held by Jingxiu Investment.

Apart from the above, none of the Directors, Supervisors and chief executives of the Company had any interests 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 at 31 December 2018 as recorded in the Register required to be kept under Section 352 of the SFO or which were required to be notified to the Company or the Hong Kong Stock Exchange pursuant to the Model Code.

Apart from the above, at no time during the period from 1 January 2018 to 31 December 2018 was the Company or its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the Directors, Supervisors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

IX. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

(II) Directors' and Supervisors' Service Contracts

Neither the Company nor other members of the Group has entered into or intended to enter into any service contract with the Directors proposed for re-election at the AGM, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

(III) Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

No contracts, transactions or arrangements of significance were entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries.

(IV) Relations with Employees

The Group attaches importance to maintaining good relationship with employees. The Group is of the view that employees are the most important assets of the Group, and the basis for sustainable development. To establish good relationship with employees and retain talents, the Group has offered employees with competitive remuneration package, excellent working environment and welfare. The remuneration policy of the Group is determined based on the performance of employees, and will be reviewed regularly. The Group will distribute discretionary bonuses to employees for their contributions to the Group based on its profitability and the performance of the employee, and promote employees with excellent performance. The Group will also provide trainings for new and existing staff so as to enhance their skills and knowledge. For frontline production staff, the Group will also provide firefighting and safety production trainings. These measures can improve the production capacity and efficiency of the Group.

(V) Compliance with Relevant Laws and Regulations of Significant Influence

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations (particularly, those that have significant impact on the Group such as the Listing Rules of the Stock Exchange and the Chinese Financial Reporting Standards. The Board is responsible for monitoring the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

To the knowledge of the Company, it has complied in all material aspects with relevant laws and regulations which have significant impact on its business and operation.

X. SUPERVISORY COMMITTEE'S REPORT

To all shareholders of Dynagreen Environmental Protection Group Co., Ltd. (the "Company"),

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

On 27 March 2019, the Supervisory Committee convened a meeting, at which the 2018 financial statements of the Group and the auditor's report were reviewed and approved. The Supervisory Committee was of the opinion that the financial statements were prepared in accordance with the relevant accounting standards and fairly reflected the financial position and results of operations of the Group.

The Supervisory Committee concluded that, during the year, all members of the Board and the senior management of the Group had, under the principles of diligence, fairness and honesty, duly performed the responsibilities stipulated in the Articles, and carefully implemented all resolutions of the general meetings and the Board, and did not identify any breach of law, regulations and the Articles.

In the coming year, the Supervisory Committee shall continue to carry out its duties in accordance with the relevant provisions of the Articles and the Listing Rules of the Stock Exchange, and commit to perform supervisory duties honestly and diligently, with the aim of protecting the interests of the Company and its shareholders.

By Order of the Supervisory Committee

Dynagreen Environmental Protection Group Co., Ltd.
Chairman of the Supervisory Committee
LUO Zhaoguo

Shenzhen, the PRC
27 March 2019

XI. CORPORATE GOVERNANCE (CORPORATE GOVERNANCE REPORT)

I. CORPORATE GOVERNANCE

✓ Applicable ☐ Not applicable

The Company complied with requirements under the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies and other laws, regulations, rules and regulatory documents and the Articles of Association, set up an established governance structure comprising of shareholders' meeting, the Board, the Supervisory Committee and senior manage, and formulated rules of procedures of general meeting, the Board and the Supervisory Committee, the Working System for Independent Directors, the Working Rules of General Manager; the Working Rules of Secretary to the Board, as well as formed the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee under the Board. During the Reporting Period, the shareholders' meeting, the Board and the Supervisory Committee were all operated according to laws and members performed their roles and responsibilities diligently. During the Reporting Period, new session of the Board and the Supervisory Committee were elected, and the Articles of Association was revised for incorporating the construction of Party committee, clarifying the position of the Party committee in corporate governance.

During the Reporting Period, the Registration System for Persons with Inside Information was formulated for registration and filing the persons with inside information. The Company was not aware of any insider trading of the shares of the Company by taking advantage of inside information by the persons with insider information, and no investigation was conducted by regulatory authorities against insider trading of shares by the persons with insider information.

Does corporate governance significantly deviate from relevant CSRC provisions? If so, please explain the reason.

☐ Applicable ✓ Not applicable

II. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Code Provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules of the Stock Exchange as its own code of corporate governance. During the year ended 31 December 2018, the Company has complied with the code provisions as set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

XI. CORPORATE GOVERNANCE (CORPORATE GOVERNANCE REPORT) (CONTINUED)

III. OVERVIEW OF GENERAL MEETINGS

Session of the meeting	Date of meeting	The enquiry index at designated websites where the resolutions were published	Disclosure date of the published resolutions
First Extraordinary General Meeting for the Year 2018	26 February 2018	www.hkexnews.hk	26 February 2018
2017 Annual General Meeting	15 June 2018	www.hkexnews.hk www.sse.com.cn	15 June 2018
Second Extraordinary General Meeting for the Year 2018	19 October 2018	www.hkexnews.hk www.sse.com.cn	19 October 2018

Explanation of general meetings

✓ Applicable ☐ Not applicable

The register of A Shares of the Company was completed on 6 June 2018, and the record date of the 2017 annual general meeting of the Company was 15 May 2018. The shareholders who successfully subscribed for the A shares of the Company under the initial public offering did not qualify for such meeting.

IV. SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules of the Stock Exchange and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

(I) Convening an Extraordinary General Meeting

Shareholders holding 10% or more Shares (individually or together with others) shall be entitled to request for an extraordinary general meeting or class meeting.

The aforesaid shareholders may sign one or several written requests stating the subject of the meeting to request the Board to convene an extraordinary general meeting or class meeting. Shares held by the above shareholders shall be calculated as at the date of submitting the written request.

(II) Putting Forward Proposals at Extraordinary General Meeting

When a general meeting is held by the Company, the Board, Supervisory Committee or shareholders who individually or together holding more than 3% of the Shares of the Company may propose resolutions to the Company.

Shareholders who individually or together holding more than 3% of the Shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting at least 10 days before the holding of the general meeting.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Company's Articles of Association.

(III) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

(IV) Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following address:

Tricor Investor Services Limited

Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

(For the attention of Mr. ZHU Shuguang)

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

V. BOARD OF DIRECTORS

(I) The Board

1. Composition of the Board

During the Reporting Period, the Board of Directors of the Company consisted of the following Directors:

Non-executive Directors

ZHI Jun *(Chairman)*
GUO Yitao *(resigned on 19 October 2018)*
LIU Shuguang
FENG Changzheng *(resigned on 19 October 2018)*
CHENG Suning *(appointed on 19 October 2018)*
CAO Jinjun *(appointed on 19 October 2018)*

Executive Directors

QIAO Dewei *(General Manager)*
HU Shengyong

Independent Non-executive Directors

CHEN Xin *(resigned on 19 October 2018)*
KWAN Kai Cheong *(resigned on 26 February 2018)*
OU Yuezhou
FU Jie *(appointed on 26 February 2018)*
XIE Lanjun *(appointed on 19 October 2018)*

During the Reporting Period, the Board consisted of nine members, including four non-executive Directors, two executive Directors and three independent non-executive Directors. Biographic information of Directors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 84 to 90 of the annual report for the year ended 31 December 2018.

None of the members of the Board is related to each other.

2. Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors of the Company has been appointed for a term ending on the expiration of the term of the session of the Board (i.e. not more than three years), subject to re-election by shareholders.

(II) The Board and management

1. Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's business, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

2. BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

XI. CORPORATE GOVERNANCE (CORPORATE GOVERNANCE REPORT) (CONTINUED)

VI. DIRECTORS'S PERFORMANCE OF RESPONSIBILITIES

(I) Directors' attendance of meeting of the Board and general meetings

	Attendance of the Board							Attendance to the Committees' Meeting				Attendance of general meetings	
Name of Director	Independent Director or not	Meetings that should attend during the year	Attendance in person	Attendance via communication	Attendance by proxy	Absence	Attendance in person for two consecutive times	Nomination Committee	Remuneration and Appraisal Committee	Audit Committee	Strategy Committee	The number of participants	Number of general meeting attended
ZHI Jun	No	18	18	15	0	0	No	-	-	-	2	3	3
GUO Yitao	No	13	13	11	0	0	No	-	3	-	2	3	2
FENG Changzheng	No	13	13	11	0	0	No	2	-	2	-	3	2
LIU Shuguang	No	18	17	15	1	0	No	-	-	-	1	3	1
QIAO Dewei	No	18	18	15	0	0	No	-	-	-	2	3	3
HU Shengyong	No	18	18	15	0	0	No	-	-	-	-	3	3
CHENG Suning	No	5	5	4	0	0	No	2	-	2	-	1	1
CAO Jinjun	No	5	4	4	1	0	No	-	-	-	-	1	0
OU Yuezhou	Yes	18	18	15	0	0	No	-	3	-	2	3	1
CHEN Xin	Yes	13	12	11	1	0	No	-	3	2	-	3	0
KWAN Kai Cheong	Yes	2	2	2	0	0	No	-	-	-	-	1	0
FU Jie	Yes	16	16	13	0	0	No	4	-	4	-	3	1
XIE Lanjun	Yes	5	5	4	0	0	No	2	-	2	-	1	1

Explanation for not attendance in person for two consecutive times

☐ Applicable ✓ Not applicable

Number of board meeting held in the year	18
Of which: number of on-site meeting	3
Number of meeting via communication	15
Number of meeting via on-site and communication	0

(II) Circumstances under which Independent Directors raised dissent for matters of the Company

☐ Applicable ✓ Not applicable

XI. CORPORATE GOVERNANCE (CORPORATE GOVERNANCE REPORT) (CONTINUED)

(III) Others

✓ Applicable ☐ Not applicable

1. Training of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored made induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

All the Directors have actively participated in the continuous professional development by way of attending seminar and/or conferences and/or forums and/or reading materials.

During the year ended 31 December 2018, the following Directors attended seminars/training sessions/in-house briefing/reading materials:

Director	Attending seminar and/or conferences and/or forums	Reading journals, updates, articles and/or materials, etc.
Non-executive Directors		
ZHI Jun *(Chairman)*	✓	✓
GUO Yitao *(resigned on 19 October 2018)*	✓	✓
LIU Shuguang	✓	✓
FENG Changzheng *(resigned on 19 October 2018)*	✓	✓
CHENG Suning *(appointed on 19 October 2018)*	✓	✓
CAO Jinjun *(appointed on 19 October 2018)*	✓	✓
Executive Directors		
QIAO Dewei *(General Manager)*	✓	✓
HU Shengyong	✓	✓
Independent Non-executive Directors		
CHEN Xin *(resigned on 19 October 2018)*	✓	✓
KWAN Kai Cheong *(resigned on 26 February 2018)*	✓	✓
OU Yuezhou	✓	✓
FU Jie *(appointed on 26 February 2018)*	✓	✓
XIE Lanjun *(appointed on 19 October 2018)*	✓	✓

XI. CORPORATE GOVERNANCE (CORPORATE GOVERNANCE REPORT) (CONTINUED)

2. Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Management Measures and Written Employee Guidance, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

3. Independent non-executive Directors

During the Reporting Period, the Board complied with (1) the requirement that the Board of a listed issuer must include at least three independent non-executive Directors under Rule 3.10(1) of the Listing Rules of the Stock Exchange; (2) the requirement that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules of the Stock Exchange; and (3) the requirement that the number of independent non-executive Directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules of the Stock Exchange.

The Company has received written annual confirmation from each of the independent non – executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

VII. CHAIRMAN AND GENERAL MANAGER

The positions of the chairman and the general manager are held by Mr. ZHI Jun and Mr. QIAO Dewei respectively. The chairman provides leadership for the Board and is responsible for formulating corporate and business strategies and making major corporations and operations decisions. The general manager focuses on the business development and is responsible for the daily operation and management. He is also taking part in formulating and implementing the overall corporate and business strategy. Their respective responsibilities are clearly defined and set out in writing.

VIII. SPECIAL COMMITTEES UNDER THE BOARD

(I) Audit Committee

The Company has established an audit committee (the "Audit Committee") in compliance with the Listing Rules of the Stock Exchange. The Audit Committee of the Company currently comprises the following Directors:

Independent non-executive Directors
FU Jie *(chairman)*
XIE Lanjun

Non-executive Director
CHENG Suning

The primary responsibilities of the Audit Committee include but are not limited to: (i) proposing appointment, re-appointment or removal of external auditors; (ii) reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) reviewing the financial information of the Company; (iv) overseeing the financial reporting system of the Company; (v) enhancing communication channels which the Group's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and (vi) reviewing the risk management and internal control systems, effectiveness of the internal audit function.

The Audit Committee reviewed the financial results of the Group for the year ended 31 December 2018, considered the re-appointment of KPMG Huazhen LLP as the Company's external auditors in 2019 and met the external auditors 2 without the presence of the executive Directors.

XI. CORPORATE GOVERNANCE (CORPORATE GOVERNANCE REPORT) (CONTINUED)

(II) Remuneration and Appraisal Committee

The Company has established a remuneration and appraisal committee (the "Remuneration Committee") in compliance with the Listing Rules of the Stock Exchange. The Remuneration Committee of the Company currently comprises the following Directors:

Independent non-executive Directors
OU Yuezhou *(chairman)*
FU Jie

Non-executive Director
CAO Jinjun

The primary responsibilities of the Remuneration Committee include but are not limited to: (i) researching and recommending to the Board on the Company's remuneration structure and policy for all Directors, Supervisors and senior management of the Company; (ii) determining, with delegated responsibilities from the Board, or recommending to the Board the remuneration packages of individual executive Directors and members of the senior management; (iii) recommending to the Board on the remuneration of non-executive Directors; (iv) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct; and (v) monitoring the implementation of remuneration policies of Directors, Supervisors and senior management.

Pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out below:

Remuneration band(s) (HK$)	Number of individuals
HK$1,000,001 to 1,500,000	2
HK$1,500,001 to 2,000,000	4
HK$2,000,001 to 2,500,000	2

Details of remuneration of all Directors, Supervisors and certain members of the senior management for the year ended 31 December 2018 are set out in note X.5(2) to the Financial Statements contained in the annual report.

(III) Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") in compliance with the Listing Rules of the Stock Exchange. The Nomination Committee currently comprises the following Directors:

Independent non-executive Directors
XIE Lanjun *(chairman)*
OU Yuezhou

Non-executive Director
CHENG Suning

The primary responsibilities of the Nomination Committee include but are not limited to: (i) making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors; (ii) reviewing the structure, size and composition of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and (iii) identifying individuals suitably qualified to become Directors, selecting or recommending to the Board on the selection of individuals nominated for directorships or providing advice to the Board in respect thereof.

As to nomination of suitable Director candidates, the Board of the Company adopted the Nomination Policy for Directorship to clarify the nomination criteria for Directors. The Nominating Committee will refer to the following factors when evaluating candidates:

- Compliance with the qualifications for appointment required under the Company Law and the Listing Rules of the Stock Exchange
- Reputation
- Knowledge and experience in corporate management, legal, financial or environmental industries
- Commitment in respect of available time and relevant interest
- Diversity of the Board in the aspects, amongst others, of gender, age (aged 18 or above), cultural and educational background, professional experience, skills, knowledge and length of service.

The above factors are for reference only and are not intended to cover all factors and are not decisive. The Nominating Committee may decide to nominate any person it deems appropriate.

XI. CORPORATE GOVERNANCE (CORPORATE GOVERNANCE REPORT) (CONTINUED)

In addition, according to the Nomination Policy for Directorship, candidates shall submit the required personal data in the agreed format and his/her written consent to be appointed as a Director and agree to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to his/her appointment as a Director. The Nomination Committee may request the candidate to provide additional information and documents, if considered necessary.

As to assessment of the composition of the Board, according to Rule 7 of the Terms of Reference of the Nominating Committee, the Nomination Committee focused on developing Board diversity in the member selection process. Factors to consider include but are not limited to gender, age, culture, education background, and previous experience. In addition, the Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Nominating Committee believes that the diversity of Board is properly balanced.

(IV) Strategy Committee

The Company has also established a strategy committee (the “Strategy Committee”). The Strategy Committee currently comprises the following Directors:

Non-executive Directors
ZHI Jun *(Chairman)*
LIU Shuguang

Executive Directors
QIAO Dewei
HU Shengyong

Independent non-executive Director
OU Yuezhou

The primary responsibilities of the Strategy Committee include but are not limited to: (i) researching and recommending on the medium to long term strategic and development plans of the Company; (ii) researching and recommending on the significant capital expenditure, investment and financing projects of the Company; and (iii) researching and recommending on the significant matters relating to the development of the Company.

IX. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED

✓ Applicable ☐ Not applicable

(i). The Audit Committee: four meetings were held in 2018, at which proposals regarding annual internal audit plan, quarterly internal audit work reports, annual/interim/third quarterly financial report, as well as adjustment of accounting policies and engagement of annual audit firms work were considered and approved;

(ii). Nomination Committee: four meetings were held in 2018, at which proposals regarding nomination of Directors, members of senior management, and the Nomination Policy for Directorship were considered and approved;

(iii). Remuneration and Appraisal Committee: three meetings were held in 2018, at which proposals regarding adjustment of allowance of independent Directors and annual remuneration appraisal and salaries plan of senior management were considered and approved;

(iv). Strategy Committee: two meetings were held in 2018, at which proposals regarding annual work report of general manager, annual operating plan and acquisition of Promising, etc. were considered and approved.

X. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE SUPERVISORY COMMITTEE

☐ Applicable ✓ Not applicable

XI. INDEPENDENCE OF BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND CAPABILITY OF INDEPENDENT OPERATION

☐ Applicable ✓ Not applicable

Responding solutions, progress and subsequent plan for non-competition

☐ Applicable ✓ Not applicable

XII. APPRAISAL AND MOTIVATION MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

✓ Applicable ☐ Not applicable

The Company implements the annual salary system for the senior management. The income of the senior management of the Company includes the basic annual salary and the annual target benefit bonus. The Remuneration and Appraisal Committee of the Board of Directors proposes a bonus plan based on the completion of the annual management objectives of the senior management personnel and submits it to the board of Directors for approval.

XIII. DISCLOSE SELF-ASSESSMENT REPORT ON THE INTERNAL CONTROL OR NOT

✓ Applicable ☐ Not applicable

Significant deficiency existed in internal control during the Reporting Period

☐ Applicable ✓ Not applicable

XIV. AUDITORS' REPORT ON INTERNAL CONTROL

✓ Applicable ☐ Not applicable

The Auditors' Report on Internal Control was issued by KPMG Huazhen LLP

Whether to disclose the internal control audit report: Yes

XV. OTHERS

✓ Applicable ☐ Not applicable

(I) Trading of shares by Directors, supervisors and employees

The Company has adopted Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel (the "Management Measures") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules of the Stock Exchange. The Company had made specific inquiries to all of the Directors and Supervisors on whether they had complied with the Management Measures during the Reporting Period, and all of the Directors and supervisors had confirmed that they had all complied with the Management Measures. The Company has established the Employees Written Guidance (the "Employees Written Guidance") for its employees who may hold unpublished internal information of the Company in relation to dealing in securities, with terms no less favourable than the Model Code. The Company was not aware of any matters in relation to breaches of the Employees Written Guidance by any employee.

(II) DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 117 to 278.

(III) MEETING BETWEEN CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors.

(IV) AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors (including KPMG Huazhen LLP and other PRC auditors) in respect of audit services for the year ended 31 December 2018 amounted to RMB3,298,700, of which RMB2,580,000 is for audit services conducted under CASBE and RMB500,000 is for audit services relating to the internal control for financial reporting rendered by KPMG Huazhen LLP. For the year ended 31 December 2018, the Company incurred a total of RMB166,200 of fees for non-audit services preparation by its external auditors relating to the production of the environmental, social and governance report of the Company.

(V) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledge its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Board, through the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2018.

The management monitors the assessment of the risk management and internal controls and has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

The Company has developed and adopted different risk management procedures and guidelines with defined authority. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit report and considered that, for the year ended 31 December 2018, the risk management and internal control systems of the Company are effective and adequate.

(VI) COMPANY SECRETARIES

Mrs. SENG Sze, Ka Mee Natalia of Tricor Services Limited, a service provider, currently acts as the company secretary of the Company. The primary contact person of Mrs. SENG at the Company is Mr. ZHU Shuguang, the secretary of the Board.

Mrs. SENG has complied with Rule 3.29 of the Listing Rules of the Stock Exchange by taking more than 15 hours of the relevant professional training during the year.

(VII) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has amended its Articles of Association. Details of the amendments are set out in the circular dated 3 September 2018 to the shareholders. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has also set out the profit distribution policies and decision-making mechanism relating to the payment of dividends in its Articles of Association.

Such details have been disclosed in the annual report of the Company.

Sufficiency of public float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, from the date on which the Company became listed on the Hong Kong Stock Exchange and up to 31 December 2018, the Company had maintained a public float as required under the Listing Rules.

XII. CORPORATE BONDS

☐ Applicable ✓ Not applicable

XIII. FINANCIAL REPORT

All Shareholders of Dynagreen Environmental Protection Group Co., Ltd.:

I. OPINION

We have audited the accompanying financial statements of Dynagreen Environmental Protection Group Co., Ltd. ("the Company"), which comprise the consolidated and company balance sheets as at 31 December 2018, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2018, and the consolidated and company financial performance and cash flows of the Company for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). 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 the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of financial assets and intangible assets relating to service concession arrangements

Refer to Note III.14 and III.19 of Significant Accounting Policies and Accounting Estimates and Note V.8 and V.11 of Notes to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Company and its subsidiaries ("the Group") has entered into service concession arrangements with different local governments in China ("the grantor") in respect of its waste-to-energy ("WTE") projects on a Build-Operate-Transfer ("BOT") basis. Under the service concession arrangements, the Group builds WTE plants (construction period) and operates these WTE plants (operation period) for a concession period of 23 to 30 years. Upon the expiry of the concession period, the Group would transfer these WTE plants to respective grantor without consideration. The terms of the service concession arrangements allow the Group to earn waste treatment fees and electricity tariffs for the processing of waste and generation of electricity. In addition, the grantors agree to pay the Group minimum service income, representing a fixed guaranteed minimum amount of waste (tons per annum) that will be treated at a fixed price or a fixed price subject to adjustment according to prevailing market price ("minimum service income"), during the concession period.	Our audit procedures to assess recognition of financial assets and intangible assets relating to service concession arrangements included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal controls over recognition of financial assets and intangible assets relating to service concession arrangements; • understanding the Group's process for applying the requirements of the prevailing accounting standards and inspecting the associated contracts for projects which commenced construction in the current year to assess whether these fell within the scope of service concession arrangements under the prevailing accounting standards; • assessing the impact of any changes to the terms of arrangements entered into in previous years which could affect the accounting for BOT projects in the current year; • verifying if the guaranteed minimum waste amount used by management in computing of financial assets are in line with relevant terms under the arrangements; • verifying if the actual waste amount of each BOT projects in operation exceed the guaranteed minimum waste amount by checking, on a sample basis, to the actual waste amount in the monthly waste treatment statements which are signed by BOT projects entities and its grantors;

III. KEY AUDIT MATTERS (Continued)

Recognition of financial assets and intangible assets relating to service concession arrangements (Continued)

Refer to Note III.14 and III.19 of Significant Accounting Policies and Accounting Estimates and Note V.8 and V.11 of Notes to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group recognises financial assets during construction period to the extent that the construction costs are recoverable from the minimum service income generated during the concession period. The excess of total construction costs over the minimum service income are recognised as intangible assets relating to service concession arrangements. Financial assets and intangible assets are recognised based on the stage of completion of each project at the reporting date, which is estimated based on the percentage of costs incurred to date to the budgeted construction costs for each project. The budgeted construction costs are estimated principally on the costs of raw materials and equipment, other relevant costs and market conditions. We identified the recognition of financial assets and intangible assets relating to service concession arrangements as a key audit matter because of its financial significance to the financial statements and the significant judgement required to be exercised in estimating the budgeted construction costs and the stage of completion of construction work for each project which could be subject to management bias.	• conducting site visits to significant construction projects and discussing with project managers and site personnel to understand the construction progress of BOT projects; • discussing and understanding management's estimates for total budgeted costs for BOT projects under construction in the current year by comparison with prior years' projects with similar waste treatment capacities and assessing whether or not there was an indication of management bias in the preparation of total budgeted costs by comparing the budgeted costs with the costs included in major suppliers' contracts signed for these BOT projects; • calculating the percentage of completion of incomplete projects by reference to the progress reports for BOT projects under construction which were prepared by management, and certified by independent supervising engineers if applicable, and comparing, on a sample basis, the actual costs incurred to date with relevant underlying documents, including suppliers' contracts, payment records and supervision reports, to assess whether the recorded contract progress was consistent with the terms of the contracts, the payments made to date and the surveyors' reports.

III. KEY AUDIT MATTERS (Continued)

Potential impairment of intangible assets relating to service concession arrangements

Refer to Note III.17 of Significant Accounting Policies and Accounting Estimates and Note V.11 of Notes to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Intangible assets mainly represent waste-to-energy operating rights where the Group has the right to charge local government authorities for treating waste, which is supplied by the local government authorities, and to convert the waste to energy using the Group's waste-to-energy infrastructure upon fulfilment of its obligations as stipulated in the service concession arrangements. There is a risk that the value of certain waste-to-energy operating rights may not be recoverable in full through the future cash flows to be generated from the specific waste-to-energy operations. Therefore, at the end of each Reporting Period, • for those waste-to-energy projects which have not yet commenced operations, management assesses the recoverable amount of each operating right; • for those waste-to-energy projects which have commenced operations, management assesses the recoverable amount of each operating right when an indicator of impairment has been identified.	Our audit procedures to assess potential impairment of intangible assets relating to service concession arrangements included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal control, over impairment of intangible assets relating to service concession arrangements; • inquiring the management of the criteria adopted for identifying indicators of impairment for waste-to-energy operating projects so as to assess if all BOT projects with indicators of impairment are identified by management; • evaluating management's discounted cash flow forecasts for each waste-to-energy operating rights by comparing the key assumptions adopted by management with the future prospects of the business, the budgets approved by management and the external data, in particular, for the assumptions relating to the revenue growth rate over the concession period and the amount of future operating costs; • comparing the key assumptions and estimates included in the discounted cash flow forecasts for each operating right as projected by management in previous year with the 2018 actual results and inquiring management of the reasons for any differences between the forecast and actual figures to assess whether there were any indicators of management bias;

III. KEY AUDIT MATTERS (Continued)

Potential impairment of intangible assets relating to service concession arrangements (Continued)

Refer to Note III.17 of Significant Accounting Policies and Accounting Estimates and Note V.11 of Notes to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The recoverable amount of each operating right is determined based on value-in-use calculations. Management assessed value-in-use of each operating right using discounted cash flow forecasts based on financial budgets covering each specific operating period. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in assessing revenue growth rates over the concession period, future operating costs and the discount rates applied. We identified assessing potential impairment of intangible assets relating to service concession arrangements as a key audit matter because determining the level of impairment involves a significant degree of management judgement, in particular in estimating the present value of future cash flows forecasts, which is inherently uncertain and could be subject to management bias.	• engaging our internal valuation specialists to assist us in evaluating the discount rates adopted by management in the discounted cash flow forecasts by comparison with available financial information of other companies in the relevant industry and considering any country and company specific risk premiums; and assessing whether the discount rates applied were within the range adopted by other companies in the same industry; • assessing the sensitivity of key assumptions in management's discounted cash flow forecasts to changes and considering whether there were any evidence of potential management bias; • considering the disclosures in the financial statements in respect of the impairment of intangible assets relating to service concession arrangements, with reference to the requirements of the prevailing accounting standards.

IV. OTHER INFORMATION

The Company's management is responsible for the other information. The other information comprises all the information included in 2018 annual report of the Company, other than 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 this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

VI. 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 CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

(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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of 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 the 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 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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 precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People's Republic of China

Fong Kwin

Huang Qiumei

Beijing, China
27 March 2019

XIII. FINANCIAL REPORT (CONTINUED)

CONSOLIDATED BALANCE SHEET

(Expressed in Renminbi Yuan)

	Note	31 December 2018	31 December 2017	1 January 2017
ASSETS				
Current assets:				
Cash at bank and on hand	V.1	**710,736,003.72**	694,492,369.22	581,604,896.93
Bills receivable and accounts receivable	V.2	**248,050,713.81**	139,070,371.30	114,070,196.66
Prepayments	V.3	**35,883,159.32**	10,665,860.03	11,380,569.58
Other receivables	V.4	**67,278,534.97**	43,025,535.20	73,955,892.94
Inventories	V.5	**20,094,393.80**	13,468,671.92	31,927,426.51
Long-term receivables due within one year	V.6	**71,704,170.76**	60,253,469.54	40,358,545.15
Other current assets	V.7	**138,886,404.79**	73,146,086.71	51,344,408.65
Total current assets		**1,292,633,381.17**	1,034,122,363.92	904,641,936.42
Non-current assets:				
Long-term receivables	V.8	**3,836,000,876.02**	2,851,455,610.55	2,296,352,806.30
Long-term equity investments	V.9	**31,222,775.27**	–	3,500,000.00
Fixed assets	V.10	**49,538,030.79**	11,222,619.07	10,217,407.77
Intangible assets	V.11	**4,411,246,358.86**	2,250,956,146.38	1,870,489,489.78
Goodwill	V.12	**43,910,821.67**	–	–
Long-term deferred expenses	V.13	**1,300,011.71**	1,252,282.08	1,606,167.48
Deferred income tax assets	V.14	**179,941,342.58**	145,490,684.33	140,130,181.51
Other non-current assets	V.15	**696,623,069.56**	515,636,575.91	385,596,706.24
Total non-current assets		**9,249,783,286.46**	5,776,013,918.32	4,707,892,759.08
Total assets		**10,542,416,667.63**	6,810,136,282.24	5,612,534,695.50
Liabilities and shareholders' equity				
Current liabilities:				
Short-term loans	V.16	**854,000,000.00**	310,154,600.00	310,000,000.00
Bills payable and accounts payable	V.17	**900,854,708.97**	480,416,745.67	364,475,188.35
Advances from customers	V.18	**–**	868,370.67	16,921,505.91
Contract liabilities	V.19	**6,145,947.92**	–	–
Employee benefits payable	V.20	**76,002,585.39**	52,761,417.16	48,393,681.39
Taxes payable	V.21	**40,237,311.27**	33,956,573.83	45,733,577.11
Other payables	V.22	**369,910,815.21**	50,690,875.83	39,544,353.73
Non-current liabilities due within one year	V.23	**539,592,998.16**	364,932,684.97	329,972,724.44
Deferred income	V.26	**802,380.88**	666,666.68	666,666.68
Total current liabilities		**2,787,546,747.80**	1,294,447,934.81	1,155,707,697.61

The notes on pages 137 to 278 form part of these financial statements.

	Note	31 December 2018	31 December 2017	1 January 2017
Non-current liabilities:				
Long-term loans	V.24	**4,390,551,321.62**	2,914,085,622.20	1,993,700,985.73
Long-term payables	V.25	**305,098,322.59**	319,693,175.61	331,567,579.04
Deferred income	V.26	**20,494,643.08**	17,666,666.72	18,333,333.36
Deferred income tax liabilities	V.14	**109,709,057.59**	29,602,706.45	16,577,899.26
Total non-current liabilities		**4,825,853,344.88**	3,281,048,170.98	2,360,179,797.39
Total liabilities		**7,613,400,092.68**	4,575,496,105.79	3,515,887,495.00
Shareholders' equity:				
Share capital	V.27	**1,161,200,000.00**	1,045,000,000.00	1,045,000,000.00
Capital reserve	V.28	**858,803,441.83**	628,984,641.83	628,984,641.83
Other comprehensive income	V.29	**(8,118,159.45)**	(10,098,220.33)	(4,313,765.13)
Surplus reserve	V.30	**71,532,851.40**	56,379,717.24	33,507,805.71
Retained earnings	V.31	**768,994,226.22**	511,374,037.71	390,468,518.09
Total equity attributable to shareholders of the Company		**2,852,412,360.00**	2,231,640,176.45	2,093,647,200.50
Non-controlling interests		**76,604,214.95**	3,000,000.00	3,000,000.00
Total shareholders' equity		**2,929,016,574.95**	2,234,640,176.45	2,096,647,200.50
Total liabilities and shareholders' equity		**10,542,416,667.63**	6,810,136,282.24	5,612,534,695.50

These financial statements were approved by the Board of Directors on 27 March 2019.

Qiao Dewei	**Hu Shengyong**	**Zhao Linbin**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 137 to 278 form part of these financial statements.

XIII. FINANCIAL REPORT (CONTINUED)

COMPANY BALANCE SHEET

(Expressed in Renminbi Yuan)

	Note	31 December 2018	31 December 2017	1 January 2017
ASSETS				
Current assets:				
Cash at bank and on hand		**280,410,049.42**	132,881,313.36	144,756,347.71
Bills receivable and accounts receivable	XV.1	**20,487,404.22**	23,432,152.99	118,121,063.00
Accounts payable		**824,071.91**	3,903,404.82	894,365.87
Other receivables	XV.2	**476,680,139.04**	227,047,409.33	147,497,954.42
Inventories		**–**	–	21,846,803.42
Long-term receivables due within one year		**25,744,348.18**	75,203,703.66	30,000,000.00
Other current assets		**3,500,000.00**	8,584,557.51	2,422,529.70
Total current assets		**807,646,012.77**	471,052,541.67	465,539,064.12
Non-current assets:				
Long-term receivables	XV.3	**338,175,651.82**	386,516,296.34	522,220,000.00
Long-term equity investments	XV.4	**3,811,481,435.51**	2,517,058,660.24	2,248,558,660.24
Fixed assets		**1,173,504.80**	1,573,002.58	1,371,563.32
Intangible assets		**538,087.51**	137,858.73	165,879.93
Long-term deferred expenses		**–**	–	15,054.61
Deferred income tax assets		**948,156.39**	578,627.50	201,935.69
Total non-current assets		**4,152,316,836.03**	2,905,864,445.39	2,772,533,093.79
Total assets		**4,959,962,848.80**	3,376,916,987.06	3,238,072,157.91
Liabilities and shareholders' equity				
Current liabilities:				
Short-term loans		**860,000,000.00**	260,000,000.00	413,000,000.00
Bills payable and accounts payable		**2,451,600.02**	5,308,301.28	4,512,750.36
Advances from customers		**–**	19,059,400.00	27,959,999.91
Contract liabilities		**10,000,000.00**	–	–
Employee benefits payable		**18,466,649.40**	12,595,926.45	12,486,667.08
Taxes payable		**1,945,247.00**	1,705,182.51	10,514,285.08
Other payables		**271,886,881.28**	22,927,146.17	67,634,590.65
Long-term loans due within one year		**155,354,661.34**	87,945,661.34	164,698,412.67
Total current liabilities		**1,320,105,039.04**	409,541,617.75	700,806,705.75

The notes on pages 137 to 278 form part of these financial statements.

	Note	31 December 2018	31 December 2017	1 January 2017
Non-current liabilities:				
Long-term loans		**1,044,603,224.39**	869,670,925.57	605,580,123.72
Total non-current liabilities		**1,044,603,224.39**	869,670,925.57	605,580,123.72
Total liabilities		**2,364,708,263.43**	1,279,212,543.32	1,306,386,829.47
Shareholders' equity				
Share capital	V.27	**1,161,200,000.00**	1,045,000,000.00	1,045,000,000.00
Capital reserve	XV.5	**906,165,435.50**	676,346,635.50	676,346,635.50
Surplus reserve	V.30	**71,532,851.40**	56,379,717.24	33,507,805.71
Retained earnings	XV.6	**456,356,298.47**	319,978,091.00	176,830,887.23
Total shareholders' equity		**2,595,254,585.37**	2,097,704,443.74	1,931,685,328.44
Total liabilities and shareholders' equity		**4,959,962,848.80**	3,376,916,987.06	3,238,072,157.91

These financial statements were approved by the Board of Directors on 27 March 2019.

Qiao Dewei	**Hu Shengyong**	**Zhao Linbin**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

XIII. FINANCIAL REPORT (CONTINUED)

CONSOLIDATED INCOME STATEMENT

(Expressed in Renminbi Yuan)

	Note	2018	2017
I. Operating income	V.32	**1,055,060,688.81**	784,838,548.26
Less: Operating costs	V.32	**(468,611,731.36)**	(326,313,088.42)
Taxes and surcharges	V.33	**(27,794,343.41)**	(19,367,689.62)
General and administrative expenses	V.34	**(112,904,942.74)**	(97,115,350.57)
Research and development expenses	V.35	**(13,150,331.97)**	(10,241,848.71)
Finance costs	V.36	**(208,520,625.74)**	(152,936,907.18)
Including: Interest expense		**208,347,903.03**	154,774,008.38
Interest income		**3,718,738.93**	3,588,061.07
Impairment loss of assets	V.37	**–**	(3,477,186.12)
Impairment loss of credit	V.38	**(7,312,108.13)**	–
Add: Other income	V.39	**89,337,663.01**	79,532,656.97
Investment losses	V.40	**(1,714.55)**	–
Gains from asset disposals	V.41	**7,837.86**	–
II. Operating profit		**306,110,391.78**	254,919,134.61
Add: Non-operating income	V.42	**3,912,106.83**	1,789,272.61
Less: Non-operating expenses	V.42	**(1,571,646.63)**	(1,022,916.59)
III. Total Profit		**308,450,851.98**	255,685,490.63
Less: Income tax expenses	V.43	**(35,648,942.08)**	(49,208,059.48)
IV. Net profit		**272,801,909.90**	206,477,431.15
Net profit attributable to shareholders of the company		**272,773,322.67**	206,477,431.15
Non-controlling interests		**28,587.23**	–
V. Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the Company, net of tax			
Other comprehensive income to be reclassified into profit or loss in the future			
Translation differences arising from translation of foreign currency financial statements	V.29	**1,980,060.88**	(5,784,455.20)
Other comprehensive income attributable to non-controlling interests, net of tax		**–**	–

The notes on pages 137 to 278 form part of these financial statements.

	Note	2018	2017
VI. Total comprehensive income		**274,781,970.78**	200,692,975.95
Total comprehensive income attributable to shareholders of the Company		**274,753,383.55**	200,692,975.95
Total comprehensive income attributable to non-controlling interests		**28,587.23**	–
VII. Earnings per share			
(I) Basic earnings per share	V.44	**0.25**	0.20
(II) Diluted earnings per share	V.44	**0.25**	0.20

These financial statements were approved by the Board of Directors on 27 March 2019.

Qiao Dewei	**Hu Shengyong**	**Zhao Linbin**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

XIII. FINANCIAL REPORT (CONTINUED)

COMPANY INCOME STATEMENT

(Expressed in Renminbi Yuan)

	Note	2018	2017
I. Operating income	XV.7	**125,215,044.72**	119,671,284.43
Less: Operating costs	XV.7	**(9,004,114.52)**	(32,038,937.85)
Taxes and surcharges		**(591,851.33)**	11,966.92
General and administrative expenses		**(41,490,719.78)**	(31,048,045.94)
Research and development expenses		**(10,991,458.02)**	(10,241,848.71)
Finance costs		**(68,929,836.77)**	(59,384,257.48)
Including: Interest expense		**68,906,311.06**	59,888,846.77
Interest income		**2,433,278.50**	2,217,308.19
Impairment loss of assets		**–**	(2,511,278.70)
Impairment loss of credit		**(2,841,388.62)**	–
Add: Other income		**505,359.44**	23,368.35
Investment income	XV.8	**159,384,789.95**	245,976,508.81
Including: Income from investment in a joint venture		**(1,714.55)**	–
II. Operating profit		**151,255,825.07**	230,458,759.83
Add: Non-operating income		**3,413.79**	333,182.25
Less: Non-operating expenses		**(7,733.03)**	(18,000.00)
III. Total Profit		**151,251,505.83**	230,773,942.08
Less: Income tax expenses		**279,835.80**	(2,054,826.78)
IV. Net profit		**151,531,341.63**	228,719,115.30
V. Other comprehensive income, net of tax		**–**	–
VI. Total comprehensive income		**151,531,341.63**	228,719,115.30

These financial statements were approved by the Board of Directors on 27 March 2019.

Qiao Dewei	**Hu Shengyong**	**Zhao Linbin**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 137 to 278 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Renminbi Yuan)

		Note	2018	2017
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods, rendering of services and the Build-Operate-Transfer ("BOT") projects and the Build-Transfer ("BT") projects	V.46(5)	**1,159,829,740.08**	941,622,039.04
	Refund of taxes		**85,979,263.60**	79,631,993.44
	Cash received from other operating activities	V.46(1)	**65,723,490.13**	63,453,938.59
	Sub-total of cash inflows from operating activities		**1,311,532,493.81**	1,084,707,971.07
	Cash paid for goods and services		**(322,793,404.80)**	(270,387,546.44)
	Increase of principal of BOT and BT long-term receivables	V.46(5)	**(717,017,878.55)**	(636,327,960.41)
	Cash paid to and for employees		**(239,442,568.93)**	(200,346,622.16)
	Payments of various taxes		**(170,748,569.69)**	(151,080,913.38)
	Cash paid for other operating activities	V.46(2)	**(84,246,726.44)**	(50,150,117.59)
	Sub-total of cash outflows for operating activities		**(1,534,249,148.41)**	(1,308,293,159.98)
	Net cash used in operating activities	V.47(1)(a)	**(222,716,654.60)**	(223,585,188.91)
II.	**Cash flows from investing activities:**			
	Net cash received from disposal of fixed assets		**362,729.95**	44,984.96
	Net cash received from disposal of joint ventures	V.47(2)	**30,636,578.02**	–
	Cash received from other investing activities	V.46(3)	**3,900,354.64**	3,252,022.14
	Sub-total of cash inflows from investing activities		**34,899,662.61**	3,297,007.10
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(880,476,896.80)**	(377,942,310.02)
	Cash paid for acquisition of subsidiaries	V.47(2)	**(439,238,742.38)**	–
	Cash paid for acquisition of joint ventures	V.47(2)	**(62,224,489.80)**	–
	Cash paid for other investing activities	V.46(4)	**(65,316,510.20)**	–
	Sub-total of cash outflows for investing activities		**(1,447,256,639.18)**	(377,942,310.02)
	Net cash generated from investing activities		**(1,412,356,976.57)**	(374,645,302.92)

XIII. FINANCIAL REPORT (CONTINUED)

		Note	2018	2017
III	**Cash flows from financing activities:**			
	Cash received from investments		**62,012,939.95**	–
	Including: Cash received from non-controlling shareholders of subsidiaries		**62,012,939.95**	–
	Proceeds from IPO		**382,298,000.00**	–
	Cash received from loans		**2,245,454,431.14**	1,631,815,591.45
	Sub-total of cash inflows from financing activities		**2,689,765,371.09**	1,631,815,591.45
	Cash paid for repayment of loans		**(862,542,906.66)**	(675,598,993.08)
	Cash paid for distribution of dividends and profit or payment of interests		**(195,699,693.98)**	(211,196,866.49)
	Cash paid for other financing activities	V.46(5)	**(31,194,642.56)**	(7,984,646.93)
	Sub-total of cash outflows for financing activities		**(1,089,437,243.20)**	(894,780,506.50)
	Net cash generated from financing activities		**1,600,328,127.89**	737,035,084.95
IV.	**Effect of foreign exchanges rate changes on cash**		**3,431,617.78**	(8,924,836.83)
V.	**Net increase in cash**	V.47(1)(b)	**(31,313,885.50)**	129,879,756.29
	Add: Balance of cash at the beginning of the year		**665,292,369.22**	535,412,612.93
VI.	**Balance of cash at the end of the year**	V.47(1)(b)	**633,978,483.72**	665,292,369.22

These financial statements were approved by the Board of Directors on 27 March 2019.

Qiao Dewei	**Hu Shengyong**	**Zhao Linbin**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

COMPANY CASH FLOW STATEMENT

(Expressed in Renminbi Yuan)

	Note	2018	2017
I. Cash flows from operating activities:			
Cash received from rendering of services		**127,367,825.85**	212,380,484.16
Refund of taxes		**1,646,585.06**	–
Cash received from other operating activities		**213,995,608.79**	197,710,192.56
Sub-total of cash inflows from operating activities		**343,010,019.70**	410,090,676.72
Cash paid for goods		**(6,518,922.21)**	(2,971,533.89)
Cash paid to and for employees		**(28,777,235.83)**	(32,973,511.34)
Payments of various taxes		**(6,111,424.66)**	(16,601,184.33)
Cash paid for other operating activities		**(244,106,149.72)**	(159,865,751.43)
Sub-total of cash outflows for operating activities		**(285,513,732.42)**	(212,411,980.99)
Net cash flows from operating activities	XV.9(1)(a)	**57,496,287.28**	197,678,695.73
II. Cash flows from investing activities:			
Cash received from investment income		**130,500,000.00**	226,500,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**304,316.28**	–
Net cash received from disposal of other operation units		**30,636,578.02**	–
Cash received from other investing activities		**790,902,527.03**	422,488,985.78
Sub-total of cash inflows from investing activities		**952,343,421.33**	648,988,985.78
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(701,142.43)**	(555,194.32)
Cash paid for acquisition of subsidiaries		**(1,011,200,000.00)**	(272,000,000.00)
Cash paid for acquisition of joint ventures		**(62,224,489.80)**	–
Cash paid for other investing activities		**(902,606,510.19)**	(464,300,000.00)
Sub-total of cash outflows for investing activities		**(1,976,732,142.42)**	(736,855,194.32)
Net cash used in investing activities		**(1,024,388,721.09)**	(87,866,208.54)

XIII. FINANCIAL REPORT (CONTINUED)

		Note	2018	2017
III.	**Cash flows from financing activities:**			
	Cash received from loans		**1,262,990,000.00**	849,000,000.00
	Net proceeds from IPO		**382,298,000.00**	–
	Sub-total of cash inflows from financing activities		**1,645,288,000.00**	849,000,000.00
	Cash paid for repayment of loans		**(419,555,661.34)**	(813,198,412.67)
	Cash paid for distribution of profit or payment of interests		**(68,553,287.96)**	(132,176,538.33)
	Cash paid for other financing activities		**(31,194,642.56)**	(7,984,646.93)
	Sub-total of cash outflows for financing activities		**(519,303,591.86)**	(953,359,597.93)
	Net cash generated from/(used in) financing activities		**1,125,984,408.14**	(104,359,597.93)
IV.	**Effect of foreign exchanges rate changes on cash**		**36,761.73**	(100,923.61)
V.	**Net increase in cash**	XV.9(1)(b)	**159,128,736.06**	5,351,965.65
	Add: Balance of cash at the beginning of the year		**112,681,313.36**	107,329,347.71
VI.	**Balance of cash at the end of the year**	XV.9(2)	**271,810,049.42**	112,681,313.36

These financial statements were approved by the Board of Directors on 27 March 2019.

Qiao Dewei	**Hu Shengyong**	**Zhao Linbin**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Renminbi Yuan)

		Equity attributable to shareholders of the company							
	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
At 1 January 2018		**1,045,000,000.00**	**628,984,641.83**	**(10,098,220.33)**	**56,379,717.24**	**511,374,037.71**	**2,231,640,176.45**	**3,000,000.00**	**2,234,640,176.45**
Changes for the year									
(I) Total comprehensive income		**–**	**–**	**1,980,060.88**	**–**	**272,773,322.67**	**274,753,383.55**	**28,587.23**	**274,781,970.78**
(II) Capital contribution from shareholders									
1. Ordinary shares contributed by shareholders		**116,200,000.00**	**229,818,800.00**	**–**	**–**	**–**	**346,018,800.00**	**73,535,235.53**	**419,554,035.53**
2. Others		**–**	**–**	**–**	**–**	**–**	**–**	**40,392.19**	**40,392.19**
(III) Profit distribution									
1. Appropriation for surplus reserve	V.30	**–**	**–**	**–**	**15,153,134.16**	**(15,153,134.16)**	**–**	**–**	**–**
2. Distributions to shareholders	V.31	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2018		**1,161,200,000.00**	**858,803,441.83**	**(8,118,159.45)**	**71,532,851.40**	**768,994,226.22**	**2,852,412,360.00**	**76,604,214.95**	**2,929,016,574.95**
At 1 January 2017		1,045,000,000.00	628,984,641.83	(4,313,765.13)	33,507,805.71	390,468,518.09	2,093,647,200.50	3,000,000.00	2,096,647,200.50
Changes for the year									
(I) Total comprehensive income		–	–	(5,784,455.20)	–	206,477,431.15	200,692,975.95	–	200,692,975.95
(II) Profit distribution									
1. Appropriation for surplus reserve	V.30	–	–	–	22,871,911.53	(22,871,911.53)	–	–	–
2. Distributions to shareholders	V.31	–	–	–	–	(62,700,000.00)	(62,700,000.00)	–	(62,700,000.00)
At 31 December 2017		1,045,000,000.00	628,984,641.83	(10,098,220.33)	56,379,717.24	511,374,037.71	2,231,640,176.45	3,000,000.00	2,234,640,176.45

These financial statements were approved by the Board of Directors on 27 March 2019.

Qiao Dewei	**Hu Shengyong**	**Zhao Linbin**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 137 to 278 form part of these financial statements.

XIII. FINANCIAL REPORT (CONTINUED)

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total
At 1 January 2018		**1,045,000,000.00**	**676,346,635.50**	**56,379,717.24**	**319,978,091.00**	**2,097,704,443.74**
Changes for the year						
(I) Total comprehensive income		**–**	**–**	**–**	**151,531,341.63**	**151,531,341.63**
(II) Ordinary shares contributed by shareholders		**116,200,000.00**	**229,818,800.00**	**–**	**–**	**346,018,800.00**
(III) Profit distribution						
1. Appropriation for surplus reserve	V.30	**–**	**–**	**15,153,134.16**	**(15,153,134.16)**	**–**
2. Distribution of profit to shareholders	V.31	**–**	**–**	**–**	**–**	**–**
At 31 December 2018		**1,161,200,000.00**	**906,165,435.50**	**71,532,851.40**	**456,356,298.47**	**2,595,254,585.37**
At 1 January 2017		1,045,000,000.00	676,346,635.50	33,507,805.71	176,830,887.23	1,931,685,328.44
Changes for the year						
(I) Total comprehensive income		–	–	–	228,719,115.30	228,719,115.30
(II) Profit distribution						
1. Appropriation for surplus reserve	V.30	–	–	22,871,911.53	(22,871,911.53)	–
2. Distribution of profit to shareholders	V.31	–	–	–	(62,700,000.00)	(62,700,000.00)
At 31 December 2017		1,045,000,000.00	676,346,635.50	56,379,717.24	319,978,091.00	2,097,704,443.74

These financial statements were approved by the Board of Directors on 27 March 2019.

Qiao Dewei *Authorised Representative* *(Signature and stamp)*	**Hu Shengyong** *Chief Financial Officer* *(Signature and stamp)*	**Zhao Linbin** *Chief Accountant* *(Signature and stamp)*	(Company stamp)

The notes on pages 137 to 278 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

I. COMPANY OVERVIEW

Dynagreen Environmental Protection Group Co., Ltd. (the "Company") is a joint-stock limited liability company established based on the reorganisation of Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司) on 23 April 2012. Its registered address is 2nd Floor, Northeastern Wing, Jiuzhou Electronic Building, 007 Keji South 12th Street, Nanshan District, Shenzhen, the People's Republic of China (the "PRC"). Its head office is located in Shenzhen, Guangdong Province, the PRC. The parent company and ultimate holding company of the Company is Beijing State-owned Assets Management Co.,Ltd. ("BSAM").

On 19 June 2014, the Company was listed on the Hong Kong Stock Exchange. On 29 June 2014, the underwriter of the Company of the public offering project on the Hong Kong Stock Exchange exercised all of the over-allotment options stated in the Company's prospectus dated 9 June 2014.

As approved by the Approval in Relation to the Initial Public Offering of Dynagreen Environmental Protection Group Co., Ltd. (Zheng Jiang Xu Ke [2018] No. 746) (《關於核准綠色動力環保集團股份有限公司首次公開發行股票的批覆》(證監許可[2018]746號)) issued by the China Securities Regulatory Commission (the "CSRC"), the Company issued not more than 116,200,000 ordinary shares (A shares) under the initial public offering on 23 April 2018. Under the offering, the actual size of the public offering was 116,200,000.00 RMB ordinary shares with a nominal value of RMB1 per share, increasing the share capital by RMB116,200,000.00. Upon the public offering of A shares, the paid-in capital (share capital) of the Company amounted to RMB1,161,200,000.00 comprising a total of 1,161,200,000.00 shares.

The Company and its subsidiaries (the "Group") are principally engaged in technological research in environmental protection industries including waste-incineration, and the design, development and systematic integration of relevant equipment, as well as management of waste treatment projects, operation management and the provision of technological services and associated technological consultation.

For the information about the subsidiaries and new subsidiaries of the Group during the Reporting Period, please refer to Notes VI and VII.

II. BASIS OF PREPARATION

1. Basis of preparation

These financial statements were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the "MOF") and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (amended in 2014) issued by the China Securities Regulatory Commission (the "CSRC").

In addition, these financial statements also included the relevant disclosure in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. Going concern

At 31 December 2018, the net current liabilities of the Group amounted to RMB1,494,913,366.63, and the committed capital expenditure within one year of the Group amounted to approximately RMB3,140,925,730.64, which lead to certain liquidity risk.

II. BASIS OF PREPARATION (Continued)

2. Going concern (Continued)

The management of the Group intend to take the following measures to ensure the Group has sufficient financial resources to meet its operation requirement for the coming 12 months:

(a) The Group maintained good long-term business relationship with various financial institutions, so as to ensure that it can obtain adequate lines of credit from them. At 31 December 2018, the available banking facilities of the Group amounted to RMB3,622,492,544,07.

(b) With the constant completion and commencement of operations of the new waste-to-energy projects, the management foresees that the Group will generate stable cash inflow from future operating activities to meet its liquidity requirement.

In view of the above factors, the management is of the opinion that, the Group will have sufficient working capital to meet its operation requirement for the next twelve months from 1 January 2019, and thus the management believes that the Group's preparation of the financial statements on a going concern basis is appropriate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting policies for the recognition and measurement of provisions for receivables, amortisation of intangible assets, and revenue recognition and measurement of the Group are adopted according to the specific characteristics of the Group's operations. Please refer to the relevant notes on accounting policies.

1. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2018, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for 2018.

2. Accounting period

The accounting period is from 1 January to 31 December.

3. Operating cycle

The Group is engaged in the investment, construction and operation of waste-to-energy (WTE) plants treating solid waste. The operating cycle of the Group for the operation of WTE plants which including processing of waste and power generation is usually less than 12 months.

4. Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note III.8.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Accounting treatments for business combinations involving entities under common control and not under common control

(1) Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(2) Business combination involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income for the current period. Any amount recognised in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation of consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the Reporting Period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the Reporting Period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation of consolidated financial statements (Continued)

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8. Foreign currency transactions and translation of foreign currency financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the rates that approximate the spot exchange rates on the dates of the transactions. A rate that approximates the spot exchange rate is an average exchange rate of the current period determined under a systematic and rational method that approximates the spot exchange rate on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the construction of qualifying assets (see Note III.13). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the spot exchange rate at the transaction date.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments

Financial instruments of the Group include cash at bank and on hand, accounts receivable, accounts payable, loans and share capital.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities is measured initially at fair value. For financial assets or financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are directly charged to profit or loss; for other categories of financial assets or financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable without a significant financing component is initially measured at the transaction price determined according to the accounting policies in Note III.20.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), and at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first Reporting Period following the change in the business model.

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

– it is held within a business model whose objective is to hold assets to collect contractual cash flows;

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(2) Classification and subsequent measurement of financial assets (Continued)

(a) Classification of financial assets (Continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably designate it as financial assets at FVOCI. This designation is made on an investment-by-investment basis, and may only be made if the investment meets the definition of equity from the issuer's perspective.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows of the financial assets managed will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment,'principal' is defined as the fair value of the financial asset on initial recognition.'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. In addition the Group evaluates the contractual terms that may result in a change in the time distribution or amount of financial asset contractual cash flows to determine whether it meets the requirements of the above contractual cash flow characteristics

The Group does have neither financial assets at FVOCIT nor at FVTPL during the Reporting Period, and only holds financial asset measured at amortised cost.

(b) Subsequent measurement of financial assets

– Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as financial liabilities measured at FVTPL, financial guarantee liabilities and financial liabilities measured at amortised cost.

– *Financial liabilities at FVTPL*

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

After initial recognition, financial liabilities at FVTPL are subsequently measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

– *Financial guarantee liabilities*

Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee liability is measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note III.9(6)), and the amount initially recognised less the cumulative amount of income.

– *Financial liabilities at amortised cost*

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

The Group does have neither financial liability at FVTPL nor financial guarantee liability during the Reporting Period, and only holds financial liability measured at amortised cost.

(4) Offsetting

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

– the Group currently has a legally enforceable right to set off the recognised amounts;

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(5) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

– the Group's contractual rights to the cash flows from the financial asset expire;

– the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;

– the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred measured at the date of derecognition;

– the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost;

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(6) Impairment (Continued)

Measurement of ECLs (Continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for trade receivables, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

– If the financial instrument is determined to have low credit risk at the balance sheet date; or

– If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(6) Impairment (Continued)

Significant increases in credit risk (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;

– it is probable that the borrower will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(6) Impairment (Continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self- issued equity instruments are deducted from shareholders' equity.

10. Inventories

(1) Classification and cost

Inventories include raw materials, work in progress, finished goods and turnover materials. Turnover materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

Inventories are initially measured at cost. Cost of inventories comprises costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition.

(2) Measurement method of cost of inventories

Cost of inventories recognised is calculated using the weighted average method on a monthly basis.

Turnover materials including low-value consumables and packaging materials are amortised when they are used. The amortisation charge is included in the cost of the related assets or recognised in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Inventories (Continued)

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for obsolete inventories, and is recognised in profit or loss.

(4) Inventory count system

The Group maintains a periodic inventory system.

11. Long-term equity investments

(1) Investment cost of long-term equity investments

(a) *Long-term equity investments acquired through a business combination*

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

(b) *Long-term equity investments acquired other than through a business combination*

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Long-term equity investments (Continued)

(2) Subsequent measurement and recognition in profit loss of long-term equity investment

(a) *Investments in subsidiaries*

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment test of the investments in subsidiaries, please refer to Note III.17.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) *Investment in joint ventures*

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.11(3)) and rights to the net assets of the arrangement.

An investment in a joint venture is accounted for using the equity method for subsequent measurement.

The accounting treatments under the equity method adopted by the Group are as follows:

– Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

– After the acquisition of the investment, the Group recognises its share of the investee's net profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Long-term equity investments (Continued)

(2) Subsequent measurement and recognition in profit or loss of long-term equity investment (Continued)

(b) Investment in joint ventures (Continued)

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the associates. Unrealised losses resulting from transactions between the Group and its joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment test and provisioning of the investments in a joint venture, please refer to Note III.17.

(3) Criteria for determining the existence of joint control over an investee

Joint control is the agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's relevant activities unilaterally;

- Whether strategic decisions relating to the investee's relevant activities require the unanimous consent of all the parties sharing control.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, for use in supply of services or for administrative purposes with useful lives over one accounting year.

The initial cost of a purchased fixed asset comprises the purchase price, related taxes, and any attributable expenditure for bringing the asset to working condition for its intended use.

Where the parts of an item of fixed assets have different useful lives or provide economic benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its useful life.

The useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Useful life (years)	Residual value rate (%)	Depreciation rate (%)
Motor vehicles	5-10 years	5%	9.50%–19.00%
Office and other equipment	5 years	5%	19.00%
Buildings and structures	20 years	5%	4.75%

Useful lives, estimated residual values and depreciation methods are reviewed for fixed assets by the Group at least at each year-end.

(3) For the impairment test method and provisioning of the fixed assets, please refer to Note III.17.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Fixed assets (Continued)

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

– when the fixed asset is holding for disposal; or

– when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

13. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

– Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

– To the extent that the Group borrows funds generally and uses them for the acquisition and construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

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

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition and construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition and construction activities are interrupted abnormally for a period of more than three months.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.17). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

Item	Amortisation period
Concession rights	23–30 years
Software	10 years
Land use rights	50 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

(1) Concession rights

The Group has entered into concession agreements with different local governments in China ("the grantor") in respect of its waste-to-energy ("WTE") projects on a Build-Operate-Transfer ("BOT") basis. Under the concession agreements, the Group builds WTE plants (construction period) and operates these WTE plants (operation period) for a concession period of 23 to 30 years. Upon the expiry of the concession period, the Group would transfer these WTE plants to respective grantor without consideration. The terms of the service concession arrangements allow the Group to earn waste treatment fees and electricity tariffs for the processing of waste and generation of electricity during the operation period.

The Group has entered into service concession arrangements with local governments in China ("the grantor") in respect of its hazardous waste treatment project on a Build-Operate-Own ("BOO") basis. Under the service concession arrangements, the Group builds and operates the hazardous waste treatment plant and the terms of the service concession arrangements allow the Group to earn waste treatment fees for the processing of waste.

The Group recognises construction costs as financial assets to the extent that it has an unconditional contractual right to receive specified or determinable amount of cash or another financial asset from the grantor, or to receive the shortfall, if any, between the amount received from grantor and the specified or determinable amount, and accounts for the financial asset in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (see Note III.9). The Group recognises construction costs as intangible assets (WTE project operating rights) to the extent that it has a right to receive unspecified or indeterminable amount of fees from the users of service within a certain operating period after the completion of the relevant infrastructure where such right does not constitute an unconditional right to receive cash.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Intangible assets

(2) Research and development expenditure

Expenditure on an internal research and development projects is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Expenditure during the research phase is expensed when incurred. Expenditure during the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

15. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.17). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

16. Long-term deferred expenses

Long-term deferred expenses are amortised using a straight-line method within the benefit period. The respective amortisation periods for such expenses are as follows:

Item	Amortisation period (year)
Renovation costs for office under operating lease	3 years

17. Impairment of assets other than inventories and financial assets

The carrying amount of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

– fixed assets

– intangible assets

– long-term equity investments

– goodwill

– long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually at each year-end, irrespective of whether there is any indication of impairment. The Group estimates the recoverable amounts of goodwill at each year-end. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Impairment of assets other than inventories and financial assets (Continued)

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.18) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups, are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

18. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

19. Revenue

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Revenue (Continued)

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

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

– the customer can control the asset created or enhanced during the Group's performance;

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

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

– the Group has a present right to payment for the goods or services;

– the Group has transferred physical possession of the goods to the customer;

– the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and

– the customer has accepted the goods or services.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Revenue (Continued)

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on factors other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets. Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

Revenue from BOT and Build-Transfer ("BT") projects

With respect to the public infrastructure construction business participated in on a BOT and BT basis, the Group, instead of recognising the revenue for those infrastructure construction being subcontracted to the third parties other than providing actual construction service, recognises financial assets and intangible assets based on the construction costs incurred and contract arrangement of each project in accordance with the Interpretation No. 2 on Accounting Standards for Business Enterprises.

During the operating period, the Group recognises the electricity tariff, waste treatment fees and BOT/BT interest income according to the following principles respectively.

(a) Electricity tariff

Revenue is recognised by the Group when the electricity is supplied to and controlled by the local grid company. The Group recognises the electricity tariff according to the actual volume of electricity supplied and the unit price and on-grid electricity as agreed in the electricity purchase and sale contracts.

(b) Waste treatment fees

Revenue is recognised by the Group during the course of providing waste treatment services. The Group recognises the waste treatment fees according to the actual volume of waste treated and the unit price as agreed in the BOT agreements, deducting the portion recognised as financial assets.

(c) Interest income

The Group recognises the relevant interest income at amortised cost using the effective interest method for the financial assets recognised in the course of BOT/BT construction.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Contract cost

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

– the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;

– the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

– the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

– remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less

– the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or include in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

22. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

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

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to assets is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised, otherwise, the grant is included in other income or non-operating income directly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

– the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities;

– they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Operating leases

Rental payments under operating leases are recognised as part of the cost of related asset or as expenses on a straight-line basis over the lease term.

25. Profit distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

26. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

27. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Reportable segments are identified based on operating segment taking into consideration of critical principles.

The Group operates as a whole with a unified internal organisational structure, management evaluation system and internal reporting system. Management conducts resource allocation and performance evaluation by regularly reviewing the financial information of the Group. The Group does not have any operating segment under separate management and therefore the Group has only one operating segment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Significant accounting estimates and judgements

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

Except for accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets (see Notes III.12 and 14) and provision for impairment of various types of assets (see Notes V.2, 4, 5, 10, 11 and 12, and Note XV.1 and 2). Other significant accounting estimates are as follows:

(1) As referred in Note III.14(1), the Group recognises financial assets and intangible assets based on the construction costs incurred and contract arrangement of each project. The Group recognises the financial assets and intangible assets at the end of each Reporting Period based on the aggregate of the financial assets and intangible assets of each BOT project that can be recognised and the stage of completion of each project at the reporting date. In the course of project construction, the Group reviews and revises the carrying amounts of the financial assets and intangible assets based on the budgeted construction costs and the estimated construction period.

(2) Recognition of deferred assets (see Notes V.14)

29. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

(a) Description and reasons for changes in accounting policies

The MOF issued the following revised accounting standards and interpretations in 2017 and 2018:

– CAS No.14 – Revenue (Revised) (the "new revenue standard")

– CAS No.22 – Financial Instruments: Recognition and Measurement (Revised), CAS No.23 – Transfer of Financial Assets (Revised), CAS No.24 – Hedge Accounting (Revised) and CAS No.37 – Presentation and Disclosures of Financial Instruments (Revised) (collectively the "new revenue standard")

– CAS Bulletin No.9 – Accounting of Net Investment Losses under Equity Method, CAS Bulletin No.10 – Applying Revenue-based Depreciation Method on Fixed Assets, CAS Bulletin No.11 – Applying Revenue-based Amortisation Method on Intangible Assets and CAS Bulletin No.12 – Determination of Whether the Provider and Receiver of Key Management Personnel Services are Related Parties (collectively the "CAS Bulletins No.9-12")

– Notice on Revision of the 2018 Illustrative Financial Statements (Caikuai [2018] No.15 and related interpretation)

– Notice on Revision of the 2018 Consolidated Financial Statements (Caikuai [2019] No.1)

The Group has applied the above revised accounting standards and interpretations since 1 January 2018 and adjusted the related accounting policies.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major Impacts of changes in accounting policies

(i) New Revenue Standard

The new revenue standard replaces CAS No.14 – Revenue and CAS No.15 – Construction Contracts issued by the MOF in 2006 (the "previous revenue standard").

Under previous revenue standard, the Group recognised revenue when the risks and rewards had passed to the customers. The Group's revenue from sales of goods was recognised when the following conditions were met: the significant risks and rewards of ownership of the goods had been transferred to the customer, the amount of revenue and related costs could be reliably measured, the relevant economic benefits would probably flow to the Group and the Group retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from rendering of services and revenue from construction contracts were recognised by reference to the stage of completion of the transaction at the balance sheet date.

Under new revenue standard, revenue is recognised when the customer obtains control of the promised goods or services in the contract:

– Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers. The Group satisfies a performance obligation over time if certain criteria is met; or otherwise, a performance obligation is satisfied at a point in time: Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of transaction price and the promised consideration is amortised using an effective interest method over the contract term.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major Impacts of changes in accounting policies (Continued)

(i) New Revenue Standard (Continued)

– The Group have adjusted the relevant accounting policies in accordance with the specific provisions on specific matters or transactions under new revenue standard, such as advance receipts, etc.

– Under new revenue standard, the Group presents a contract asset or a contract liability in the balance sheet based on the relationship between the Group's performance and the customer's payment. At the same time, the Group provides more disclosures on revenue and related information based on the disclosure requirements under new revenue standard, such as relevant accounting policies, significant judgements (measurement of variable consideration, the method used to allocate the transaction price to each performance obligation, the assumption used for estimating stand-alone selling price of each performance obligation, etc.), information of contracts with customers (revenue recognised in current period, contract balance, performance obligation, etc.), information of assets related to contract costs, etc.

Before adopting the New Revenue Standard, the advances received by the Group from customers for the transfer of goods or services was presented as "advances from customers". The above-mentioned advances are presented as "contract liabilities" under New Revenue Standard. Apart from this, the New Revenue Standard does not have material impact on the timing and method of recognition of the Group's all kinds of revenue, and the financial position and financial performance of the Group.

(ii) New Financial Instruments Standards

New financial instruments standards revise CAS No.22 – Financial instruments: Recognition and measurement, CAS No.23 – Transfer of Financial assets and CAS No.24 – Hedging issued by the MOF in 2006 and CAS No.37 – Presentation and Disclosures of Financial Instruments amended in 2014 (collecting "previous financial instruments standards").

New financial instruments standards contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through other comprehensive income (FVTOCI) and (3) fair value through profit or loss (FVTPL) as follows: The classification of financial assets under the new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. New financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under previous financial instruments standards. Under new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major Impacts of changes in accounting policies (Continued)

(ii) New Financial Instruments Standards (Continued)

The adoption of new financial instruments standards have not had a significant effect on the Group's accounting policies for financial liabilities.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

New financial instruments standards replace the "incurred loss" model in the previous financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in the original financial instruments standards.

The new ECL model applies to financial assets measured at amortised cost.

The new ECL model does not apply to investments in equity instruments.

The financial assets of the Group only include receivables during the Reporting Period. The adoption of new financial instrument standards does not have material on the financial position and financial performance of the Group.

(iii) CAS Bulletins No.9-12

The Group has reviewed the relevant accounting policies in accordance with the requirements related to the accounting of net investment losses under equity method, the depreciation and amortisation methods of fixed assets and intangible assets and the related party identification and disclosure of key management personnel services of CAS Bulletins No.9-12.

The adoption of CAS Bulletins No.9-12 does not have material impact on the financial position and financial performance of the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major Impacts of changes in accounting policies (Continued)

(iv) Presentation of financial statements

The Group has prepared financial statements for the year 2018 in accordance with the presentation format of financial statements specified in Cai Kuai [2018] No. 15 and its related interpretation and Caikuai [2019] No.1. The Group has applied the new presentation requirements retrospectively.

The following table provides the effect of adjustments: (Except for presentation order adjustments)

Affected assets and liabilities items in the consolidated balance sheet and company balance sheet as at 31 December 2017:

	The Group		
	Before adjustment	Amount of adjustment	After adjustment
Bills receivables	1,188,000.00	(1,188,000.00)	–
Accounts receivable	137,882,371.30	(137,882,371.30)	–
Bills and accounts receivables	–	139,070,371.30	139,070,371.30
Accounts payables	480,416,745.67	(480,416,745.67)	–
Bills and accounts payables	–	480,416,745.67	480,416,745.67
Interest payable	10,553,478.35	(10,553,478.35)	–
Dividends payable	1,287,651.80	(1,287,651.80)	–
Other payables	38,849,745.68	11,841,130.15	50,690,875.83
Total		–	

	The Company		
	Before adjustment	Amount of adjustment	After adjustment
Accounts receivable	23,432,152.99	(23,432,152.99)	–
Bills and accounts receivables	–	23,432,152.99	23,432,152.99
Interest receivable	20,899,731.15	(20,899,731.15)	–
Other receivables	206,147,678.18	20,899,731.15	227,047,409.33
Accounts payables	5,308,301.28	(5,308,301.28)	–
Bills and accounts payables	–	5,308,301.28	5,308,301.28
Interest payable	8,330,114.40	(8,330,114.40)	–
Dividends payable	1,287,651.80	(1,287,651.80)	–
Other payables	13,309,379.97	9,617,766.20	22,927,146.17
Total		–	

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major Impacts of changes in accounting policies (Continued)

(iv) Presentation of financial statements (Continued)

Items affected of consolidated income statement and income statement of the Company in 2017:

	The Group		
	Before adjustment	Amount of adjustment	After adjustment
Administrative Expenses	107,357,199.28	(10,241,848.71)	97,115,350.57
Research and development expenses	–	10,241,848.71	10,241,848.71
Total		–	

	The Group		
	Before adjustment	Amount of adjustment	After adjustment
Administrative Expenses	41,289,894.65	(10,241,848.71)	31,048,045.94
Research and development expenses	–	10,241,848.71	10,241,848.71
Total		–	

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in accounting policies (Continued)

(c) Based on the Group's comparative figures retrospectively adjusted in accordance with Caikuai [2018] No.15 and its related interpretation and Caikuai [2019] No.1 (Note III.29(b)(iv), the changes of accounting policy in Note III.29b)(i)-(iii) which are not applied retrospectively do not have impact on the consolidate balance sheet as at 1 January 2018, which have the following impact on the company balance sheet as at 1 January 2018:

	The Company					
	Carrying amount at 1 January 2018 before adjustment	Reclassification		Remeasurement		Carrying amount at 1 January 2018 after adjustment
		Effect of new revenue standard	Effect of new financial instruments standard	Effect of new revenue standard	Effect of new financial instruments standard	
Liabilities:						
Advances from customers	19,059,400.00	(19,059,400.00)	–	–	–	–
Contract liabilities	–	19,059,400.00	–	–	–	19,059,400.00

IV. Taxation

1. Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue according to taxation laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	3%*, 6%, 16%** and 17%
City maintenance and construction tax	Based on VAT paid	5% and 7%
Education surcharges	Based on VAT paid	3%
Local education surcharges	Based on VAT paid	2%
Corporate income tax ("CIT")	Based on taxable profits	25%
PRC withholding income tax	Based on dividends declared to foreign investors	10%

* Qingdao Dynagreen Renewable Energy Co., Ltd. (青島綠色動力再生能源有限公司) ("Qingdao Company"), Zhejiang Dongyang Fuli Construction Limited Company (浙江省東陽富力建設有限公司) ("Dongyang Fuli"), Hongan Dynagreen Renewable Energy Co., Ltd. (紅安綠色動力再生能源有限公司) and Beijing Dynagreen Environmental Protection Technology Research Institute Co., Ltd. (北京環保技術研究院有限公司) ("Beijing Research Institute"), which all were subsidiaries of the Company, were small-scale VAT taxpayers and their applicable tax rate was 3%.

** Pursuant to Caishui [2018] No. 32 issued by MOF the State Administration of Taxation, the applicable VAT tax rate for general VAT tax payer, for which tax rate of 17% was applied, was adjusted to 16% since 1 May 2018.

The applicable income tax rate for the Company and its subsidiaries (except for Blue-ocean Environment Investment Holding Company Limited (藍洋環保投資控股有限公司) ("Blue-ocean Environment") was 25% for the year.

An income tax rate of 16.5% as stipulated by the Hong Kong tax laws was applicable to Blue-ocean Environment, a company incorporated in Hong Kong.

According to the Enterprise Income Tax Law, a 10% withholding tax will be levied on the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

IV. Taxation (Continued)

2. Tax preferential benefits and approvals

2.1 CIT preferential benefits and approvals

(1) *The applicable tax rate and tax preferential benefits of the Company's CIT*

The Company was qualified as a High and New Technology Enterprise ("HNTE") (Certificate No. GR200844200073) according to the Notification of the Registration Filing of the Tax Concession (Shen Di Shui Nan Jian Bei Gao Zi (2009) No. 09378) issued by the local tax bureau of Nanshan District, Shenzhen, which entitled the Company to a preferential CIT rate of 15% from January 2008 to December 2010. On 31 October 2011, the Company renewed its national HNTE qualification (Certificate No. GF201144200320), entitling it to the preferential CIT rate of 15% from January 2011 to December 2013. On 30 September 2014, the Company renewed its HNTE qualification (Certificate No. GR201444200881), and the qualification is valid until September 2017. On 31 October 2017, the Company renewed its HNTE qualification (Certificate No. GR201744202560), and the qualification is valid until October 2020.

(2) *The applicable tax rate and tax preferential benefits of the subsidiaries' CIT*

The operating earnings of Yongjia Dynagreen Renewable Energy Co., Ltd. (永嘉綠色動力再生能源有限公司) ("Yongjia Company"), Pingyang Dynagreen Renewable Energy Co., Ltd. (平陽綠色動力再生能源有限公司) ("Pingyang Company"), Wuhan Dynagreen Renewable Energy Co., Ltd. (武漢綠色動力再生能源有限公司) ("Wuhan Company"), Taizhou Dynagreen Renewable Energy Co., Ltd. (泰州綠色動力再生能源有限公司) ("Taizhou Company"), Rushan Dynagreen Renewable Energy Co., Ltd. (乳山綠色動力再生能源有限公司) ("Rushan Company"), Huizhou Dynagreen Environment Co., Ltd. (惠州綠色動力環保有限公司) ("Huizhou Company"), Anshun Dynagreen Renewable Energy Co., Ltd. (安順綠色動力再生能源有限公司) ("Anshun Company"), Tianjin Dynagreen Renewable Energy Co., Ltd. (天津綠色動力再生能源有限公司) ("Jixian Company"), Jurong Dynagreen Renewable Energy Co., Ltd. (句容綠色動力再生能源有限公司) ("Jurong Company"), Bengbu Dynagreen Renewable Energy Co., Ltd. (蚌埠綠色動力再生能源有限公司) ("Bengbu Company"), Tianjin Dynagreen Environmental Energy Co., Ltd. (天津綠動環保能源有限公司) ("Ninghe Company") and Beijing Dynagreen Environment Co., Ltd. (北京綠色動力環保有限公司) ("Tongzhou Company") which all were subsidiaries of the Company, were qualified for the earnings from environmental protection, water and energy conservation as stipulated under the Enterprise Income Tax Law, and were eligible for a tax exemption for the first year to the third year, and a 50% reduction in CIT for the fourth year to the sixth year starting from the year in which the entities first generate operating income (the "3+3 tax holiday"). The details are as follows:

- Rushan Company obtained the Notification of CIT 3+3 tax holiday in September 2014 and was entitled to the 3+3 tax holiday from 2014 to 2019;
- Yongjia Company and Pingyang Company obtained the Notification of CIT 3+3 tax holiday in 2015 and was entitled to the 3+3 tax holiday from 2012 to 2017;
- Taizhou Company obtained the Notification of CIT 3+3 tax holiday in 2014 and was entitled to the 3+3 tax holiday from 2013 to 2018;
- Wuhan Company obtained the Notification of CIT 3+3 tax holiday in 2015 and was entitled to the 3+3 tax holiday from 2013 to 2018;

IV. Taxation (Continued)

2. Tax preferential benefits and approvals (Continued)

2.1 CIT preferential benefits and approvals (Continued)

(2) The applicable tax rate and tax preferential benefits of the subsidiaries' CIT (Continued)

- The landfill portion and incineration portion of Huizhou Company obtained the Notification of CIT 3+3 tax holiday in 2015 and 2016 respectively and was entitled to the 3+3 tax holiday from 2014 to 2019 and 2016 to 2021, respectively;

- Anshun Company obtained the Notification of CIT 3+3 tax holiday in 2016 and was entitled to the 3+3 tax holiday from 2015 to 2020;

- Anshun Company is engaged in the encouraged industries in the Northwest region, and obtained the Notification in 2018, under which, its taxable income enjoys a preferential tax rate of 15%.

- Jixian Company obtained the Notification of CIT 3+3 tax holiday in 2016 and was entitled to the 3+3 tax holiday from 2016 to 2021;

- Jurong Company obtained the Notification of CIT 3+3 tax holiday in 2017 and was entitled to the 3+3 tax holiday from 2017 to 2022.

- Bengbu Company obtained the Notification of CIT 3+3 tax holiday in 2018 and was entitled to the 3+3 tax holiday from 2017 to 2022;

- Ninghe Company obtained the Notification of CIT 3+3 tax holiday in 2018, and its straw-fired power project was qualified for the earnings in 2018 from environmental protection, water and energy conservation as stipulated under the Enterprise Income Tax Law, eligible for a 10% reduction in CIT; and its biomass power project was entitled to the 3+3 tax holiday from 2018 to 2023;

- Tongzhou Company obtained the Notification of CIT 3+3 tax holiday in 2018 and was entitled to the 3+3 tax holiday from 2018 to 2023;

Before obtaining the notification of CIT, the subsidiaries made income tax provisions and payment based on a tax rate of 25%.

2.2 VAT preferential benefits and approvals

From 1 July 2015, Changzhou Company, Haining Company, Yongjia Company, Pingyang Company, Wuhan Company, Taizhou Company, Rushan Company, Huizhou Company, Anshun Company, Jixian Company, Jurong Company, Bengbu Company, Ninghe Company and Tongzhou Company, which all were subsidiaries of the Company, were entitled to 70% refund of VAT in respect of the waste treatment services and 100% refund of VAT in respect of the sale of power or heat produced from waste or methane from waste fermentation according to the Notice on Publishing the VAT Catalogue for Products Generated from Comprehensive Utilisation of Resources and Services (Cai Shui [2015] No. 78) issued by MOF and State Administration of Taxation.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	2018	2017
Cash on hand	72,162.60	27,274.70
Deposits with banks	633,906,321.12	665,265,094.52
Other monetary funds	76,757,520.00	29,200,000.00
Total	710,736,003.72	694,492,369.22
Including: Total overseas deposits	44,059,572.57	98,240,619.39

As at 31 December 2018, the Group did not hold any time deposit (2017: RMB15,000,000.00). The term of time deposits ranged from a month to a year.

Other monetary funds of the Group mainly comprised the retention money for BOT projects and letter of credit with restricted use.

2. Bills and accounts receivables

	Note	2018	2017
Bills receivables	(1)	16,329,816.00	1,188,000.00
Accounts receivable	(2)	231,720,897.81	137,882,371.30
Total		248,050,713.81	139,070,371.30

(1) Bills receivable

(a) Classification of bills receivable

Type	2018	2017
Commercial acceptance bills	4,629,816.00	–
Bank acceptance bills	11,700,000.00	1,188,000.00
Total	16,329,816.00	1,188,000.00

All of the above bills receivable were due within one year.

(b) As at 31 December 2018, the Group did not have any pledged bills receivable.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Bills and accounts receivables (Continued)

(1) Bills receivable (Continued)

(c) As at 31 December 2018, the Group had outstanding endorsed or discounted bills that had not matured at the balance sheet date.

Type	Amount derecognized as at the end of the year	Amount not derecognized as at the end of the year
Bank acceptance bills	**1,919,812.94**	8,000,000.00
Commercial acceptance bills	**–**	629,816.00
Total	**1,919,812.94**	8,629,816.00

As at 31 December 2017, the Group did not have any outstanding endorsed or discounted bills that had not matured at the balance sheet date.

(i) Undue endorsed acceptance bills with full amount derecognised
The carrying amounts of undue bills receivable that have been endorsed and derecognized on 31 December 2018 was RMB1,919,812.94. As at 31 December 2018, the remaining period of the derecognized bills was 1 to 6 months.

According to the Bill Law of the People's Republic of China, if the acceptance bank of bills receivable that is discounted or endorsed by the Group refuses to pay, the holder has recourse to the Group. The Board believed that for the endorsed bills that were derecognized, the Group had substantially transferred almost all the risks and rewards of the bills. Therefore, the Group had derecognized these bills in full.

Due to the recourse rights of the bearer, the Group continued to be involved in the derecognition of the bills, and the continued exposure to the maximum risk exposure resulting in the loss of the Group amounted to its full amount.

As of 31 December 2018, the Group did not recognise profit or loss on the bill endorsement date, nor did it recognize the profit or loss for the period or accumulated gains and losses due to continued involvement in the relevant bills.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Bills and accounts receivables (Continued)

(1) Bills receivable (Continued)

(c) *(Continued)*

(ii) Undue endorsed acceptance bills with full amount not derecognised

As at 31 December 2018, the Group continued to recognize endorsed bills of RMB8,629,816.00. With respect to this portion of endorsed bills, the Board believed that the Group still retains virtually all its risks and rewards, including the risk of default on endorsed bills. Therefore, the Group continued to fully recognised this portion of the endorsed instruments. The bills, at the same time, confirmed the related payment due to the bank borrowings generated by the settlement of the endorsed bills. After endorsements were transferred, the Group no longer retained any right to use endorsed bills, including the sale, transfer or pledge of endorsed bills to the third party. As at 31 December 2018, the carrying amounts of the bills settled by the endorsed bills that continue to be recognized were RMB8,629,816.00. The Board believed that there is no significant difference in the fair value of the transferred assets and related liabilities.

(d) As at 31 December 2018 and 31 December 2017, the Group did not have any bills transferred to accounts receivable due to non-performance of the issuers.

(2) Accounts receivable

(a) Accounts receivable by customer type are as follows:

Customer Type	2018	2017
Due from third parties	**243,930,449.74**	145,165,378.93
Less: Provision for bad and doubtful debts	**(12,209,551.93)**	(7,283,007.63)
Total	**231,720,897.81**	137,882,371.30

(b) The ageing analysis of accounts receivable is as follows:

Ageing	2018	2017
Within 1 year (inclusive)	**243,669,861.34**	144,670,605.31
Over 1 year but within 2 years (inclusive)	**260,588.40**	494,773.62
Sub-total	**243,930,449.74**	145,165,378.93
Less: Provision for bad and doubtful debts	**(12,209,551.93)**	(7,283,007.63)
Total	**231,720,897.81**	137,882,371.30

The ageing is counted beginning from the date when accounts receivable are recognised.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Bills and accounts receivables (Continued)

(2) Accounts receivable (Continued)

(c) Accounts receivable are disclosed by type based on the methods of provision for bad and doubtful debts:

		31 December 2018				
		Book balance		Provision for bad and doubtful debts		
Category	Note	**Amounts**	**Percentage (%)**	**Amounts**	**Percentage (%)**	**Carrying amount**
Provision for bad and doubtful debts individually	(i)	**–**	**0%**	**–**	**0%**	**–**
Provision for bad and doubtful debts collectively	(ii)	**243,930,449.74**	**100%**	**(12,209,551.93)**	**100%**	**231,720,897.81**
Total		**243,930,449.74**	**100%**	**(12,209,551.93)**	**100%**	**231,720,897.81**

		31 December 2017				
		Book balance		Provision for bad and doubtful debts		
Category	Note	Amounts	Percentage (%)	Amounts	Percentage (%)	Carrying amount
Provision for bad and doubtful debts individually	(i)	–	0%	–	0%	–
Provision for bad and doubtful debts collectively	(ii)	145,165,378.93	100%	(7,283,007.63)	100%	137,882,371.30
Total		145,165,378.93	100%	(7,283,007.63)	100%	137,882,371.30

(i) Accounts receivables were not provided individually for bad and doubtful debts in 2018.

(ii) Criteria and statement of recognition of provision for bad and doubtful debts collectively in 2018:

Customers of accounts receivable of the Group are the grid customers who are located in the PRC, to whom the Group sells electricity or those public services units to whom the Group provide waste treatment service. Based on the Group's historical experience, there was no significant difference in the loss incurred by different customer groups. Therefore, different customer groups were not further segmented when calculating the provision for bad and doubtful debts.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Bills and accounts receivables (Continued)

(2) Accounts receivable (Continued)

(c) *(Continued)*

(iii) Expected credit loss assessment on accounts receivables in 2018:

The Group always measures its provision for impairment of accounts receivable based on the lifetime expected credit losses, and calculates its expected credit losses based on the loss given default. Based on the Group's historical experience, there was no significant difference in the loss incurred by different customer groups. Therefore, different customer groups were not further segmented when calculating the impairment provision.

Ageing	Loss given default	Book balance at the end of the year	Provision for impairment at the end of the year
Within 1 year (inclusive)	**5%**	**243,669,861.34**	**12,183,493.09**
Over 1 year but within 2 years (inclusive)	**10%**	**260,588.40**	**26,058.84**
Total		**243,930,449.74**	**12,209,551.93**

The loss given default is calculated based on the past experience on actual credit losses and adjusted based on the economic conditions during the historical data collection period, the prevailing economic situation and the economic conditions considered by the Group during the expected lifetime.

(iv) Impairment of accounts receivables in 2017

Under the Original Financial Instruments Standards, provision for impairment is made when there is objective evidence that the impairment has occurred.

(d) Change in provision for bad and doubt debts:

Item	2018	2017
Balance under the former financial instruments standards	**7,283,007.63**	5,982,641.93
Adjusted amount under firstly adopting the new financial instruments standards	**–**	–
Balance after adjustment at the beginning of the year	**7,283,007.63**	5,982,641.93
Provisions for the year	**3,469,117.03**	1,300,365.70
Business combination involving entities not under common control	**1,457,427.27**	–
Balance at the end of the year	**12,209,551.93**	7,283,007.63

During this Reporting Period, the Group did not write off any accounts receivable. For the accounts receivable with restricted ownership, please see Note V.48.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Bills and accounts receivables (Continued)

(2) Accounts receivable (Continued)

(e) Five largest accounts receivable by debtor at the end of the year

As at 31 December 2018, the subtotal of five largest accounts receivable of the Group amounted to RMB110,999,282.47, representing 46% of the total accounts receivable at the end of the year, and the provisions of bad and doubtful debts amounted to RMB5,549,964.12.

As at 31 December 2017, the subtotal of five largest accounts receivable of the Group amounted to RMB83,627,111.56, representing 58% of the total accounts receivable at the end of the year, and the provisions of bad and doubtful debts amounted to RMB4,181,355.58.

3. PREPAYMENTS

(1) Prepayments by category:

Item	2018	2017
Prepayments to third parties	**35,883,159.32**	10,665,860.03

The ageing is counted starting from the date when prepayments are recognised. As at 31 December 2018 and 31 December 2017, the ageing of the Group's prepayments were within one year and the Group did not need to make provisions for impairment.

(2) Five largest prepayments by debtor at the end of the year

As at 31 December 2018, the subtotal of five largest prepayments of the Group amounted to RMB23,854,727.26, representing 66% of the total prepayments at the end of the year, and no provisions for bad and doubtful debts had been made.

As at 31 December 2017, the subtotal of five largest prepayments of the Group amounted to RMB7,844,750.44, representing 74% of the total prepayments at the end of the year, and no provisions for bad and doubtful debts had been made.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables

	Note	2018	2017
Interest receivable		**63,972.93**	–
Other receivables	(1)	**67,214,562.04**	43,025,535.20
Total		**67,278,534.97**	43,025,535.20

(1) Others

(a) Others by customer type are as follows:

Customer Type	2018	2017
Due from third parties	**89,834,745.86**	60,806,060.32
Less: Provision for bad and doubtful debts	**(22,620,183.82)**	(17,780,525.12)
Total	**67,214,562.04**	43,025,535.20

(b) The ageing analysis of others is as follows:

Ageing	2018	2017
Within 1 year (inclusive)	**59,567,082.87**	28,818,304.95
Over 1 year but within 2 years (inclusive)	**8,495,025.39**	12,095,456.48
Over 2 years but within 3 years (inclusive)	**545,768.94**	265,672.54
Over 3 years but within 4 years (inclusive)	**1,622,062.87**	984,448.56
Over 4 years but within 5 years (inclusive)	**928,761.00**	4,262,570.00
Over 5 years	**18,676,044.79**	14,379,607.79
Sub-total	**89,834,745.86**	60,806,060.32
Less: Provision for bad and doubtful debts	**(22,620,183.82)**	(17,780,525.12)
Total	**67,214,562.04**	43,025,535.20

The ageing is counted beginning from the date when other receivables are recognised.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(1) Others (Continued)

(c) Other receivables are disclosed by type based on the methods of provision for bad and doubtful debts:

	2018				
	Book balance		Provision for bad and doubtful debts		Carrying amount
Category	Amounts	Percentage (%)	Amounts	Percentage (%)	
Provision for bad and doubtful debts individually					
– Performance bond	10,025,000.00	11%	(4,450,000.00)	20%	5,575,000.00
– Due from former shareholders	12,880,234.85	14%	(12,880,234.85)	57%	–
Provision for bad and doubtful debts collectively					
– VAT refunds receivable and other tax refunds receivable	9,913,233.99	11%	–	0%	9,913,233.99
– Others	57,016,277.02	64%	(5,289,948.97)	27%	51,726,328.05
Total	89,834,745.86	100%	(22,620,183.82)	100%	67,214,562.04

	2017				
	Book balance		Provision for bad and doubtful debts		Carrying amount
Category	Amounts	Percentage (%)	Amounts	Percentage (%)	
Provision for bad and doubtful debts individually					
– Performance bond	24,410,000.00	40%	(3,000,000.00)	17%	21,410,000.00
– Due from former shareholders	12,880,234.85	21%	(12,880,234.85)	72%	–
Provision for bad and doubtful debts collectively					
– VAT refunds receivable and other tax refunds receivable	9,309,163.32	15%	–	0%	9,309,163.32
– Others	14,206,662.15	23%	(1,900,290.27)	11%	12,306,371.88
Total	60,806,060.32	100%	(17,780,525.12)	100%	43,025,535.20

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(1) Others (Continued)

(c) *(Continued)*

(i) Criteria and statement of recognition of provision for bad and doubtful debts individually in 2018:

Other receivables (by entity)	Book balance	Provision for bad and doubtful debts	Percentage	Rationale for provision
Sheyang County Government	4,000,000.00	(3,200,000.00)	80%	Some had long ageing and risk on collection
Security deposit for Changzhou Project	1,000,000.00	(1,000,000.00)	100%	Had long ageing and risk on collection
Ninghe County City Appearance and Landscape Management Committee (寧河縣市容和園林管理委員會)	5,000,000.00	(250,000.00)	5%	Had risk on collection
Dynagreen Environment Investment Limited (綠色動力環保投資有限公司)	5,160,600.00	(5,160,600.00)	100%	Had long ageing and risk on collection
綠色動力國際控股(集團)有限公司	294,835.67	(294,835.67)	100%	Had long ageing and risk on collection
Shenzhen Hanyang Holdings Company (深圳瀚洋控股公司)	6,988,073.50	(6,988,073.50)	100%	Had long ageing and risk on collection
Current accounts of shareholders – individual	436,725.68	(436,725.68)	100%	Had long ageing and risk on collection
Minle County Branch of Zhangye City Public Resource Trading Centre	5,000.00	–	–	
Shandan County Branch of Zhangye City Public Resource Trading Centre	20,000.00	–	–	
Total	22,905,234.85	(17,330,234.85)		

(ii) Criteria and statement of recognition of provision for bad and doubtful debts collectively in 2018:

Other receivables are primarily grouped by nature. Of which, VAT refunds receivable and other tax refunds receivable are mainly refunds receivable from taxation bureaus; others are mainly prepayments and related-party loans.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(1) Others (Continued)

(d) Additions, recoveries or reversals of provision for bad and doubtful debts:

(i) 2018

Provision for bad and doubtful debts	2018 First stage ECL for next 12 months	Second stage Lifetime ECL- no credit impairment	Third stage Lifetime ECL – credit impairment occurred	Total
Balance under the former financial instruments standards	573,957.09	1,326,333.18	15,880,234.85	17,780,525.12
Adjusted amount under firstly adopting the new financial instruments standards	–	–	–	–
Balance after adjustment at the beginning of the year	573,957.09	1,326,333.18	15,880,234.85	17,780,525.12
Transfer to the second stage	(152,154.98)	152,154.98	–	–
Transfer to the third stage	–	–	–	–
Turn back to the second stage	–	–	–	–
Turn back to the first stage	–	–	–	–
Business combination involving entities not under common control	21,310.40	975,357.20	–	996,667.60
Provisions for the year	2,038,329.92	354,661.18	1,450,000.00	3,842,991.10
Balance at the end of the year	2,481,442.43	2,808,506.54	17,330,234.85	22,620,183.82

(ii) 2017

Provision for bad and doubtful debts	2017
Balance at the beginning of the year	15,603,704.70
Provisions/(Reversals) for the year	2,176,820.42
Others	–
Balance at the end of the year	17,780,525.12

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(1) Others (Continued)

(e) By nature of receivables

Nature of receivables	2018	2017
Performance bond	**10,025,000.00**	24,410,000.00
VAT refunds receivable and other tax refunds receivable	**9,913,233.99**	9,309,163.32
Others	**69,896,511.87**	27,086,897.00
Sub-total	**89,834,745.86**	60,806,060.32
Less: Provision for bad and doubtful debts	**(22,620,183.82)**	(17,780,525.12)
Total	**67,214,562.04**	43,025,535.20

(f) Five largest receivables by debtor at the end of the year

	2018				
Entity name	Nature of receivables	Balance at the end of the year	Ageing	Percentage of total balance at the end of the year (%)	Balance of provision for bad and doubtful debts at the end of the year
Fengcheng Dynagreen Environmental Protection Co., Ltd. (豐城綠色動力環保有限公司) ("Fengcheng Company")	Current accounts of entities	37,816,510.20	Within 1 year	42%	(1,890,825.51)
Shenzhen Hanyang Holdings Company (深圳瀚洋控股公司)	Current accounts of former shareholders	6,988,073.50	Over 5 years	8%	(6,988,073.50)
Pingyang County Public Resource Trading Centre	Others	6,000,000.00	Within 1 year	7%	(300,000.00)
Dynagreen Environment Investment Limited (綠色動力環保投資有限公司)	Current accounts of former shareholders	5,160,600.00	Over 5 years	6%	(5,160,600.00)
Ninghe County City Appearance and Landscape Management Committee (寧河縣市容和園林管理委員會)	Performance bond	5,000,000.00	Over 1 year but within 2 years	6%	(250,000.00)
Total		60,965,183.70		69%	(14,589,499.01)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(1) Others (Continued)

(f) *Five largest receivables by debtor at the end of the year* (Continued)

2017

Entity name	Nature of receivables	Balance at the end of the year	Ageing	Percentage of total balance at the end of the year (%)	Balance of provision for bad and doubtful debts at the end of the year
Bengbu Urban Administrative and Law Enforcement Bureau	Performance bond	10,000,000.00	2 – 3 years	16%	–
Shenzhen Hanyang Holdings Company (深圳瀚洋控股公司)	Current accounts of former shareholders	6,988,073.50	Over 5 years	11%	(6,988,073.50)
Dynagreen Environment Investment Limited (綠色動力環保投資有限公司)	Current accounts of former shareholders	5,160,600.00	Over 5 years	8%	(5,160,600.00)
Fan Jie (範傑)	Earnest money for project cooperation	5,000,000.00	Within 1 year	8%	(250,000.00)
Ninghe County City Appearance and Landscape Management Committee	Performance bond	5,000,000.00	Within 1 year	8%	–
Total		32,148,673.50		51%	(12,398,673.50)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Inventories

Inventories by category

Type of inventories	31 December 2018 Book balance	Provision for impairment of inventories	Carrying amount
Turnover materials	**20,094,393.80**	**–**	**20,094,393.80**

Type of inventories	31 December 2017 Book balance	Provision for impairment of inventories	Carrying amount
Turnover materials	13,468,671.92	–	13,468,671.92

The Group's balance of inventories as at 31 December neither included capitalised borrowing costs nor was pledged as security.

There was no provision for impairment of inventories by the Group for this year and last year.

6. Long-term receivables due within one year

Item	2018	2017
BOT projects	**67,946,505.81**	34,968,961.67
BT projects	**3,757,664.95**	25,284,507.87
Total	**71,704,170.76**	60,253,469.54

For the long-term receivables due within one year with restricted ownership, please see Note V.48.

7. Other current assets

As at the end of each accounting year, the other current assets of the Group comprise deductible VAT, prepaid income tax and investment capital receivables.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Long-term receivables

Item	2018 Book balance	Provision for bad and doubtful debts	Carrying amount
BOT projects	3,817,997,477.53	–	3,817,997,477.53
BT projects	60,337,725.06	–	60,337,725.06
Performance bond	29,369,844.19	–	29,369,844.19
Sub-total	3,907,705,046.78	–	3,907,705,046.78
Less: Due within one year	71,704,170.76	–	71,704,170.76
Total	3,836,000,876.02	–	3,836,000,876.02

Item	2017 Book balance	Provision for bad and doubtful debts	Carrying amount
BOT projects	2,801,580,953.46	–	2,801,580,953.46
BT projects	80,512,693.80	–	80,512,693.80
Performance bond	29,615,432.83	–	29,615,432.83
Sub-total	2,911,709,080.09	–	2,911,709,080.09
Less: Due within one year	60,253,469.54	–	60,253,469.54
Total	2,851,455,610.55	–	2,851,455,610.55

As at 31 December 2018 and 31 December 2017, the ranges of discount rate of the long-term receivables of BOT projects were 5.04%–8.53% and 4.90%–8.53%; the ranges of discount rate of the long-term receivables of BT projects were 6.99%.

For the long-term receivables with restricted ownership, please see Note V.48.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments

(1) Long-term equity investments by category at the end of the accounting year were as follows:

Item	2018	2017
Investments in joint ventures	31,222,775.27	–
Sub-total	31,222,775.27	–
Less: Provision for impairment	–	–
Total	31,222,775.27	–

(2) Analysis of the movements of long-term equity investments is as follows:

		Changes for 2018			
Investee	Balance at the beginning of the year	Additional investment	Investment deducted	Investment income recognized under equity method	Balance at the end of the year
Joint ventures					
Fengcheng Company	–	31,224,489.82	–	(1,714.55)	31,222,775.27
Beijing Shengjing Jiachuang Investment Center (Limited Partnership) ("Shengjing Jiachuang")	–	31,000,000.00	(31,000,000.00)	–	–
Total	–	62,224,489.82	(31,000,000.00)	(1,714.55)	31,222,775.27

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Fixed assets

Item	Motor vehicles	Office and other equipment	Buildings and structures*	Total
Cost				
1 January 2017	10,332,424.62	14,078,880.15	–	24,411,304.77
Additions for the year – Purchases	833,126.63	3,438,161.61	–	4,271,288.24
Disposals during the year	(491,635.00)	(199,258.22)	–	(690,893.22)
31 December 2017	10,673,916.25	17,317,783.54	–	27,991,699.79
Additions for the year				
– Purchases	796,943.86	4,518,291.70	–	5,315,235.56
– Addition in business combination involving entities not under common control	13,423,540.00	7,217,032.00	23,779,400.00	44,419,972.00
Disposals during the year	(639,501.95)	(725,822.29)	–	(1,365,324.24)
31 December 2018	24,254,898.16	28,327,284.95	23,779,400.00	76,361,583.11
Accumulated depreciation				
1 January 2017	7,228,650.31	6,965,246.69	–	14,193,897.00
Provision for the year	991,649.89	2,204,687.92	–	3,196,337.81
Disposals during the year	(467,053.25)	(154,100.84)	–	(621,154.09)
31 December 2017	7,753,246.95	9,015,833.77	–	16,769,080.72
Additions for the year				
– Provisions for the year	941,222.95	2,542,740.14	–	3,483,963.09
– Addition in business combination involving entities not under common control	2,403,337.60	2,085,376.88	3,092,118.00	7,580,832.48
Disposals during the year	(339,433.37)	(670,890.60)	–	(1,010,323.97)
31 December 2018	10,758,374.13	12,973,060.19	3,092,118.00	26,823,552.32
Carrying amount				
31 December 2018	13,496,524.03	15,354,224.76	20,687,282.00	49,538,030.79
31 December 2017	2,920,669.30	8,301,949.77	–	11,222,619.07

* The land occupied by Dongguan Changneng Clean Energy and Greening Service Co., Ltd.(東莞市長能清潔能源綠化服務有限公司) (hereinafter referred to as "Dongguan Changneng"), a subsidiary of Guangdong Promising Environmental Protection Company Limited (廣東博海昕能環保有限公司) (hereinafter referred to as "Promising"), was provided free of charge by the Chang'an Town People's Government and the Yongtou Community Residents Committee of Chang'an Town, Dongguan City. Dongguan Changneng does not have a land use right certificate, so the building with a book value of RMB20,687,282.00 has no House Title Certificate. The management believes that the Group can effectively occupy and use the above fixed assets.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Intangible assets

(1) Intangible assets

Item	Concession rights	Land use right and others	Construction license	Total
Cost				
1 January 2017	2,079,604,030.55	710,022.57	6,529,123.58	2,086,843,176.70
Additions for the year				
– Purchase/construction	451,367,265.32	–	–	451,367,265.32
Exchange gains and losses	(914,731.76)	–	–	(914,731.76)
31 December 2017	2,530,056,564.11	710,022.57	6,529,123.58	2,537,295,710.26
Additions for the year				
– Purchase/construction	904,174,889.93	84,490,976.18	–	988,665,866.11
– Additions for business combination involving entities not under common control	1,268,860,043.07	252,925.05	–	1,269,112,968.12
Exchange gains and losses	628,917.11	–	–	628,917.11
31 December 2018	4,703,720,414.22	85,453,923.80	6,529,123.58	4,795,703,461.60
Accumulated amortisation				
1 January 2017	209,552,162.73	272,400.61	3,396,442.65	213,221,005.99
Charge for the year	70,124,274.04	74,430.05	–	70,198,704.09
Exchange gains and losses	(212,827.13)	–	–	(212,827.13)
31 December 2017	279,463,609.64	346,830.66	3,396,442.65	283,206,882.95
Provision for the year	83,841,700.27	89,759.63	–	83,931,459.90
Additions for business combination involving entities not under common control	13,785,518.70	229,265.13	–	14,014,783.83
Exchange gains and losses	171,295.13	–	–	171,295.13
31 December 2018	377,262,123.74	665,855.42	3,396,442.65	381,324,421.81
Provision for impairment of assets				
1 January 2018	–	–	3,132,680.93	3,132,680.93
Provisions for the year				
31 December 2018	–	–	3,132,680.93	3,132,680.93
Carrying amount				
31 December 2018	4,326,458,290.48	84,788,068.38	–	4,411,246,358.86
31 December 2017	2,250,592,954.47	363,191.91	–	2,250,956,146.38

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Intangible assets (Continued)

(1) Intangible assets (Continued)

(a) The cost of concession rights is recognised using the method stated in Note III.14(1). The concession rights were deemed to be definite life intangible assets as the BOT arrangements stated that the operation periods vary from 23 years to 30 years.

For those waste-to-energy projects which have not yet commenced operation, the Group assesses the recoverable amount of each concession right at the end of each year. As at 31 December 2018 and 31 December 2017, the recoverable amounts of the concession right of the projects which have not yet commenced operation are estimated to be higher than the carrying amount, and no impairment is required.

For those waste-to-energy projects which have commenced operation, the Group assesses the recoverable amount of each concession right when an indication of impairment has been identified. As at 31 December 2018 and 31 December 2017, the recoverable amounts of the concession right of the projects which have commenced operation are estimated to be higher than the carrying amount, and no impairment is required.

(b) For the franchise of hazardous waste disposal projects, since the BOO agreement does not stipulate the franchise period, the franchise of the hazardous waste disposal project is regarded as an intangible asset with an indefinite useful life.

(2) Land use rights pending certificate of ownership

As at December 31, 2018, the Group was in the process of applying for the ownership certificate for certain land use right with an aggregate net book value of RMB83,956,207.40.

(3) For the intangible assets with restricted ownership, please see Note V.48.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Goodwill

(1) Changes in goodwill

Name of investees or issues forming goodwill	Note	Balance at the beginning of the year	Additions for the year	Disposals for the year	Balance at the end of the year
Original book value					
Lvyi (Huludao) Environmental Services Limited* (綠益(葫蘆島)環境服務有限公司) ("Huludao Company")	(a)	–	43,910,821.67	–	43,910,821.67
Provision for impairment					
Huludao Company		–	–	–	–
Carrying amount		–	43,910,821.67	–	43,910,821.67

(a) On 5 January 2018, the Group acquired 80% of interests in Huludao Company at the consideration of RMB90,000,000. The consideration exceeded the difference of RMB43,910,821.67 between the identified asset and liabiliies at fair value of Huludao Company on a pro rata basis, and recognised as the goodwill relating to Huludao Company.

(2) Impairment provision of goodwill

Item	2018	2017
Huludao Company	–	–

For the purpose of impairment testing of goodwill, goodwill is allocated to a group of cash-generating units (being subsidiaries acquired in each acquisition). Such group of cash-generating units represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount of Huludao Company is determined under the method of present value of estimated future cash flows. The present value of future cash flows of the asset group was estimated by the Group according to the nearest five-year financial budget and using the discount rate of 13%. The cash flows beyond five-year financial budget remained steady. The estimated outcome of recoverable amount did not result in recognition of impairment loss.

The significant assumptions used for impairment testing include the growth rates of future incomes from hazardous waste treatment, gross margin ratios and applicable discount rates, etc.. Management determined those significant assumptions based on historical operating condition and its expectation to future market development. The discount rates reflect particular risks of every asset group or a set of asset groups, and the management believe that any reasonable changes in those significant assumptions will probably result in book value of Huludao Company exceeding its recoverable amount.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-term deferred expenses

	2018			
Item	**Balance at the beginning of the year**	**Additions for the year – business combination involving entities not under common control**	**Amortisation for the year**	**Balance at the end of the year**
Renovation costs for office under operating lease	**–**	**386,560.40**	**–**	**386,560.40**
Others	**1,252,282.08**	**–**	**(338,830.77)**	**913,451.31**
Total	**1,252,282.08**	**386,560.40**	**(338,830.77)**	**1,300,011.71**

	2017			
Item	Balance at the beginning of the year	Additions for the year	Amortisation for the year	Balance at the end of the year
Renovation costs for office under operating lease	15,054.61	–	(15,054.61)	–
Others	1,591,112.87	–	(338,830.79)	1,252,282.08
Total	1,606,167.48	–	(353,885.40)	1,252,282.08

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities

Item	2018 Deductible or taxable temporary differences (for taxable temporary difference)	2018 Deferred tax assets or liabilities (for liabilities)	2017 Deductible or taxable temporary differences (for taxable temporary difference)	2017 Deferred tax assets or liabilities (for liabilities)
Deferred tax assets:				
Tax losses	**101,053,987.17**	**30,262,052.47**	25,153,744.66	4,328,272.17
Provision for impairment	**21,614,191.65**	**2,972,311.77**	12,474,935.93	2,088,446.22
Unrealised profits	**701,334,913.77**	**162,106,829.45**	612,993,194.73	143,133,900.42
Amount offset	**(64,808,360.73)**	**(15,399,851.11)**	(18,883,748.04)	(4,059,934.48)
Balance after offsetting	**759,194,731.86**	**179,941,342.58**	631,738,127.28	145,490,684.33
Deferred tax liabilities:				
Temporary difference from concession rights and long-term receivables	**(226,448,139.30)**	**(56,605,442.44)**	(124,572,475.80)	(31,143,118.95)
PRC withholding tax on dividends	**(20,730,202.81)**	**(2,073,020.27)**	(25,195,219.85)	(2,519,521.98)
Additions from asset appraisal for business combination involving entities not under common control	**(265,721,783.95)**	**(66,430,445.99)**	–	–
Amount offset	**64,808,360.73**	**15,399,851.11**	18,883,748.04	4,059,934.48
Balance after offsetting	**(448,091,765.33)**	**(109,709,057.59)**	(130,883,947.61)	(29,602,706.45)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Deferred tax assets and deferred tax liabilities (Continued)

(2) Details of unrecognised deferred tax assets

During the period of these financial statements, the Group did not recognise deferred tax assets for the following items:

Item	2018	2017
Tax losses	**34,854,932.83**	40,264,659.49
Deductible temporary differences	**13,215,544.07**	12,585,399.18
Total	**48,070,476.90**	52,850,058.67

According to the accounting policy stated in Note III.23, as it is not probable for some of the Group's subsidiaries to obtain taxable profit which can be used to offset the loss and reversal of deductible temporary differences, and the Group expects that some provisions for bad and doubtful debts are not likely to be approved by the local competent tax authorities for being deducted from taxable income, the Group did not recognise deferred tax assets in respect of the above accumulated deductible tax losses and deductible temporary difference. According to the prevailing tax laws, these tax deductible losses may offset future taxable profits within 5 years after the year incurred.

(3) Expiration of deductible tax losses for unrecognised deferred tax assets

Item	2018	2017
2018	**–**	564,458.75
2019	**450,687.24**	–
2020	**–**	–
2021	**6,280,684.65**	1,823,167.19
2022	**11,280,570.02**	37,877,033.55
2023	**16,842,990.92**	–
Total	**34,854,932.83**	40,264,659.49

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Other non-current assets

Item	2018	2017
Prepayments for BOT projects and equipment	**228,641,956.04**	192,111,846.76
Prepayments for acquisition of concession rights (Note)	**208,359,338.30**	203,815,324.54
Deductible VAT	**259,621,775.22**	119,709,404.61
Less: provision for impairment	**–**	–
Sub-total	**696,623,069.56**	515,636,575.91
Less: portion expiring within one year	**–**	–
Total	**696,623,069.56**	515,636,575.91

Note: The Group paid a total of RMB200 million to City Appearance Management Committee of Miyun County, Beijing (RMB100 million each in April 2016 and April 2017) for the acquisition of concession rights of a construction project of an integrated waste treatment centre in Miyun County. In addition, as at 31 December 2018, other expenses directly attributable to such concession rights of the Group amounted to RMB8,359,338.30.

16. Short-term loans

Item	2018	2017
Credit loans	**854,000,000.00**	310,154,600.00

At the end of each accounting year, the Group did not have short-term loans past due.

17. Bills and accounts payables

Item	Note	2018	2017
Bills payable		**–**	–
Accounts payables	(a)	**900,854,708.97**	480,416,745.67
Total		**900,854,708.97**	480,416,745.67

(a) Details of accounts payables are as follows:

Item	2018	2017
Materials and equipment payables	**900,854,708.97**	480,416,745.67

(b) As at 31 December 2018 and 31 December 2017, the accounts payable aged over one year amounted to RMB93,779,042.62 and RMB81,489,454.90 respectively, which were mainly the final payments payable that were quality guarantee deposit of construction and equipment.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Advances from customers

Details of advances from customers are as follows:

Item	2018	2017
Water and electricity fees received in advance	–	368,370.67
Others	–	500,000.00
Total	–	868,370.67

As at 31 December 2018 and 31 December 2017, the Group did not have significant advances from customers aged over one year.

19. Contract liabilities

Item	2018
Electricity fees and waste treatment fees received in advance	**6,145,947.92**

Contract liabilities mainly consist of electricity fees and waste treatment fees received in advance by the Group from Huizhou Power Supply Bureau of Guangdong Power Grid Co., Ltd (廣東電網有限責任公司惠州供電局) and Haining Environmental and Hygiene Management Committee (海寧市環境衛生管理處). The fees received in advance are electricity fees and waste treatment fees for that year paid by the clients at the beginning of each year in accordance with the settlement of the prior year. The relevant revenue from that contract will be recognized upon the execution of the contractual obligation by the Group.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Employee benefits payable

(1) Employee benefits payable:

	2018			
	Balance at the beginning of the year	Additions for the year	Decreased during the year	Balance at the end of the year
Short-term employee benefits	**48,982,472.14**	**241,230,178.44**	**(218,120,515.97)**	**72,092,134.61**
Post-employment benefits – defined contribution plans	**3,778,945.02**	**21,453,558.72**	**(21,322,052.96)**	**3,910,450.78**
Total	**52,761,417.16**	**262,683,737.16**	**(239,442,568.93)**	**76,002,585.39**

	2017			
	Balance at the beginning of the year	Additions for the year	Decreased during the year	Balance at the end of the year
Short-term employee benefits	44,767,895.05	187,174,235.70	(182,959,658.61)	48,982,472.14
Post-employment benefits – defined contribution plans	3,625,786.34	17,540,122.23	(17,386,963.55)	3,778,945.02
Total	48,393,681.39	204,714,357.93	(200,346,622.16)	52,761,417.16

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Employee benefits payable (Continued)

(2) Short-term employee benefits

	2018			
	Balance at the beginning of the year	Additions for the year	Decreased during the year	Balance at the end of the year
Salaries, bonuses, allowances and subsidies	**42,042,922.59**	**192,926,234.28**	**(170,455,312.03)**	**64,513,844.84**
Staff welfare	**324,736.99**	**11,644,134.12**	**(11,644,176.04)**	**324,695.07**
Social insurance	**163,489.34**	**11,349,049.85**	**(11,266,756.69)**	**245,782.50**
Medical insurance	**136,376.80**	**9,900,265.97**	**(9,828,982.34)**	**207,660.43**
Work-related injury insurance	**14,756.58**	**644,153.63**	**(637,775.07)**	**21,135.14**
Maternity insurance	**12,355.96**	**804,630.25**	**(799,999.28)**	**16,986.93**
Housing provident	**441,867.79**	**16,213,251.42**	**(16,132,926.42)**	**522,192.79**
Labour union fee, staff and workers' education fee	**5,968,210.86**	**3,957,735.23**	**(3,487,894.96)**	**6,438,051.13**
Commercial insurance	**41,244.57**	**3,947,907.58**	**(3,941,583.87)**	**47,568.28**
Others	**–**	**1,191,865.96**	**(1,191,865.96)**	**–**
Total	**48,982,472.14**	**241,230,178.44**	**(218,120,515.97)**	**72,092,134.61**

	2017			
	Balance at the beginning of the year	Additions for the year	Decreased during the year	Balance at the end of the year
Salaries, bonuses, allowances and subsidies	38,639,730.45	147,295,482.73	(143,892,290.59)	42,042,922.59
Staff welfare	133,776.56	8,372,378.86	(8,181,418.43)	324,736.99
Social insurance	66,367.72	9,228,643.40	(9,131,521.78)	163,489.34
Medical insurance	53,515.52	7,933,259.70	(7,850,398.42)	136,376.80
Work-related injury insurance	8,212.05	556,756.92	(550,212.39)	14,756.58
Maternity insurance	4,640.15	738,626.78	(730,910.97)	12,355.96
Housing provident	445,737.74	13,831,937.52	(13,835,807.47)	441,867.79
Labour union fee, staff and workers' education fee	5,489,810.17	3,370,535.71	(2,892,135.02)	5,968,210.86
Commercial insurance	(7,527.59)	4,262,507.29	(4,213,735.13)	41,244.57
Others	–	812,750.19	(812,750.19)	–
Total	44,767,895.05	187,174,235.70	(182,959,658.61)	48,982,472.14

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Employee benefits payable (Continued)

(3) Post-employment benefits – defined contribution plans

	2018			
	Balance at the beginning of the year	Additions for the year	Decreased during the year	Balance at the end of the year
Basic pension insurance	3,769,241.64	20,874,658.96	(20,748,120.99)	3,895,779.61
Unemployment insurance	9,703.38	578,899.76	(573,931.97)	14,671.17
Total	3,778,945.02	21,453,558.72	(21,322,052.96)	3,910,450.78

	2017			
	Balance at the beginning of the year	Additions for the year	Decreased during the year	Balance at the end of the year
Basic pension insurance	3,620,393.02	17,002,185.52	(16,853,336.90)	3,769,241.64
Unemployment insurance	5,393.32	537,936.71	(533,626.65)	9,703.38
Total	3,625,786.34	17,540,122.23	(17,386,963.55)	3,778,945.02

21. Taxes payable

Item	2018	2017
Corporate income tax	25,222,481.62	23,020,489.08
Individual income tax	354,100.55	465,417.87
City maintenance and construction tax	753,249.61	574,388.46
Urban land use tax	1,173,945.30	584,478.04
Property tax	2,744,513.48	1,459,194.16
Value-added tax	8,901,230.77	7,324,820.11
Others	1,087,789.94	527,786.11
Total	40,237,311.27	33,956,573.83

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Other payables

	Note	2018	2017
Interest payable	(1)	**14,141,187.13**	10,553,478.35
Dividends payable	(2)	**–**	1,287,651.80
Others	(3)	**355,769,628.08**	38,849,745.68
Total		**369,910,815.21**	50,690,875.83

(1) Interest payable

Item	2018	2017
Interest payable for long-term loans with interest paid in instalments and principal repaid on maturity	**13,047,187.13**	10,360,145.02
Interest payable on short-term loans	**1,094,000.00**	193,333.33
Total	**14,141,187.13**	10,553,478.35

At the end of each accounting year, the Group did not have overdue interest payment.

(2) Dividends payable

Item	2018	2017
Dividends for ordinary shares	**–**	1,287,651.80

At the end of each accounting year, the Group did not have any unpaid dividend exceeds one year.

(3) Others

(a) By nature

Item	2018	2017
Payables for power grid lines construction projects	**10,022,705.35**	10,022,705.35
Intermediary fees payable	**2,400,000.00**	3,250,000.00
Risk guarantees for suppliers	**9,862,332.89**	10,391,366.30
Payable for purchase of equity	**252,000,000.00**	–
Current accounts payables of entities	**45,000,000.00**	–
Slag processing fee	**4,763,572.21**	2,181,086.36
Other payables	**31,721,017.63**	13,004,587.67
Total	**355,769,628.08**	38,849,745.68

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Other payables (Continued)

(3) Others (Continued)

(b) Significant other payables aged over one year

Significant other payables aged over one year as at 31 December 2018:

Item	Balance at the end of the year	Reason for no repayment
Payables for power grid lines construction projects	**10,022,705.35**	Creditors did not request for repayment
Risk guarantees for suppliers	**7,758,097.88**	Risk guarantees for suppliers
Slag processing fee	**2,181,086.36**	Creditors did not request for repayment

Significant other payables aged over one year as at 31 December 2017:

Item	Balance at the end of the year	Reason for no repayment
Payables for power grid lines construction projects	10,022,705.35	Creditors did not request for repayment
Risk guarantees for suppliers	6,600,000.00	Risk guarantees for suppliers

23. Non-current liabilities due within one year

Non-current liabilities due within one year by category are as follows:

Item	2018	2017
Long-term loans due within one year (Note)	**532,303,290.51**	353,058,281.54
Long-term payables due within one year	**7,289,707.65**	11,874,403.43
Total	**539,592,998.16**	364,932,684.97

Note: As at the end of the accounting year, the Group did not have overdue long-term loans due within one year.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Long-term loans

(1) Long-term loans by nature:

Item	2018	2017
Credit loans	**183,000,000.00**	126,000,000.00
Guaranteed and pledged loans	**4,739,854,612.13**	3,141,143,903.74
Less: Long-term loans due within one year	**(532,303,290.51)**	(353,058,281.54)
Total	**4,390,551,321.62**	2,914,085,622.20

There was no long-term loans formed from extension of overdue loans of the Group as at the end of the accounting year.

As at 31 December 2018 and 31 December 2017, the interest rates of the Group's long-term loans were 4.41%–6.52% and 4.41%–6.70%, respectively.

In 2016, Beijing Dynagreen Environment Co., Ltd. (北京綠色動力環保有限公司) ("Tongzhou Company"), a subsidiary of the Company, entered into a contract with Beijing State-owned Financial Leasing Company ("BSOFL"), pursuant to which, BSOFL appointed Tongzhou Company to purchase heat recovery steam generator and other equipment ("Underlying Equipment") from third party suppliers, amounting to RMB102,725,000.00. At the same time, BSOFL entered into an agreement with Tongzhou Company to hand over the underlying equipment to Tongzhou Company for the construction and operation of WTE projects in a BOT business model. According to the agreement, Tongzhou Company had to pay the initial payment of RMB5,136,250.00 to BSOFL on the date of receiving the consideration for the purchase from BSOFL, and pay RMB5,510,564.99 to BSOFL at each quarter during the first five years. In substance, the above arrangement was BSOFL paid for the price of equipment for Tongzhou Company initially, and then recovered the money from Tongzhou Company by instalments, which is financing in nature. The effective interest rate of such arrangements was 5.77%. As at 31 December 2018, the balance of related loans from BSOFL was RMB55,682,529.75 (2017: RMB73,852,444.56).

As at 31 December 2018 and 31 December 2017, the bank loans amounting to RMB1,762,774,477.75 and RMB1,114,713,628.58 of the Group were secured by certain accounts receivable relating to the Group's concessionary projects and concession rights (Note V.48).

As at 31 December 2018 and 31 December 2017, the bank loans amounting to RMB1,486,732,176.54 and RMB874,518,538.29 of the Group's subsidiaries were secured by the guarantees provided by the Company (Note X.5(1)).

As at 31 December 2018 and 31 December 2017, the bank loans amounting to RMB1,082,415,925.99 and RMB835,481,587.33 were secured by the guarantees provided by the parent company of the Group (Note X.5(1)).

(2) Repayment terms of the long-term loans:

	2018	2017
Over 1 year but within 2 years (inclusive)	**700,228,704.72**	435,348,055.40
Over 2 years but within 5 years (inclusive)	**1,853,185,683.30**	1,229,774,996.63
Over 5 years	**1,837,136,933.60**	1,248,962,570.17
Total	**4,390,551,321.62**	2,914,085,622.20

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Long-term payables

Item	2018	2017
Long-term payables for leachate treatment stations	606,706,053.29	655,999,801.97
Less: long-term payables due within one year	(28,216,534.15)	(34,022,005.15)
Sub-total	578,489,519.14	621,977,796.82
Less: unrecognised financing expenses	(273,391,196.55)	(302,284,621.21)
Total	305,098,322.59	319,693,175.61

The net amount of the above long-term payables due within one year deducting the unrecognised financing expenses is disclosed in Note V.23.

26. Deferred Income

Item	2018				
	Balance at the beginning of the year	Additions for the year – business combination involving entities not under common control	Decreased during the year	Balance at the end of the year	Reason
Government grant (Note) – related to assets	18,333,333.40	3,630,357.20	(666,666.64)	21,297,023.96	Granted by the government

Item	2017				
	Balance at the beginning of the year	Additions for the year	Decreased during the year	Balance at the end of the year	Reason
Government grant (Note) – related to assets	19,000,000.04	–	(666,666.64)	18,333,333.40	Granted by the government

Note: For the government grant of the Group recognised as deferred income, please see Note V.39.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Deferred Income (Continued)

Projects involving government grants:

Liabilities	Balance at the beginning of the year	Credited for the year Other income	Other changes – additions for business combination involving entities not under common control	Balance at the end of the year	Related to assets/Related to income
Infrastructure subsidies for the Anshun WTE project	18,333,333.40	(666,666.64)	–	17,666,666.76	Related to assets
Specific fund for Guangyuan technology upgrading and phasing out outdated production capacities	–	–	3,630,357.20	3,630,357.20	Related to assets
Total	18,333,333.40	(666,666.64)	3,630,357.20	21,297,023.96	

The ageing analysis of deferred income is as follows:

	2018	2017
Within 1 year (inclusive)	**802,380.88**	666,666.68
Over 1 years	**20,494,643.08**	17,666,666.72
Total	**21,297,023.96**	18,333,333.40

Note: Anshun Company received government grant in a total of RMB20,000,000.00 from Finance Bureau of Xixiu District, Anshun as the infrastructure subsidies for the Anshun WTE project in February 2016 and December 2016 respectively (RMB10,000,000.00 each). The government grant is related to assets and is amortised as BOT assets over 30 years, the operating period of the BOT assets of Anshun Company.

Guangyuan Boneng Renewable Energy Co., Ltd. (廣元博能再生能源有限公司) ("Guangyuan Company") received government grant of RMB3,800,000 from Lizhou District, Guangyuan as the specific fund for technology upgrading and phasing out outdated production capacities on 16 August 2016. The government grant is related to assets and is amortised as BOT assets over 28 years, the operating period of the BOT assets of Guangyuan Company.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Share capital

		Balance at the beginning of the year	New shares issued during the year	Balance at the end of the year
Total number of shares	(a)	1,045,000,000.00	116,200,000.00	1,161,200,000.00

(a) On 19 June 2014, the Company conducted an initial public offering of 300,000,000 shares with a par value of RMB1 each on the Hong Kong Stock Exchange at a price of HK$3.45 per share, in which an amount of RMB300,000,000.00 was the par value of the ordinary shares and was included in the share capital of the Company, and the amount of RMB470,587,493.90 after deducting issuance expenses from the total amount of proceeds in the excess of the par value of the ordinary shares was included in the capital reserve of the Company.

On 29 June 2014, the underwriter of the Company in respect of the public offering project on the Hong Kong Stock Exchange exercised all of the over-allotment options stated in the Company's prospectus dated 9 June 2014 (the "Prospectus"), pursuant to which the Company issued 45,000,000 ordinary shares. The ordinary shares were issued at HK$3.45 per share on 3 July 2014. The additional proceeds of approximately RMB123,361,650.00 from the over-allotment issuance on 3 July 2014 were included in the share capital and capital reserve of the Company respectively.

On 11 June 2018, the Company publicly issued 116,200,000.00 ordinary shares with a nominal value of RMB1 per share on the Shanghai Stock Exchange. The subscription price was RMB3.29 per share. The amount of the total proceeds is RMB382,298,000.00, after deducting the issuance expenses RMB36,279,200.00(tax not included). The actual availability of the total proceeds is RMB 346,018,800.00, RMB116,200,000.00 was included in the paid-in capital (share capital) and RMB229,818,800.00 was included in the capital reserve of the Company.

28. Capital reserve

Item	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Share capital premium (Note)	628,984,641.83	229,818,800.00	–	858,803,441.83

Note: For reasons of the changes in capital reserve during the year, refer to Note V.27.

XIII. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Other comprehensive income

Item	2018 Balance at the beginning of the year attributable to shareholders of the Company	Before-tax amount during the year	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expenses	After-tax amount attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the company
Other comprehensive income that may be reclassified subsequently to profit or loss Including: Translation differences arising from translation of foreign currency financial statements	**(10,098,220.33)**	**1,980,060.88**	**–**	**–**	**–**	**(8,118,159.45)**

Item	2017 Balance at the beginning of the year attributable to shareholders of the company	Before-tax amount during the year	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expenses	After-tax amount attributable to non-controlling interests	Balance at the beginning of the year attributable to shareholders of the company
Other comprehensive income that may be reclassified subsequently to profit or loss Including: Translation differences arising from translation of foreign currency financial statements	(4,313,765.13)	(5,784,455.20)	–	–	–	(10,098,220.33)

30. Surplus reserve

Statutory surplus reserve	2018	2017
Balance at the beginning of the year	**56,379,717.24**	33,507,805.71
Accrued during the year	**15,153,134.16**	22,871,911.53
Balance at the end of the year	**71,532,851.40**	56,379,717.24

Pursuant to the Company Law of the PRC, after making up for the losses incurred in the previous years, 10% of the after-tax profit shall be appropriated to statutory reserve. When the accumulated appropriation exceeds 50% of the Company's registered capital, the Company may cease to make such allocation.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Retained earnings

	2018	2017
Retained earnings at the beginning of the year	**511,374,037.71**	390,468,518.09
Add: Net profits for the year attributable to shareholders of the company	**272,773,322.67**	206,477,431.15
Less: Appropriation for statutory surplus reserve	**(15,153,134.16)**	(22,871,911.53)
Distributions to shareholders (note 1)	**–**	(62,700,000.00)
Retained earnings at the end of the year (note 2)	**768,994,226.22**	511,374,037.71

Note 1: Distributions to shareholders

In June 2017, as resolved at the general meeting, the Company distributed dividends of RMB62,700,000.00 at RMB0.06 per share to shareholders and completed the payment of such dividends in January 2018.

Note 2: Retained earnings at the end of the year

As at 31 December 2018, the retained earnings attributable to the Company included appropriation to surplus reserves made by the company's subsidiaries amounting to RMB121,592,368.59 (2017: RMB92,682,555.11).

32. Operating income and operating costs

1. Operating income and operating costs

		2018		2017	
Item	Note	**income**	**cost**	income	cost
Principal activities		**1,055,060,688.81**	**468,611,731.36**	784,838,548.26	326,313,088.42
Including: income generated from contract	V. 32(2)	**848,322,012.07**	**398,923,000.07**		
Other income		**206,738,676.74**	**69,688,731.29**		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Operating income and operating costs (Continued)

(2) Income generated from contracts

Contract classification	2018
Electricity tariff	694,215,654.71
Waste treatment fees	126,904,186.01
Others	27,202,171.35
Total	848,322,012.07

The Group's electricity supply business recognizes revenue at the time of transfer of electricity control rights, while waste treatment services recognize revenue during the period in which services are rendered.

(3) Details of operating income in 2017

Item	2017
Electricity tariff	496,879,942.28
Waste treatment fees	72,765,844.78
Interest income from BOT and BT operations	167,067,383.63
Others	48,125,377.57
Total	784,838,548.26

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Taxes and surcharges

Item	2018	2017
Business tax	–	(535,583.05)
City maintenance and construction tax	**6,059,769.28**	5,082,276.44
Education surcharges	**5,191,067.42**	4,025,803.11
Property tax	**9,917,389.86**	7,428,302.09
Land use tax	**3,837,995.78**	2,555,251.64
Others	**2,788,121.07**	811,639.39
Total	**27,794,343.41**	19,367,689.62

34. General and administrative expenses

Item	2018	2017
Staff cost	**63,170,479.16**	51,870,368.92
Depreciation and amortisation	**2,537,384.94**	2,967,794.89
Utilities and leasing expenses	**2,992,112.31**	2,154,356.65
Business entertainment expenses	**2,487,133.62**	4,342,606.10
Transportation expenses	**4,805,423.16**	5,174,338.91
Intermediary service fees	**10,099,175.69**	9,767,974.93
External labour costs	**8,320,590.24**	6,926,751.78
Tax expenses	**165,608.62**	87,499.73
Others	**18,327,035.00**	13,823,658.66
Total	**112,904,942.74**	97,115,350.57

35. Research and development expenses

Item	2018	2017
Staff cost	**11,307,973.98**	8,548,797.57
Depreciation and amortisation	**58,158.34**	75,766.59
Utilities and leasing expenses	**556,865.26**	814,758.14
Others	**1,227,334.39**	802,526.41
Total	**13,150,331.97**	10,241,848.71

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Financial expenses

Item	2018	2017
Interest expenses from loans and accounts payable	**220,268,105.28**	174,939,228.71
Less: Borrowing costs capitalised	**(11,920,202.25)**	(20,165,220.33)
Interest income from deposits and receivables	**(3,718,738.93)**	(3,588,061.07)
Net exchange loss/(revenue)	**1,290,804.88**	(103,336.36)
Other financial expenses	**2,600,656.76**	1,854,296.23
Total	**208,520,625.74**	152,936,907.18

The interest rates at which the borrowing costs were capitalised by the Group during the Reporting Period were 4.35%–5.77% (2017: 4.41%–5.77%).

37. Impairment loss of assets

Item	2018	2017
Bills receivable and accounts receivable	–	1,300,365.70
Other receivables	–	2,176,820.42
Total	–	3,477,186.12

38. Credit impairment loss

Item	2018
Bills receivable and accounts receivable	**3,469,117.03**
Other receivables	**3,842,991.10**
Total	**7,312,108.13**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Other income

	Note:	2018	2017
VAT refund income		**83,391,932.34**	76,021,364.46
Subsidy from Beijing Municipal Commerce Bureau		**1,990,248.00**	–
Property tax, land use tax refunds		**1,391,488.81**	411,552.00
Infrastructure subsidies for the Anshun WTE project	Note V. 26	**666,666.64**	666,666.64
Special subsidy from the Pingyang Environmental Protection Bureau for denitrification projects		**401,000.00**	–
Refunds of handling fees of Shenzhen withholding local tax		**339,622.64**	–
Foreign trade promotion policy funds of Bengbu		**197,000.00**	358,000.00
Special subsidy from Anshun Environmental Protection Bureau for environmental protection facilities and urban sewage and garbage disposal facilities		**100,000.00**	–
Environmental protection guiding funds of Taizhou Company	(1)	**–**	760,000.00
Special financial incentives for upgrading from a small company to an enterprise above designated size of Yongjia Company		**–**	343,699.00
Subsidy for the upgrading and reconstruction of the environmental protection facilities for the industrial enterprises at the upstream of Hongfenghu, Anshun		**–**	200,000.00
Others		**859,704.58**	771,374.87
Total		**89,337,663.01**	79,532,656.97

(1) The environmental protection guiding funds of Taizhou Dynagreen Renewable Energy Co., Ltd. (泰州綠色動力再生能源有限公司) (the "Taizhou Company") in 2017 amounting to RMB760,000.00 represented the second tranche of funds granted by Taizhou Finance Bureau and Taizhou Environmental Protection Bureau to Taizhou Company for pollution prevention and control and ecological environment protection. Taizhou Company received and utilised the funds in the first half of 2017.

40. Investment loss

Item	2018	2017
Loss from long-term equity investments accounted for using equity method	**1,714.55**	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Gains from asset disposal

Item	2018	2017	2018 Included in extraordinary gains and losses
Gains from disposal of fixed assets	7,837.86	–	7,837.86

42. Non-operating income and expenses

(1) Non-operating income by item is as follows:

Item	2018	2017	2018 Included in extraordinary gains and losses
Gains from business combination involving entities not under common control	2,930,027.37	–	2,930,027.37
Government grants	134,970.32	1,083,182.25	134,970.32
Gains from disposal of non-current assets	18,051.28	843.80	18,051.28
Others	829,057.86	705,246.56	829,057.86
Total	3,912,106.83	1,789,272.61	3,912,106.83

Government subsidy included in current profit and loss

Item	Note	2018	2017	Related to assets/ Related to income
Special fund from Rushan Science and Technology Association for science popularization plan	V.39	50,000.00	–	Related to income
Subsidy for stabilizing employment		84,970.32	–	Related to income
Special award for the introduction of foreign investment projects in Sanjiang Subdistrict Office of Yongjia County People's Government		–	700,000.00	Related to income
Construction subsidies for Wuhan Quality City Demonstration Site		–	50,000.00	Related to income
Others		–	333,182.25	Related to income
Total		134,970.32	1,083,182.25	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Non-operating income and expense (Continued)

(2) Non-operating expenses

Item	2018	2017	2018 Included in Extraordinary gains and losses
Losses from disposal of non-current assets	**292,918.32**	25,597.97	**292,918.32**
Other	**1,278,728.31**	997,318.62	**1,278,728.31**
Total	**1,571,646.63**	1,022,916.59	**1,571,646.63**

43. Income tax expenses

Item	Note	2018	2017
Current tax expenses for the year based on tax law and relevant regulations		**48,690,910.51**	41,702,311.89
Adjustments for tax filling differences		**(327,061.29)**	(158,556.78)
Income tax refunds*		**(1,799,913.12)**	–
Changes in deferred income tax	(1)	**(10,914,994.02)**	7,664,304.37
Total		**35,648,942.08**	49,208,059.48

* Income tax refund is the return of the Company's over-paid income tax in previous years.

(1) The analysis of changes in deferred income tax is set out below:

Item	2018	2017
Origination/(Reversal) of temporary differences	**10,914,994.02**	(7,664,304.37)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Income tax expenses (Continued)

(2) Reconciliation between income tax expenses and accounting profit:

Item	2018	2017
Profits before taxation	308,450,851.98	255,685,490.63
Statutory tax rate	25%	25%
CIT based on statutory tax rate	77,112,713.00	63,921,372.66
Effect of tax preferential benefits and tax rate differences	(30,316,905.11)	(15,481,431.86)
Non-deductible expenses	2,278,988.72	940,534.87
Additional deduction on research and development expenses	(1,715,818.37)	–
Recognise the effect of temporary differences for which deferred tax asset was not recognised in previous years	(7,302,763.52)	–
Tax losses for which no deferred income tax was recognised	3,517,697.50	282,041.18
Tax effect of utilisation of tax losses not recognised of previous years	(5,543,372.86)	(38,041.15)
Adjustments for tax filling differences	(327,061.29)	(158,556.78)
Income tax refunds for the previous years	(1,799,913.12)	–
PRC withholding tax on dividends	888,997.60	(281,554.23)
Non-taxable income	(1,236,713.67)	–
Others	93,093.20	23,694.79
Income tax expenses for the year	35,648,942.08	49,208,059.48

44. Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2018	2017
Consolidated net profit attributable to ordinary shareholders of the Company	272,773,322.67	206,477,431.15
Weighted average number of ordinary shares outstanding	1,109,944,657.53	1,045,000,000.00
Basic earnings per share (RMB/share)	0.25	0.20

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Calculation of basic earnings per share and diluted earnings per share (Continued)

(1) Basic earnings per share (Continued)

Weighted average number of ordinary shares is calculated as follows:

	2018	2017
Issued ordinary shares at the beginning of the year	**1,045,000,000.00**	1,045,000,000.00
Effect of the issue of shares under the initial public offering on the Shanghai Stock Exchange	**64,944,657.53**	–
Weighted average number of ordinary shares at the end of the year	**1,109,944,657.53**	1,045,000,000.00

(2) Diluted earnings per share

The diluted earnings per share are the same as the basic earnings per share, because the Company did not have any potential dilutive shares during the year.

45. Supplementary information on income statement

Expenses in the income statement are analysed by their nature:

Item	2018	2017
Operating income	**1,055,060,688.81**	784,838,548.26
Less: Waste treatment and power generation costs	**(257,857,143.63)**	(158,225,288.17)
Depreciation and amortisation	**(87,754,253.76)**	(73,748,927.30)
Employee benefits	**(209,005,280.80)**	(184,304,127.70)
Auditors' fees – audit services	**(3,298,684.25)**	(2,678,230.50)
Impairment loss of assets	**–**	(3,477,186.12)
Credit impairment loss	**(7,312,108.13)**	–
Rental expenses	**(2,487,018.93)**	(2,092,980.00)
Finance Costs	**(208,520,625.74)**	(152,936,907.18)
Other Income	**89,337,663.01**	79,532,656.97
Other expenses	**(62,052,844.80)**	(31,988,423.65)
Operating profit	**306,110,391.78**	254,919,134.61

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Cash flow statement items

(1) Cash received from other operating activities

Item	2018	2017
Retention money	14,410,000.00	41,828,599.91
Government grants and others (Note)	28,713,490.13	4,633,054.68
Other monetary funds with restricted use	22,600,000.00	16,992,284.00
Total	65,723,490.13	63,453,938.59

Note: These government grants comprise the government grants related to the increase in principal of BOT long-term receivables and the government grants related to income other than VAT refunds.

(2) Cash paid for other operating activities

Item	2018	2017
Retention money	6,825,000.00	3,030,000.00
Restricted deposits	20,000,000.00	–
Intermediary service fee, travel and communication expenses and others	57,421,726.44	47,120,117.59
Total	84,246,726.44	50,150,117.59

(3) Cash received from other investing activities

Item	2018	2017
Recovery of performance bond	600,000.00	–
Interest income from deposits	3,300,354.64	3,252,022.14
Total	3,900,354.64	3,252,022.14

(4) Cash paid for other investing activities

Item	2018	2017
Current accounts of joint ventures	37,816,510.20	–
Borrowing funds	27,500,000.00	–
Total	65,316,510.20	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Cash flow statement items (Continued)

(5) Cash paid for other financing activities

Item	2018	2017
Financing expenses(note)	**31,194,642.56**	7,984,646.93

Note: Cash paid for other financing activities mainly comprises the payment of A-share listing fees and related expenses incurred in borrowing.

(6) Cash received from selling goods, rendering services and BOT and BT projects comprises the receipt of the principal and interest of long-term receivables. The increase in the principal of BOT and BT long-term receivables is listed in the cash outflows for operating activities item.

47. Information on cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities

Item	2018	2017
Net profit	**272,801,909.90**	206,477,431.15
Add: Impairment loss of assets	**–**	3,477,186.12
Impairment loss of credit	**7,312,108.13**	–
Depreciation of fixed assets	**3,483,963.09**	3,196,337.81
Amortisation of intangible assets	**83,931,459.90**	70,198,704.09
Amortisation of long-term deferred expenses	**338,830.77**	353,885.40
(Gains)/Losses from scrapping of fixed assets	**(7,729.68)**	24,754.17
Finance Costs	**184,073,137.48**	128,188,873.80
Investment loss	**1,714.55**	–
Proceeds from business combination involving entities not under common control	**(2,930,027.37)**	–
(Increase)/Decrease in inventory	**(6,625,721.88)**	18,458,754.59
Changes in deferred tax assets	**(34,450,658.25)**	(5,360,502.82)
Changes in deferred tax liabilities	**13,039,539.68**	13,024,807.19
Changes in restricted deposits	**2,600,000.00**	16,992,284.00
Increase in operating receivables	**(876,103,780.07)**	(690,651,111.95)
(Decrease)/increase in operating payables	**129,818,599.15**	12,033,407.54
Net cash flow used in operating activities	**(222,716,654.60)**	(223,585,188.91)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Information on cash flow statement (Continued)

(1) Supplement to cash flow statement (Continued)

(b) Net changes in cash:

Item	2018	2017
Cash at the end of the year	**633,978,483.72**	665,292,369.22
Less: Cash at the beginning of the year	**(665,292,369.22)**	(535,412,612.93)
Net (decrease)/increase in cash	**(31,313,885.50)**	129,879,756.29

(2) Acquisition or disposal of subsidiaries and other companies during the year

Acquisition of subsidiaries and joint ventures

	2018	2017
Cash paid for the acquisition of subsidiaries and joint ventures	**762,224,489.80**	–
Cash and cash equivalents paid for acquisition of subsidiaries and joint ventures during the year	**510,224,489.80**	–
Less: Cash and cash equivalents held by subsidiaries and joint ventures	**(8,761,257.62)**	–
Net cash paid for the acquisition of subsidiaries and joint ventures	**501,463,232.18**	–

For details of the acquisition of non-cash assets and liabilities of subsidiaries, please refer to Note VI. 2(2).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Information on cash flow statement (Continued)

(2) Acquisition or disposal of subsidiaries and other companies during the year (Continued)

Disposal of the joint ventures

	2018	2017
Cash paid for the acquisition of joint ventures	31,000,000.00	–
Disposal of the joint venture company received this year		
Cash and cash equivalents	30,636,578.02	–
Less: Cash and cash equivalents held by joint ventures	–	–
Net cash received from the sale of the joint ventures	30,636,578.02	–

(3) Components of cash

Item	2018	2017
Cash		
Including: Cash on hand	72,162.60	27,274.70
Bank deposits available on demand	633,906,321.12	665,265,094.52
Other monetary funds with restricted use	76,757,520.00	29,200,000.00
Balance of cash at the end of the year	710,736,003.72	694,492,369.22
Less: Other monetary funds with restricted use	(76,757,520.00)	(29,200,000.00)
Cash balance available on demand at the end of the year	633,978,483.72	665,292,369.22

XIII. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Assets with restrictive ownership title or right of use

31 December 2018

Item	Note	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year	Reason for restriction
Assets for providing guarantees						Mainly used for
– Cash at bank and on hand	V.1	29,200,000.00	70,157,520.00	(22,600,000.00)	76,757,520.00	Issuing performance bond
– intangible assets	V.11	1,377,340,726.06	1,250,710,498.74	(18,899,144.33)	2,609,152,080.47	Providing guarantees for loans
– Accounts receivable	V. 2(2)	81,476,656.43	1,153,413,885.01	(1,077,229,212.65)	157,661,328.79	Providing guarantees for loans
– Long-term receivables due within one year	V.6	17,810,034.34	23,565,132.64	(17,810,034.34)	23,565,132.64	Providing guarantees for loans
– Long-term receivables	V.8	885,252,044.73	562,854,899.70	(56,786,199.28)	1,391,320,745.16	Providing guarantees for loans
Total		2,391,079,461.56	3,060,701,936.09	(1,193,324,590.60)	4,258,456,807.05	

31 December 2017

Item	Note	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year	Reason for restriction
Assets for providing guarantees						Mainly used for
– Cash at bank and on hand	V.1	46,192,284.00	13,200,000.00	(30,192,284.00)	29,200,000.00	Issuing performance bond
– Intangible assets	V.11	1,189,395,042.65	498,384,327.46	(310,438,644.05)	1,377,340,726.06	Providing guarantees for loans
– Accounts receivable	V. 2(2)	69,056,868.03	649,928,102.26	(637,508,313.86)	81,476,656.43	Providing guarantees for loans
– Long-term receivables due within one year	V.6	20,021,007.89	17,810,034.34	(20,021,007.89)	17,810,034.34	Providing guarantees for loans
– Long-term receivables	V.8	979,526,148.25	94,431,452.58	(188,705,556.10)	885,252,044.73	Providing guarantees for loans
Total		2,304,191,350.82	1,273,753,916.64	(1,186,865,805.90)	2,391,079,461.56	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Foreign currency translation

Blue-ocean Environment is registered in Hong Kong and its financial statements are stated in Hong Kong dollars. The accounting policy used by the Company in the translation of the financial statements of Blue-ocean Environment is stated in Note III.8. The spot exchange rates adopted in the translation of the financial statements at the balance sheet date are as follows:

Item	2018	2017
HKD	**0.8762**	0.8652

50. Government grants

(1) Basic information of government grants:

Type	Amount	Items presented	Amount included in current profit or loss
VAT refund income	83,391,932.34	Other Income	83,391,932.34
Subsidy from Beijing Municipal Commerce Bureau	1,990,248.00	Other Income	1,990,248.00
Property tax, land use tax refunds	1,391,488.81	Other Income	1,391,488.81
Infrastructure subsidies for the Anshun WTE project	18,333,333.40	Deferred Income	666,666.64
Special subsidy from the Pingyang Environmental Protection Bureau for denitrification projects	401,000.00	Other Income	401,000.00
Refunds of handling fees of Shenzhen withholding local tax	339,622.64	Other Income	339,622.64
Foreign trade promotion policy funds of Bengbu	197,000.00	Other Income	197,000.00
Special subsidy from Anshun Environmental Protection Bureau for environmental protection facilities and urban sewage and garbage disposal facilities	100,000.00	Other Income	100,000.00
Special funds for technological transformation and elimination of backward production capacity in Guangyuan	3,630,357.20	Deferred Income	–
Others	859,704.58	Other Income	859,704.58
Special fund from Rushan Science and Technology Association for science popularization plan	50,000.00	Non-operating income	50,000.00
Subsidy for stabilizing employment	84,970.32	Non-operating income	84,970.32

(2) There was no return of government subsidies in 2018.

VI. CHANGE OF CONSOLIDATION SCOPE

1. Subsidiaries established during the period of these financial statements

2018

During the year, the Group established new subsidiaries include Huizhou Dynagreen Renewable Energy Co., Ltd. (惠州綠色動力再生能源有限公司) ("Huizhou Phase II Project Company"), Dengfeng Dynagreen Renewable Energy Co., Ltd. (登封綠色動力再生能源有限公司) ("Dengfeng Company"), Haining Dynagreen Haiyun Environmental Energy Co., Ltd. (海寧綠動海雲環保能源有限公司) ("Haining Expansion Project Company") and Shishou Dynagreen Renewable Energy Co., Ltd. (石首綠色動力再生能源有限公司) ("Shishou Company").

2017

During the year, a subsidiary, Wenzhou Dynagreen Environmental Energy Co., Ltd. (溫州綠動環保能源有限公司) ("Wenzhou Company") was established.

2. Business combination involving entities not under common control

(1) Business combination involving entities not under common control during 2018

						Purchased from the date of purchase until 31 December 2018 acquiree (Expressed in Renminbi)		
	Consideration of equity acquired	Percentage of equity Acquired (%)	Way of equity acquisition	Acquisition date	Determination of the acquisition date	income	Net profit	Net cash inflow
Huludao Company	RMB90 million	80%	Equity transfer	5 January 2018	Transfer of control	–	(172,228.00)	2,243,530.24
Guangdong Promising(博海昕能)	RMB610 million	100%	Equity transfer	21 December 2018	Transfer of control	–	–	–

Huludao Company was incorporated in Huludao, Liaoning province on 27 May 2016, the headquarters of which is located in Huludao. It is principally engaged in treatment, disposal, recycle, collection, storage and transportation of industrial solid waste, industrial liquid waste and industrial hazardous waste. Before combination, the ultimate controlling party of Huludao Company was Fan Jie, a natural person. During the period from 2 January 2018 to 5 January 2018, Huludao Company completed the procedures, among other things, of amendments to the Articles of Association, change of the Board of Directors, change of industrial and commercial registration and completion of asset transfer. On 5 January 2018, the Company paid partial consideration and obtained the control over Huludao Company, which became a subsidiary of the Company since then.

The excess of the acquisition consideration over the fair value of the identifiable assets and liabilities of Huludao Company as at the acquisition date of RMB43,910,821.67 was recognised as goodwill.

VI. CHANGE OF CONSOLIDATION SCOPE (Continued)

2. Business combination involving entities not under common control (Continued)

(1) Business combination involving entities not under common control during 2018 (Continued)

Promising was incorporated in Dongguan City, Guangdong Province on 14 August 2009, the headquarters of which is located in Dongguan City. It is principally engaged in environmental protection industry and new energy investment, energy-saving construction and operation and maintenance services. The company controls 8 subsidiaries in total. Before combination, the shareholders of Promising are China Western Power Industrial Co., Ltd. (華西能源工業股份有限公司), Dongguan Weiye Investment Limited (東莞市煒業投資有限公司) and Dongguan Baorui Environmental Engineering Limited (東莞市寶瑞環保工程有限公司). On 21 December 2018, the Company paid partial consideration and obtained the control over Guangdong Promising (博海昕能), which became a subsidiary of the Company since then.

The difference between the fair value of the identifiable assets and liabilities of Promising over the acquisition consideration of RMB2,930,027.37 was recognized as non-operating income.

(2) Identifiable assets and liabilities of Huludao Company on the purchase date

	Huludao Company	
	Fair value	**Carrying amount**
Cash at bank and on hand	8.06	8.06
Fixed assets	14,704.12	14,704.12
Intangible assets	76,795,680.98	–
Deferred tax liabilities	(19,198,920.24)	–
Identifiable net assets	57,611,472.92	14,712.18

VI. CHANGE OF CONSOLIDATION SCOPE (Continued)

2. Business combination involving entities not under common control (Continued)

(3) Identifiable assets and liabilities of Promising on the purchase date:

	Promising	
	Fair value	**Carrying amount**
Assets:		
Cash at bank and on hand	8,761,249.56	8,761,249.56
Cash at bank with restricted ownership	50,157,520.00	50,157,520.00
Bills receivable and accounts receivable, prepaid accounts and other receivables	31,102,955.31	31,102,955.31
Inventories	1,305,198.03	1,305,198.03
Other current assets	27,405,051.55	27,405,051.55
Long-term receivables	382,421,820.95	382,421,820.95
Fixed assets	36,824,435.40	32,875,048.96
Intangible assets	1,178,302,503.31	993,325,786.77
Long-term deferred expenses	386,560.40	386,560.40
Deferred tax assets	10,496,124.56	10,496,124.56
Other non-current assets	69,638,989.32	69,638,989.32
Liabilities:		
Short-term loans	(27,500,000.00)	(27,500,000.00)
Accounts payable, interest payable and other payables	(283,215,581.25)	(283,215,581.25)
Employee benefits payable	(3,484,230.77)	(3,484,230.77)
Taxes payable	(396,304.65)	(396,304.65)
Deferred Income	(3,630,357.20)	(3,630,357.20)
Long-term loans	(817,737,623.75)	(817,737,623.75)
Deferred tax liabilities	(47,867,891.21)	(636,365.47)
Identifiable net assets	612,970,419.56	471,275,842.32

The Group uses the future cash flow discounting method to determine the fair value of the intangible assets of Guangdong Promising (博海昕能) and its subsidiaries on the purchase date. The important assumptions involved in the assessment method include the future growth rate of garbage disposal revenue and electricity fee income, gross profit margin and applicable discount rate (11.9015% – 12.4265%).

The fair value of the above identifiable liabilities is the amount payable or present value of the amount payable.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Composition of the Group

Name of subsidiary	Principal place of business and registration place	Business nature	Registered capital/paid-in capital: Currency	Registered capital/paid-in capital: Amount in original currency	Shareholding (%): Direct	Shareholding (%): Indirect	Acquisition method
Taizhou Company	Taizhou, Jiangsu	Waste treatment and power generation	RMB	180 million/ 180 million	100%	–	Establishment
Yongjia Dynagreen Renewable Energy Co., Ltd. (永嘉綠色動力再生能源有限公司) ("Yongjia Company")	Yongjia, Zhejiang	Waste treatment and power generation	RMB	100 million/ 100 million	100%	–	Establishment
Pingyang Dynagreen Renewable Energy Co., Ltd. (平陽綠色動力再生能源有限公司) ("Pingyang Company")	Pingyang, Zhejiang	Waste treatment and power generation	RMB	100 million/ 100 million	100%	–	Establishment
Rushan Dynagreen Renewable Energy Co., Ltd. (乳山綠色動力再生能源有限公司) ("Rushan Company")	Rushan, Shandong	Waste treatment and power generation	RMB	100.88 million/ 100.88 million	100%	–	Establishment
Beijing Research Institute	Beijing	Environmental protection project research	RMB	15.00 million/ 15.00 million	100%	–	Establishment
Zhangqiu Dynagreen Renewable Energy Co., Ltd. (章丘綠色動力再生能源有限公司) ("Zhangqiu Company")	Zhangqiu, Shandong	Waste treatment and power generation	RMB	120.88 million/ 120.88 million	100%	–	Establishment
Anshun Company	Anshun, Guizhou	Waste treatment and power generation	RMB	100 million/ 100 million	98%	2%(a)	Establishment
Jurong Dynagreen Renewable Energy Co., Ltd. (句容綠色動力再生能源有限公司) ("Jurong Company")	Jurong, Jiangsu	Waste treatment and power generation	RMB	100 million/ 100 million	98%	2%(a)	Establishment
Pingyao Dynagreen Renewable Energy Co., Ltd. (平遙縣綠色動力再生能源有限公司) ("Pingyao Company")	Pingyao, Shanxi	Waste treatment and power generation	RMB	100 million/ 20 million	99%	1%(b)	Establishment
Huizhou Dynagreen Environment Co., Ltd. (惠州綠色動力環保有限公司) ("Huizhou Company")	Huiyang, Guangdong	Waste treatment and power generation	RMB	220 million/ 220 million	99%	1%(b)	Establishment
Tianjin Dynagreen Renewable Energy Co., Ltd. (天津綠色動力再生能源有限公司) ("Jixian Company")	Tianjin	Waste treatment and power generation	RMB	100 million/ 100 million	60%	40%(c)	Establishment
Ninghe Company	Ninghe, Tianjin	Waste treatment and power generation	RMB	100 million/ 100 million	99%	1%(b)	Establishment
Hongan Dynagreen Renewable Energy Co., Ltd. (紅安綠色動力再生能源有限公司) ("Hongan Company")	Hongan, Hubei	Waste treatment and power generation	RMB	100 million/ 64 million	99%	1%(b)	Establishment
Tongzhou Company	Beijing	Waste treatment and power generation	RMB	375 million/ 200 million	99.73%	0.27%(d)	Establishment
Shantou Dynagreen Renewable Energy Co., Ltd. (汕頭市綠色動力再生能源有限公司) ("Shantou Company")	Shantou, Guangdong	Waste treatment and power generation	RMB	160 million/ 160 million	75%	25% (e)	Establishment
Longhui Dynagreen Renewable Energy Co., Ltd. (隆回綠色動力再生能源有限公司) ("Longhui Company")	Longhui, Hunan	Waste treatment and power generation	RMB	100 million/ 20 million	100%	–	Establishment
Bobai Dynagreen Renewable Energy Co., Ltd. (博白綠色動力再生能源有限公司) ("Bobai Company")	Bobai, Guangxi	Waste treatment and power generation	RMB	100 million/ 100 million	75%	25% (e)	Establishment

VII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

Composition of the Group (Continued)

Name of subsidiary	Principal place of business and registration place	Business nature	Registered capital/paid-in capital: Currency	Registered capital/paid-in capital: Amount in original currency	Shareholding (%): Direct	Shareholding (%): Indirect	Acquisition method
Bengbu Company	Bengbu, Anhui	Waste treatment and power generation	RMB	166.00 million/ 166.00 million	100%	–	Establishment
Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. (常州綠色動力環保熱電有限公司) ("Changzhou Company")	Changzhou, Jiangsu	Waste treatment and power generation	RMB	138.40 million/ 138.40 million	75%	25% (e)	Business combination involving entities under common control
Qingdao Company	Qingdao, Shandong	Waste treatment and power generation	HKD	93.50 million/ 93.50 million	75%	25% (e)	Business combination involving entities under common control
Wuhan Dynagreen Renewable Energy Co., Ltd. (武漢綠色動力再生能源有限公司) ("Wuhan Company")	Wuhan, Hubei	Waste treatment and power generation	RMB	129.484 million/ 129.484 million	100%	–	Business combination involving entities under common control
Blue-ocean Environment	Hong Kong	Investment holding	HKD	239.329 million/ 239.329 million	100%	–	Business combination involving entities under common control
Haining Dynagreen Renewable Energy Co., Ltd. (海寧綠色動力再生能源有限公司) ("Haining Company")	Haining, Zhejiang	Waste treatment and power generation	RMB	100 million/ 100 million	100%	–	Business combination involving entities not under common control
Dongyang Fuli (東陽富力)	Dongyang, Zhejiang	Construction engineering	RMB	20.80 million/ 20.80 million	100%	–	Business combination involving entities not under common control
Beijing Dynagreen Renewable Energy Co., Ltd. (北京綠色動力再生能源有限公司) ("Miyun Company")	Miyun, Beijing	Waste treatment and power generation	RMB	120.00 million/ 120.00 million	100%	–	Establishment
Yichun Dynagreen Renewable Energy Co., Ltd. (宜春綠色動力再生能源有限公司) ("Yichun Company")	Yichun, Jiangxi	Waste treatment and power generation	RMB	62.1294 million/ 62.1294 million	90%(f)	–	Establishment
Wenzhou Company	Yongjia, Zhejiang	Waste treatment and power generation	RMB	100 million/ 49 million	51%	49%(g)	Establishment
Huludao Company	Huludao, Liaoning	Hazardous Waste Treatment	RMB	100 million/ 92 million	80%(h)	–	Business combination involving entities not under common control
Huizhou Phase II Project Company	Huiyang, Guangdong	Waste treatment and power generation	RMB	250 million/ 55 million	100%	–	Establishment
Dengfeng Company	Dengfeng, Henan	Waste treatment and power generation	RMB	100 million/ 50 million	100%	–	Establishment
Haining Expansion Project Company	Haining, Zhejiang	Waste treatment and power generation	RMB	390 million/ 117 million	60%	40%(i)	Establishment
Shishou Company	Hubei Shishou	Waste treatment and power generation	RMB	100 million/ 50 million	100%	–	Establishment
Guangyuan Company	Sichuan, Guangyuan	Waste treatment and power generation	RMB	140 million/ 140 million	–	100%(j)	Business combination involving entities not under common control
Dongguan Changneng	Dongguan, Guangdong	Garbage transfer	RMB	10 million/ 10 million	–	100% (k)	Business combination involving entities not under common control

VII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

Composition of the Group (Continued)

Name of subsidiary	Principal place of business and registration place	Business nature	Registered capital/paid-in capital		Shareholding (%)		Acquisition method
			Currency	Amount in original currency	Direct	Indirect	
佳木斯博海環保電力有限公司 ("Jiamusi Changneng")	Jiamusi, Heilongjiang	Waste treatment and power generation	RMB	159 million/ 159 million	–	100%	Business combination involving entities not under common control
肇慶市博能再生能源發電有限公司 ("Zhaoqing Changneng")	Sihui, Guangdong	Waste treatment and power generation	RMB	180 million/ 159 million	–	100%	Business combination involving entities not under common control
廣元博海昕能環保有限公司 ("廣元博海昕能")	Guangyuan, Sichuan	Environmental technology research and development	RMB	25.00 million/ 25.00 million	–	99.5% (l)	Business combination involving entities not under common control
Guangdong Promising (博海昕能)	Dongguan, Guangdong	Environmental protection industry and new energy investment	RMB	584.50 million/ 584.50 million	100%	–	Business combination involving entities not under common control
舒蘭市博能環保有限公司 ("舒蘭公司")	Shulan, Jilin	Waste treatment and power generation	RMB	90 million/ 0 million	–	100%(m)	Business combination involving entities not under common control
永興博能環保能源有限公司 ("Yongxing Company")	Yongxing, Hunan	Waste treatment and power generation	RMB	83 million/ 1 million	–	100%(n)	Business combination involving entities not under common control
張掖博能環保有限公司 ("Zhangye Company")	Zhangye, Gansu	Garbage transfer	RMB	1 million/ 1 million	–	100% (o)	Business combination involving entities not under common control

(a) 2% held by Beijing Research Institute;

(b) 1% held by Beijing Research Institute;

(c) 40% held by Blue-ocean Environment;

(d) 0.27% held by Beijing Research Institute;

(e) 25% held by Blue-ocean Environment;

(f) 10% of equity interest in Yichun Company is held by 宜春市市政發展有限公司;

(g) 49% held by Blue-ocean Environment.

(h) 20% is held by Fan Jie;

VII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

Composition of the Group (Continued)

(i) 40% is held by 海甯市水務投資集團有限公司;

(j) 100% is held by Guangyuan Bohai;

(k) 100% held by Guangdong Bohai;

(l) 99.5% held by Guangdong Bohai, 0.5% held by Chen Lei;

(m) 100% held by Guangdong Bohai;

(n) 100% held by Guangdong Bohai;

(o) 100% held by Guangdong Bohai;

2. Interests in joint ventures

	2018	2017
Joint ventures – immaterial joint ventures (Note)	**31,222,775.27**	–
Less: Provision for impairment	**–**	–
Total	**31,222,775.27**	–

Note: During the financial period, the Group jointly invested and established Fengcheng Company with 豐城市政公用營運有限公司. The Group holds 51% of the equity of Fengcheng Company. Pursuant to the articles of association of Fengcheng Company, its highest authority shall be its general meetings. The decisions in relation to business policies, investment plans and others of the company shall be subject to the agreement of shareholders holding more than two-thirds of its shares. As the Group cannot solely decide on the main operations of the Fengcheng Company, it does not have control over that company.

VII. INTERESTS IN OTHER ENTITIES (Continued)

2. Interests in joint ventures (Continued)

(1) The summary financial information of the unsignificant joint ventures is as follows:

	2018	2017
Joint ventures		
Total carrying amount of investment	31,224,489.82	–
The total of the following items calculated according to the shareholding ratio	(1,714.55)	–
Net profit	(1,714.55)	–
Other comprehensive income	–	–
Total comprehensive income	–	–

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

– Credit risk

– Liquidity risk

– Interest rate risk

– Foreign currency risk

The following mainly presents information on the Group's exposure to each of the above risks and their sources, their changes during the year, and the Group's objectives, policies and processes for risk management, the method used in measuring risk, and their changes during the year.

The objectives of the Group's risk management are to seek appropriate balance between the risks, and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate and acceptable risk limits and design corresponding internal controls processes, and to monitor risks and adherence to limits. Risk management policies and the relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's operating activities. The internal audit department of the Group undertakes both regular and random inspection of the internal control system for its compliance with risk management policies.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and on hand as well as receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with reputable financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The maximum exposure to bank deposits, bills receivables and accounts receivable and other receivables is disclosed in Notes V1, 2 and 4, respectively. The Group does not provide any other guarantees which would expose the Group to credit risk.

(1) Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant receivables from individual customers. At the balance sheet date, 2% (2017: 2%) of the total accounts receivable of the Group were due from the five largest customers of the Group.

In respect of receivables, the Group has established a practicable credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations mainly focus on the financial position and the external ratings of the customers. Receivables are due within 10–30 days from the date when the amount was confirmed by both parties. In general, the Group does not require collateral from customers.

For detailed information on accounts receivable, please refer to Note 5, 2(2) – relevant disclosures of accounts receivable.

2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter shortage of fund in meeting obligations that are settled by the delivery of cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its short-term and long-term liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, and adequate committed lines of funding from major financial institutions, so as to meet its liquidity requirements in the short and longer term.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

2. Liquidity risk (Continued)

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 December) and the earliest date the Group can be required to pay:

Item	Contractual undiscounted cash flow at the end of 2018					Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Over 5 years	Total	
Short-term loans	(886,831,893.15)	–	–	–	(886,831,893.15)	(854,000,000.00)
Bills payable and accounts payable	(900,854,708.97)	–	–	–	(900,854,708.97)	(900,854,708.97)
Other payables	(369,910,815.21)	–	–	–	(369,910,815.21)	(369,910,815.21)
Non-current liabilities due within 1 year	(807,898,510.86)	–	–	–	(807,898,510.86)	(539,592,998.16)
Long-term payables	–	(28,216,534.15)	(84,649,602.45)	(465,623,378.78)	(578,489,515.38)	(305,098,322.59)
Long-term loans	–	(1,232,035,641.60)	(3,276,941,997.10)	(2,679,537,084.11)	(7,188,514,722.81)	(4,390,551,321.62)
Total	(2,965,495,928.19)	(1,260,252,175.75)	(3,361,591,599.55)	(3,145,160,462.89)	(10,732,500,166.38)	(7,360,008,166.55)

Item	Contractual undiscounted cash flow at the end of 2017					Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Over 5 years	Total	
Short-term loans	(317,253,430.58)	–	–	–	(317,253,430.58)	(310,154,600.00)
Bills payable and accounts payable	(480,416,745.67)	–	–	–	(480,416,745.67)	(480,416,745.67)
Other payables	(50,690,875.83)	–	–	–	(50,690,875.83)	(50,690,875.83)
Non-current liabilities due within 1 year	(539,872,973.05)	–	–	–	(539,872,973.05)	(364,932,684.97)
Long-term payables	–	(28,943,760.15)	(86,831,280.45)	(506,202,754.93)	(621,977,795.53)	(319,693,175.61)
Long-term loans	–	(576,498,390.41)	(1,716,579,222.72)	(1,541,500,386.72)	(3,834,577,999.85)	(2,914,085,622.20)
Total	(1,388,234,025.13)	(605,442,150.56)	(1,803,410,503.17)	(2,047,703,141.65)	(5,844,789,820.51)	(4,439,973,704.28)

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Interest rate risk

Interest-bearing financial instruments at fixed rates and at floating rates expose the Group to fair value interest risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments. The Group does not use derivative financial instruments to hedge interest rate risk.

(a) At 31 December 2018 and 31 December 2017, the Group held the following interest-bearing financial instruments:

Fixed rate financial instruments:

Item	2018 Effective interest rate (%)	2018 Amount	2017 Effective interest rate (%)	2017 Amount
Financial assets				
– Cash at bank and on hand	–	–	1.10	15,000,000.00
Long-term receivables due within one year	5.36-8.53	71,704,170.76	4.52–8.00	60,253,469.54
Long-term receivables	5.04-8.53	3,813,467,761.56	4.90–8.53	2,828,322,496.08
Financial liabilities				
– Short-term loans	0.00-4.35	(854,000,000.00)	0.00–4.35	(310,154,600.00)
– Long-term loans	4.3-5.38	(1,105,733,857.21)	4.51–5.38	(810,449,196.46)
Long-term payables due within one year	5.73-8.27	(7,289,707.65)	5.73–8.51	(11,874,403.43)
Long-term loans due within one year	4.3-5.38	(147,022,809.50)	4.51–5.38	(106,893,724.30)
Long-term payables	5.73-8.27	(305,098,322.59)	5.73–8.51	(319,693,175.61)
Total		1,466,027,235.37		1,344,510,865.82

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Interest rate risk (Continued)

(a) At 31 December 2018 and 31 December 2017, the Group held the following interest-bearing financial instruments: (Continued)

Floating rate financial instruments

Item	2018 Effective interest rate (%)	2018 Amount	2017 Effective interest rate (%)	2017 Amount
Financial assets				
– Cash at bank and on hand	0.35	710,663,841.12	0.35	679,465,094.52
Financial liabilities				
Long-term loans due within one year	4.41-6.52	(385,280,481.01)	4.41–6.70	(246,164,557.24)
– Long-term loans	4.41-6.52	(3,284,817,464.41)	4.41–6.70	(2,103,636,425.74)
Total		(2,959,434,104.30)		(1,670,335,888.46)

(b) Sensitivity analysis

At 31 December 2018 and 31 December 2017, it was assumed that an increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's net profit and shareholders' equity by RMB20,634,921.62 and RMB14,760,058.88, respectively.

In respect of the cash flow interest rate risk arising from floating rate non-derivative instruments, which were held by the Group at the balance sheet date, the impact on the Group's net profit and shareholders' equity mentioned in the above sensitivity analysis was estimated as an annualised impact on interest expense or income of such a change in interest rates.

4. Foreign currency risk

In respect of assets and liabilities denominated in foreign currencies other than the functional currency, such as cash at bank and on hand and accounts payable, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

4. Foreign currency risk (Continued)

(a) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies was presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded.

	2018		2017	
	Foreign currency balance	Convert RMB balance	Foreign currency balance	Convert RMB balance
Cash at bank and on hand				
– HKD	**53,146,337.60**	**46,566,821.01**	137,406,803.45	114,858,347.00
– USD	**713,184.42**	**4,894,727.31**	9,105,131.70	59,494,751.55
– EUR	**2,380.00**	**18,676.57**	2,380.00	18,569.47
– JPY	**11.00**	**0.68**	–	–
Bills payable and accounts payable				
– JPY	**–**	**–**	(162,320,000.00)	(9,398,328.00)
Gross balance sheet exposure		**51,480,225.57**		164,973,340.02

(2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2018	2017	2018	2017
HKD	**0.8561**	0.8652	**0.8762**	0.8359
USD	**6.6987**	6.7356	**6.8632**	6.5342
EUR	**7.8248**	7.5546	**7.8473**	7.8023
JPY	**0.0599**	0.0587	**0.0619**	0.0579

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

4. Foreign currency risk (Continued)

(3) Sensitivity analysis

Assuming all other risk variables remained constant (except for foreign exchange rate), a 1% strengthening of the Renminbi against the Hong Kong dollar, Euro, US dollar and Japanese Yen at 31 December 2018 and 31 December 2017 would have decreased the Group's shareholders' equity and net profit by the amount shown below, whose effect was in Renminbi and translated using the spot rate at the balance sheet date:

Item	2018	2017
HKD	(350,671.83)	(894,000.66)
EUR	(158.75)	(157.84)
USD	(40,871.00)	(496,781.18)
JPY	–	78,476.00
Total	(391,701.58)	(1,312,463.68)

A 1% weakening of the Renminbi against Hong Kong dollar, Euro, US dollar and Japanese Yen at 31 December would have had the equal but opposite effect to the Group's shareholders' equity and net profit by the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re – measure those financial instruments held by the Group which exposed the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of foreign currency financial statements. The analysis is performed on the same basis using identical methods each year.

IX. FAIR VALUE DISCLOSURE

The following table presents the fair value information and the hierarchy of fair value measurement at the end of the current Reporting Period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which the result of fair value measurement is categorised is determined by the lowest level input that is significant to the entire fair value measurement. The three levels of input are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1. Assets and liabilities measured at fair value

As at 31 December 2018 and 31 December 2017, the Group did not have assets and liabilities measured at fair value.

2. Fair value of financial assets and financial liabilities not measured at fair value

The financial assets and liabilities of the Group mainly include cash at bank and on hand, receivables, payables, long-term receivables, long-term payables and long-term loans. There is no significant difference between the carrying amounts and fair values of these financial assets and liabilities.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information on the parent of the Company

Company name	Related party relationship	Type of enterprise	Registered place	Legal representative	Business nature	Registered capital	Shareholding percentage of the parent company in the Company (%)	Parent company's percentage of voting rights in the Company (%)	Ultimate controlling party of the Company	Organisation code
BSAM	Parent company	Limited company	Beijing	Yue Peng	Investment management	RMB10 billion	43.16	43.16	Beijing SASAC	40059216-4

2. Information on the subsidiaries of the Company

For information on the subsidiaries of the Company, please refer to Note VII.1.

3. Information on an associate of the Company

For information on the associate of the Group, please refer to Note VII.2.

4. Information on other related parties

Information on other related parties that are not mentioned in the above notes 1,2 and 3 are disclosed as follows:

Names of other Related parties	Related party relationship	Organisation code
Beijing State-owned Assets Management (Hong Kong) Company Limited	Shareholder and a subsidiary of the Company's ultimate controlling party	N/A
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)	Shareholder	55782525–3
Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership)	Shareholder	56932835–0
Beijing Venture Capital Co., Ltd. (hereinafter referred to as "Beijing Venture Capital")*	Shareholder and a subsidiary of the Company's ultimate controlling party	63371298–0
Gongqingcheng Jingxiu Investment Partnership (Limited Partnership)# (共青城景秀投資合夥企業(有限合夥))	Shareholder	N/A
Zhongshang Longrun Huanke Investment Co., Ltd. (中商龍潤環科投資有限公司)	Shareholder	57908847–7
Beijing Huitai Hengrui Investment Co., Ltd. (北京惠泰恒瑞投資有限公司)	Shareholder	66911213–5
Beijing State-owned Financial Leasing Company (北京國資融資租賃公司)	A subsidiary of the Company's ultimate controlling party	06125014–2
Shenzhen Crystal Digital Technology Co., Ltd. (深圳水晶石數字科技有限公司)	A subsidiary of the Company's ultimate controlling party	724711406
Beijing Crystal Digital Technology Co., Ltd. (北京水晶石數字科技有限公司)	A subsidiary of the Company's ultimate controlling party	665629276
Beijing Shibo International Sports Competition Co., Ltd. 北京時博國際體育賽事有限公司	A subsidiary of the Company's ultimate controlling party	778600015
Yichun Municipal Development Co., Ltd. (宜春市市政發展有限公司)	Shareholders of subsidiaries of the Company	332872972

* 1.87% equity interest of the Company held by Beijing Venture Capital was transferred to BASM in February 2017. The registration of share transfer was completed in July 2017.

The senior management of the Company held shares in this company.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties

The transactions below with related parties were conducted under normal commercial terms or agreements.

(1) Related guarantee

The Group acts as the guarantor

2018

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
BSAM*	459,425,925.99	9 December 2013	9 December 2023	N
BSAM*	50,000,000.00	26 May 2017	9 December 2023	N
BSAM*	240,000,000.00	26 August 2017	9 December 2023	N
BSAM*	300,000,000.00	30 January 2018	9 December 2023	N
BSAM*	32,990,000.00	21 June 2018	9 December 2023	N
Total	1,082,415,925.99			

2017

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
BSAM*	545,481,587.33	9 December 2013	9 December 2023	N
BSAM*	50,000,000.00	26 May 2017	9 December 2023	N
BSAM*	240,000,000.00	26 August 2017	9 December 2023	N
Total	835,481,587.33			

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(1) Related guarantee (Continued)

The Company as a guarantor

2018

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
Pingyang Company	34,750,800.00	28 September 2015	27 September 2022	N
Wuhan Company	101,886,393.26	31 August 2011	14 August 2023	N
Yongjia Company	37,199,375.98	2 December 2010	1 December 2022	N
Huizhou Company	182,847,222.98	13 July 2015	13 July 2027	N
Huizhou Company	67,410,000.00	21 April 2017	1 October 2024	N
Jurong Company	129,084,515.13	5 December 2014	4 December 2024	N
Taizhou Company	40,000,000.00	3 January 2018	2 January 2020	N
Jixian Company	118,940,000.00	23 February 2018	22 February 2021	N
Ninghe Company	124,937,870.20	28 December 2015	1 June 2023	N
Ninghe Company	170,000,000.00	15 November 2016	15 November 2028	N
Tongzhou Company	753,171,939.42	8 July 2016	7 July 2033	N
Tongzhou Company	866,700.00	23 February 2017	9 November 2033	N
Rushan Company	28,200,000.00	27 October 2016	27 October 2023	N
Bengbu Company	322,700,000.00	20 July 2016	19 July 2033	N
Tongzhou Company	55,682,529.75	23 August 2016	19 September 2023	N
Shantou Company	380,000,000.00	7 March 2018	6 March 2028	N
Zhangqiu Company	230,481,755.93	4 April 2018	3 April 2031	N
Taizhou Company	67,000,000.00	8 August 2018	7 August 2022	N
Total	2,845,159,102.65			

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(1) Related guarantee (Continued)

The Company as a guarantor (Continued)

2017

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
Pingyang Company	52,126,200.00	28 September 2015	27 September 2022	N
Wuhan Company	135,848,558.00	31 August 2011	14 August 2023	N
Yongjia Company	55,465,455.32	2 December 2010	1 December 2022	N
Huizhou Company	288,285,988.96	13 July 2015	13 July 2027	N
Huizhou Company	86,670,000.00	21 April 2017	1 October 2024	N
Jurong Company	144,877,237.13	5 December 2014	4 December 2024	N
Taizhou Company	136,000,000.00	28 December 2015	27 December 2017	N
Ninghe Company	170,000,000.00	28 December 2015	1 June 2023	N
Ninghe Company	133,460,933.14	15 November 2016	15 November 2028	N
Tongzhou Company	633,989,799.72	8 July 2016	7 July 2033	N
Tongzhou Company	866,700.00	23 February 2017	9 November 2033	N
Rushan Company	37,600,000.00	27 October 2016	27 October 2023	N
Bengbu Company	290,800,000.00	20 July 2016	19 July 2033	N
Anshun Company	70,184,000.00	21 April 2017	1 October 2024	N
Tongzhou Company	73,852,444.56	23 August 2016	19 September 2023	N
Total	2,310,027,316.83			

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(2) Remuneration of key management personnel

The Group

Item	2018	2017
Remuneration of key management personnel	**11,844,297.05**	10,962,411.32

The Company

Item	2018	2017
Remuneration of key management personnel	**11,844,297.05**	10,962,411.32

(a) *DIRECTORS AND SUPERVISORS*

The emoluments of each director and supervisor in 2018 are as follows:

	Remuneration of Directors and supervisors	Salaries and allowances	Pension	Bonuses	2018 Total
Executive Directors					
Qiao Dewei	–	869,523.34	37,037.52	1,130,000.00	2,036,560.86
HU Shengyong	–	588,051.34	39,886.56	800,000.00	1,427,937.90
Executive Directors					
LIU Shuguang	–	–	–	–	–
Guo Yitao (Note 1)	–	–	–	–	–
Cheng Suning (Note 3)	–	–	–	–	–
ZHI Jun	–	–	–	–	–
FENG Changzheng (Note 2)	–	–	–	–	–
Cao Jinjun (Note 4)	–	–	–	–	–
Independent non-executive Directors					
Chen Xin (Note 5)	40,000.00	–	–	–	40,000.00
Kwan Kai Cheong (Note 6)	34,244.00	–	–	–	34,244.00
Ou YuezhouYuezhou	80,000.00	–	–	–	80,000.00
Fu Jie (Note 7)	85,610.00	–	–	–	85,610.00
Xie Lanjun (Note 8)	20,000.00	–	–	–	20,000.00
Supervisors					
LUO Zhaoguo	–	–	–	–	–
WANG Meilin	–	185,894.90	20,160.00	26,500.00	232,554.90
He Hong (Note 9)	–	–	–	–	–
Cai Binquan (Note 10)	–	–	–	–	–
Total	259,854.00	1,643,469.58	97,084.08	1,956,500.00	3,956,907.66

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(2) Remuneration of key management personnel (Continued)

(a) Directors and supervisors (Continued)

The emoluments of each director and supervisor in 2017 are as follows:

	Remuneration of Directors and supervisors	Salaries and allowances	Pension	Bonuses	2017 Total
Executive Directors					
Qiao Dewei	–	869,767.74	33,305.22	1,085,450.00	1,988,522.96
HU Shengyong	–	593,045.74	35,867.16	730,000.00	1,358,912.90
Executive Directors					
LIU Shuguang	–	–	–	–	–
GUO Yitao	–	–	–	–	–
MA Xiaopeng (Note 12)	–	–	–	–	–
ZHI Jun	–	–	–	–	–
FENG Changzheng (Note 11)	–	–	–	–	–
Independent non-executive Directors					
CHEN Xin	50,000.00	–	–	–	50,000.00
KWAN Kai Cheong	207,648.00	–	–	–	207,648.00
Ou Yuezhou	50,000.00	–	–	–	50,000.00
Supervisors					
Hu Fang (Note 14)	–	28,576.67	3,640.00	–	32,216.67
LUO Zhaoguo	–	–	–	–	–
WANG Meilin (Note 13)	–	171,862.30	18,480.00	31,500.00	221,842.30
Liu Jinsong (Note 16)	–	–	–	–	–
Cai Binquan (Note 15)	–	–	–	–	–
Total	307,648.00	1,663,252.45	91,292.38	1,846,950.00	3,909,142.83

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(2) Remuneration of key management personnel (Continued)

(a) Directors and supervisors (Continued)

Note 1: Mr. GUO Yitao resigned as a non-executive director on 19 October 2018.

Note 2: Mr. FENG Changzheng resigned as a non-executive director on 19 October 2018.

Note 3: Mr. CHENG Suning was appointed as a non-executive director on 19 October 2018.

Note 4: Mr. CAO Jinjun was appointed as a non-executive director on 19 October 2018.

Note 5: Ms. CHEN Xin resigned as an independent director on 19 October 2018.

Note 6: KWAN Kai Cheong resigned as an independent director on 26 February 2018.

Note 7: Ms. FU Jie was appointed as an independent director on 26 February 2018.

Note 8: Mr. XIE Lanjun was appointed as a independent director on 19 October 2018.

Note 9: Ms. HE Hong was appointed as an independent director on 19 October 2018.

Note 10: Mr. CAI Binquan resigned as a supervisor on 19 October 2018.

Note 11: Mr. FENG Changzheng was appointed as a non-executive director on 9 June 2017.

Note 12: Mr. MA Xiaopeng resigned as a non-executive director on 9 June 2017.

Note 13: Ms. WANG Meilin was appointed as a supervisor on 2 June 2017.

Note 14: Ms. HU Fang resigned as a supervisor on 2 June 2017.

Note 15: Mr. CAI Binquan was appointed as a supervisor on 9 June 2017.

Note 16: Mr. LIU Jingsong resigned as a supervisor on 9 June 2017.

In 2017 and 2018, none of the Group's director terminated his/her benefits, and no consideration was paid to a third party for the service of directors.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(2) Remuneration of key management personnel (Continued)

(b) *Five highest paid individuals*

The five individuals with the highest emoluments in 2018 include two Directors (2017: two), whose emoluments are disclosed in the table above. The aggregate of emoluments in respect of the other three (2017: three) individuals are as follows:

Item	2018	2017
Salaries and allowances	1,764,041.32	1,779,137.22
Pension	119,659.68	105,039.54
Bonuses	2,715,000.00	2,080,000.00
Total	4,598,701.00	3,964,176.76

Emolument band(s)	2018 Number of Individuals	2017 Number of Individuals
HKD		
1,000,001–1,500,000	–	–
1,500,001–2,000,000	3	3

(3) Management services provided for the construction for subsidiaries

The Company

Item	Related parties	2018	2017
Management services provided for the construction for subsidiaries	Jurong Company	–	1,471,698.12
	Ninghe Company	8,546,603.77	9,116,377.35
	Tongzhou Company	13,915,478.30	39,290,762.27
	Bengbu Company	–	33,022,894.11
	Taizhou Company	–	9,436,219.39
	Bobai Company	16,947,169.83	–
	Shantou Company	44,905,660.47	–
	Zhangqiu Company	32,900,943.42	–
Total		117,215,855.79	92,337,951.24

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(4) Service fee for project management

The Company

Item	Related parties	2018	2017
Service fee for project management	Taizhou Company	**8,049,188.92**	9,436,219.39

(5) Related-party loans

The Group

		2018	
Related parties	**Amount**	**Commencement date**	**Maturity date**
Borrowed from			
BSAM*	**30,000,000.00**	25 September 2018	24 September 2019
BSAM*	**110,000,000.00**	25 September 2018	25 September 2019
BSAM*	**222,000,000.00**	7 December 2018	7 December 2019
BSAM*	**488,000,000.00**	14 December 2018	14 December 2019
BSAM*	**60,000,000.00**	25 October 2018	25 October 2023
Total	**910,000,000.00**		

		2017	
Related parties	Amount	Commencement date	Maturity date
Borrowed from			
BSAM*	30,000,000.00	10 February 2017	10 February 2018

The Group obtained an interest-free loan of RMB30 million from BSAM, which was repayed on 7 February 2018.

The maturity dates of the Group's related-party loans are the repayment date or actual repayment date as agreed in relevant contracts, whichever is earlier.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(5) Related-party loans (Continued)

The Company

Related parties	2018 Amount	Commencement date	Maturity date
Borrowed from			
Bengbu Company	10,000,000.00	22 September 2018	21 September 2019
BSAM	30,000,000.00	25 September 2018	24 September 2019
BSAM	110,000,000.00	25 September 2018	25 September 2019
BSAM	222,000,000.00	7 December 2018	7 December 2019
BSAM	488,000,000.00	14 December 2018	14 December 2019
Total	860,000,000.00		

Related parties	2018 Amount	Commencement date	Maturity date
Lend to			
Changzhou Company	20,000,000.00	31 January 2018	4 April 2018
Huizhou Company	60,000,000.00	10 August 2018	10 August 2019
Wuhan Company	14,000,000.00	20 March 2018	30 May 2018
Wuhan Company	15,000,000.00	19 September 2018	30 October 2018
Pingyang Company	5,000,000.00	9 October 2018	30 November 2018
Taizhou Company	72,000,000.00	14 March 2018	9 August 2018
Taizhou Company	15,000,000.00	28 December 2018	28 December 2019
Rushan Company	25,000,000.00	9 February 2018	9 February 2019
Rushan Company	9,400,000.00	24 October 2018	24 October 2019
Anshun Company	50,000,000.00	6 December 2018	9 December 2023
Jixian Company	5,000,000.00	9 February 2018	9 February 2019
Ninghe Company	10,000,000.00	9 February 2018	1 August 2018
Ninghe Company	5,000,000.00	2 March 2018	1 August 2018
Ninghe Company	2,000,000.00	20 March 2018	1 August 2018
Ninghe Company	35,000,000.00	10 April 2018	3 August 2018
Ninghe Company	6,000,000.00	25 April 2018	3 August 2018
Ninghe Company	11,000,000.00	13 May 2018	3 August 2018
Ninghe Company	10,000,000.00	12 June 2018	27 November 2018
Ninghe Company	24,500,000.00	20 June 2018	20 June 2019
Ninghe Company	10,000,000.00	2 July 2018	2 July 2019
Ninghe Company	2,000,000.00	25 July 2018	25 July 2019

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(5) Related-party loans (Continued)

The Company (Continued)

	2018		
Related parties	**Amount**	**Commencement date**	**Maturity date**
Ninghe Company	30,000,000.00	3 August 2018	3 August 2019
Ninghe Company	10,000,000.00	10 August 2018	10 August 2019
Ninghe Company	10,000,000.00	31 August 2018	31 August 2019
Ninghe Company	8,000,000.00	18 September 2018	18 September 2019
Ninghe Company	5,000,000.00	7 November 2018	7 November 2019
Ninghe Company	5,000,000.00	14 November 2018	14 November 2019
Ninghe Company	18,000,000.00	19 December 2018	19 December 2019
Ninghe Company	15,000,000.00	28 December 2018	28 December 2019
Jurong Company	3,000,000.00	19 June 2018	19 June 2019
Jurong Company	9,000,000.00	14 December 2018	14 December 2019
Bobai Company	2,000,000.00	14 June 2018	14 June 2019
Bobai Company	18,000,000.00	20 June 2018	20 June 2019
Bobai Company	15,000,000.00	31 August 2018	31 August 2019
Bobai Company	10,000,000.00	4 September 2018	4 September 2019
Bobai Company	25,000,000.00	25 September 2018	25 September 2019
Bobai Company	15,000,000.00	23 October 2018	23 October 2019
Bobai Company	15,000,000.00	23 November 2018	23 November 2019
Bobai Company	20,000,000.00	20 December 2018	20 December 2019
Shantou Company	7,000,000.00	3 April 2018	31 May 2018
Shantou Company	20,000,000.00	18 April 2018	25 June 2018
Shantou Company	32,990,000.00	25 June 2018	25 June 2019
Shantou Company	4,000,000.00	29 December 2018	29 December 2019
Bangbu Company	29,000,000.00	9 February 2018	3 September 2018
Bangbu Company	3,000,000.00	28 August 2018	3 September 2018
Hongan Company	8,000,000.00	5 June 2018	5 June 2019
Zhangqiu Company	6,000,000.00	20 November 2018	20 November 2019
Jiamusi Company	20,000,000.00	29 December 2018	29 December 2019
Jiamusi Company	4,000,000.00	29 December 2018	29 December 2019
Zhaoqing Company	2,000,000.00	21 December 2018	21 December 2019
Promising	1,500,000.00	19 December 2018	19 December 2019
Total	776,390,000.00		

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(5) Related-party loans (Continued)

The Company (Continued)

		2017	
Related parties	Amount	Commencement date	Maturity date
Borrowed from			
Changzhou Company	10,000,000.00	29 March 2017	5 September 2017
BSAM	30,000,000.00	10 February 2017	10 February 2018
Total	40,000,000.00		

		2017	
Related parties	Amount	Commencement date	Maturity date
Lend			
Miyun Company	63,000,000.00	19 April 2017	31 March 2029
Jixian Company	2,000,000.00	24 January 2017	9 December 2023
Jixian Company	4,000,000.00	13 February 2017	9 December 2023
Jixian Company	9,900,000.00	8 August 2017	7 August 2018
Changzhou Company	9,900,000.00	4 August 2017	3 August 2018
Haining Company	9,900,000.00	4 August 2017	3 August 2018
Wuhan Company	20,000,000.00	18 September 2017	3 May 2018
Rushan Company	3,400,000.00	7 August 2017	3 May 2018
Rushan Company	50,000,000.00	25 December 2017	25 December 2018
Rushan Company	30,000,000.00	27 September 2017	27 September 2018
Huizhou Company	7,000,000.00	8 August 2017	7 August 2018
Jurong Company	10,000,000.00	28 February 2017	14 August 2017
Jurong Company	5,000,000.00	10 April 2017	14 August 2017
Jurong Company	7,500,000.00	16 June 2017	14 August 2017
Jurong Company	800,000.00	14 July 2017	14 August 2017
Jurong Company	9,900,000.00	8 August 2017	7 August 2018
Ninghe Company	3,000,000.00	12 July 2017	14 August 2017
Ninghe Company	5,000,000.00	3 August 2017	14 August 2017
Ninghe Company	5,000,000.00	12 September 2017	3 May 2018
Ninghe Company	4,000,000.00	27 October 2017	27 October 2018
Ninghe Company	15,000,000.00	9 November 2017	9 November 2018
Bobai Company	190,000,000.00	8 November 2017	8 November 2018
Total	464,300,000.00		

In 2018 and 2017, the interest rates of the Company's related-party loans ranged from 4.35%– 5.38% and 4.35%–6.70%, respectively.

The maturity dates of the Group and the Company's related-party loans are the repayment date or actual repayment date as agreed in relevant contracts, whichever is earlier.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(6) Interest income and expense on related-party loans

The Group

Related parties	2018	2017
Interest received from related-party loans		
Fengcheng Company	60,351.82	–

Related parties	2018	2017
Payments of interests on related-party loans		
北京市國有資產經營有限公司	3,443,108.64	–
Beijing State-owned Financial Leasing Company (北京國資融資租賃公司)	3,872,345.15	4,883,883.86
Yichun Municipal Development Co., Ltd. 宜春市市政發展有限公司	4,083.33	–
Total	7,319,537.12	4,883,883.86

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(6) Interest income and expense on related-party loans (Continued)

The Company

Related parties	2018	2017
Interest received from related-party loans		
Changzhou Company	147,416.67	105,270.00
Huizhou Company	690,320.83	1,142,340.01
Rushan Company	1,355,073.33	1,127,549.18
Taizhou Company	1,105,987.51	–
Pingyang Company	23,925.00	160,959.15
Jixian Company	5,648,831.94	10,923,319.56
Anshun Company	7,067,602.22	9,434,003.36
Wuhan Company	234,416.67	180,041.67
Haining Company	80,559.58	180,633.75
Miyun Company	5,906,031.25	5,066,967.50
Ninghe Company	2,930,672.29	460,828.31
Jurong Company	197,179.48	498,724.10
Bobai Company	2,003,657.78	1,195,872.22
Shantou Company	555,022.48	–
Zhangqiu Company	28,726.42	–
Bengbu Company	696,966.67	–
Fengcheng Company	60,351.82	–
Hongan Company	202,999.99	–
Jiamusi Company	5,927.67	–
Zhaoqing Company	2,963.84	–
Promising	2,222.88	–
Total	28,946,856.32	30,476,508.81

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(6) Interest income and expense on related-party loans (Continued)

The Company (Continued)

Related parties	2018	2017
Payments of interests on related-party loans		
BSAM	**3,034,608.64**	–
Qingdao Company	**–**	1,274,912.49
Dongyang Fuli (東陽富力)	**–**	756,416.67
Zhangqiu Company	**527.78**	2,771,384.86
Bengbu Company	**93,645.84**	–
Other subsidiaries	**–**	1,118,433.33
Total	**3,128,782.26**	5,921,147.35

(7) Dividends received from subsidiaries

The Company

Related parties	2018	2017
Yongjia Company	**17,000,000.00**	20,000,000.00
Haining Company	**18,000,000.00**	20,000,000.00
Huizhou Company	**–**	20,000,000.00
Changzhou Company	**37,500,000.00**	67,500,000.00
Wuhan Company	**20,000,000.00**	80,000,000.00
Pingyang Company	**18,000,000.00**	8,000,000.00
Taizhou Company	**20,000,000.00**	–
Total	**130,500,000.00**	215,500,000.00

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(8) Purchase of related party

The Group

Related parties	2018	2017
Shenzhen Crystal Digital Technology Co., Ltd.	**633,434.00**	8,375,891.75
Beijing Crystal Digital Technology Co., Ltd.*	**9,084,500.00**	629,716.99
Beijing Shibo International Events Co., Ltd.* 北京時博國際賽事有限公司*	**500,000.00**	–
Total	**10,217,934.00**	9,005,608.74

(9) The net outflow of fund transfers(except for related-party loans) with subsidiaries after deduction of the amounts set out in note (6)

Related parties	2018	2017
Subsidiaries	**(224,466,551.07)**	(110,828,418.88)

In view of the frequent transactions of fund transfers between the Company and its subsidiaries for fund management purposes, the Company disclosed only the net changes of such fund transfers during the current period.

(10) Information on other related parties

(a) *Corporate transactions amounts*

Related parties	2018	2017
Fengcheng Company	**37,816,510.20**	–

(b) *Others:*

Beijing Research Institute, a subsidiary of the Company, used the premise of BSAM as its registered address. The area of such premise was approximately 20 square meters and located in Room 1511, Block B, Fu Kai Building, 19 Financial Street, Xicheng District, Beijing. Beijing Research Institute entered into an agreement with BSAM with no consideration to fulfil relevant registration requirements. Such premise was not occupied by Beijing Research Institute and was still under the use of BSAM. The aforementioned agreement was entered into in December 2010 and renewed in June 2014. In October 2017, Beijing Research Institute submitted an application to change its registered address, and no longer used the aforesaid premise as its registered place.

* Those are connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions

The Group

(1) *Long-term loans with related party*

Related parties	2018	2017
Beijing State-owned Financial Leasing Company (北京國資融資租賃公司)	**55,682,529.75**	73,852,444.56
BSAM	**60,000,000.00**	–
Total	**115,682,529.75**	73,852,444.56

(2) *Short-term loans with related party*

Related parties	2018	2017
BSAM	**850,000,000.00**	30,000,000.00

(3) *Payables to related party*

Related parties	2018	2017
Shenzhen Crystal Digital Technology Co., Ltd. (深圳水晶石數字科技有限公司)	**1,337,750.60**	863,316.60
Beijing Crystal Digital Technology Co., Ltd. (北京水晶石數字科技有限公司)	**901,800.00**	–
Total	**2,239,550.60**	863,316.60

(4) *Other payables to related parties*

Related parties	2018	2017
Yichun Municipal Development Co., Ltd. (宜春市市政發展有限公司)	**10,000,000.00**	–

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions (Continued)

The Group (Continued)

(5) Other receivables from related parties

Related parties	2018	2017
Beijing Crystal Digital Technology Co., Ltd.*	409.59	–
Fengcheng Company	37,816,510.20	–
Total	37,816,919.79	–

(6) Interest receivable from related parties

Related parties	2018	2017
Fengcheng Company	63,972.93	–

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions (Continued)

The Company

(1) Receivables from related parties

		2018		2017	
Name of project	Related parties	Book balance	Provision for bad debts withdrawn, recovered or reversed during the year	Book balance	Provision for bad debts withdrawn, recovered or reversed during the year
Service fee for project management	Tongzhou Company	**8,676,740.01**	**–**	11,279,753.00	–
Service fee for project management	Taizhou Company	**2,035,664.21**	**–**	–	–
Service fee for project management	Zhangqiu Company	**6,975,000.00**	**–**	–	–
Service fee for project management	Shantou Company	**2,800,000.00**	**–**	–	–
Total		**20,487,404.22**	**–**	11,279,753.00	–

(2) Short-term loans with related parties

Related parties	2018	2017
Bengbu Company	**10,000,000.00**	–
BSAM	**850,000,000.00**	30,000,000.00
Total	**860,000,000.00**	30,000,000.00

(3) Long-term loans with related party

Related parties	2018	2017
Zhangqiu Company	**–**	500,000.00
Total	**–**	500,000.00

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions (Continued)

The Company (Continued)

(4) *Other receivables from related parties*

Related parties	2018	2017
Jurong Company	**12,735,661.65**	10,321,608.43
Rushan Company	**29,000,000.00**	50,000,000.00
Shantou Company	**22,789,623.75**	2,320,823.85
Jixian Company	**6,000,000.00**	10,250,307.96
Huizhou Company	**18,000,000.00**	80,233.41
Bengbu Company	**–**	407,714.19
Ninghe Company	**129,813,836.56**	1,148,168.00
Anshun Company	**5,965,469.79**	4,299,949.76
Wuhan Company	**–**	10,182,138.28
Yongjia Company	**–**	561,570.94
Bobai Company	**125,000,000.00**	90,296,711.29
Haining Company	**–**	9,900,000.00
Promising	**1,500,000.00**	–
Jiamusi Company	**24,000,000.00**	–
Zhaoqing Company	**2,000,000.00**	–
Hongan Company	**8,000,000.00**	128,257.17
Taizhou Company	**15,000,000.00**	–
Zhangqiu Company	**10,799,812.27**	367,351.07
Fengcheng Company	**37,816,510.20**	–
Other subsidiaries	**–**	1,362,898,41
Total	**448,420,914.22**	191,627,732.76

(5) *Long-term receivables from related parties and long-term receivables due within 1 year*

Related parties	2018	2017
Anshun Company	**154,000,000.00**	138,000,000.00
Jixian Company	**80,000,000.00**	195,000,000.00
Miyun Company	**123,000,000.00**	126,000,000.00
Total	**357,000,000.00**	459,000,000.00

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions (Continued)

The Company (Continued)

(6) Advances from related parties

Related parties	2018	2017
Qingdao Company	10,000,000.00	10,000,000.00
Ninghe Company	–	9,059,400.00
Total	10,000,000.00	19,059,400.00

(7) Other payables to related parties

Related parties	2018	2017
Taizhou Company	–	489,880.00
Ninghe Company	–	5,000,000.00
Total	–	5,489,880.00

(8) Interests receivable from related parties

Related parties	2018	2017
Jixian Company	13,701,124.97	17,038,260.80
Anshun Company	1,502,847.22	2,112,487.55
Ninghe Company	2,963,256.25	–
Fengcheng Company	63,972.93	–
Other subsidiaries	585,785.75	1,748,982.80
Total	18,816,987.12	20,899,731.15

XI. CAPITAL MANAGEMENT

The main objective of the Group's capital management is to ensure that the Group can continue to operate, set prices comparable to risk levels for products and services, and ensure that financing is financed at reasonable financing costs, providing ongoing returns to shareholders and reducing capital costs.

The Group makes use of its gearing ratio for the management of capital structure. Gearing ratios is defined as total liabilities divided by total assets. The Group's strategy in 2018 is the same as in 2017. The gearing ratios of the Group were 72.22% and 67.19% respectively in 2018 and 2017.

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Item	2018	2017
Infrastructure construction contract authorised but not contracted for	**1,314,575,978.84**	1,122,910,371.02
Infrastructure construction contract contracted for and is or going to be effective	**1,788,531,277.05**	981,083,543.85
Equity investment contracted for but not paid	**37,818,474.75**	90,000,000.00
Total	**3,140,925,730.64**	2,193,993,914.87

(2) Operating lease commitments

As at 31 December, the total future minimum lease payment of the Group under non-cancellable operation leases of relevant properties were payable as follows:

Item	2018	2017
Within 1 year (inclusive)	**2,421,278.00**	728,382.00
After 1 year but within 2 years (inclusive)	**152,370.00**	211,788.00
After 2 year but within 3 years (inclusive)	**4,400.00**	–
Total	**2,578,048.00**	940,170.00

2. Contingencies

The Company provided external parties with joint and several liability guarantee in regard to bank loans (Note X.5(1)), all guarantees of which were its subsidiaries. The Group has no material contingency which need to be disclosed.

XIII. SUBSEQUENT EVENTS

1. Acquisition

On 22 January 2019, the Company entered into the Equity Transfer Agreement and a supplementary agreement with 珠海歐泰能源環保合夥企業 (Limited Partnership) and 深圳市國運環保投資有限公司, and intends to obtain 100% equity of Guizhou Jinsha Green Energy Co., Ltd. (貴州金沙綠色能源有限公司) ("Jinsha Green Energy (金沙綠色能源)") at a consideration of RMB68,115,400. The transaction is not required to be submitted to the general meeting of the Company and relevant government departments for review and approval. On 1 March 2019, Jinsha Green Energy completed the registration procedures for industrial and commercial changes related to this equity acquisition, and obtained the "Business License" issued by the Jinsha County Market Supervision Administration of Guizhou Province. The Company holds 100% equity of Jinsha Green Energy. Jinsha Green Energy became a wholly-owned subsidiary of the Company.

2. Profit appropriations after the balance sheet date

Item	Amount
Profit distributions or dividends proposed	116,120,000.00

On 27 March 2019, the Board of Directors proposed the 2018 dividend of RMB0.1 per ordinary share to the Company's ordinary shareholders, amounting to a total of RMB116,120,000.00. The proposal is subject to approval by the shareholders' general meeting. Such cash dividends are not recognised as a liability at the balance sheet date.

XIV. OTHER SIGNIFICANT ITEMS

Segment reporting

The Group conducted an evaluation in accordance with the requirements set out in note III.28 for the classification of operating segments. Based on the internal organisational structure, management requirements and internal reporting system of the Group, its operating and strategies-making functions are run as a whole. The financial information provided to the chief operating decision maker does not contain profit or loss information on each operating activity. Therefore, the management considers that the Group has only one operating segment, thus the Group does not have to prepare segment report.

The external transaction income and non-current assets(excluding financial assets and deferred income tax assets) acquired by the Group were primarily derived from or located in Mainland China.

For the year of 2018, there were 1 customers (2017: 3) among the Group's customers, the separate income from which accounted for over 10% of the Group's total income, altogether representing approximately 14% (2017: 37%) of the Group's total income. The income from these customers are summarised as follows:

Item	**2018**	2017
Jiangsu State Grid Power Company (國網江蘇省電力公司)	**149,421,191.65**	128,719,337.14
Wenzhou Power Supply Company under Zhejiang State Grid Power Company (國網浙江省電力公司溫州供電公司)	**below 10% of the Group's total income**	83,846,221.54
Huizhou Power Supply Bureau of Guangdong Power Grid Co., Ltd (廣東電網有限責任公司惠州供電局)	**below 10% of the Group's total income**	81,225,366.09
Wuhan State Grid Power Company (國網武漢供電公司)	**below 10% of the Group's total income**	below 10% of the Group's total income

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Bills receivable and accounts receivable

Item	Note	2018	2017
Bills receivable		–	–
Accounts receivable	(1)	**20,487,404.22**	23,432,152.99
Total		**20,487,404.22**	23,432,152.99

(1) Accounts receivable

(a) Accounts receivable by customer type:

Customer type	2018	2017
Related parties	**20,487,404.22**	11,279,753.00
Independent third parties	–	12,792,000.00
Sub-total	**20,487,404.22**	24,071,753.00
Less: Provision for bad and doubtful debts	–	(639,600.01)
Total	**20,487,404.22**	23,432,152.99

The ageing is counted starting from the date when accounts receivable are recognised. At the end of the fiscal year, the ageing of the Company's accounts receivable were within one year.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Bills receivable and accounts receivable (Continued)

(1) Accounts receivable (Continued)

(b) The ageing analysis of accounts receivable is as follows:

Ageing	2018	2017
Within 1 year (inclusive)	20,487,404.22	24,071,753.00
More than 1 year but less than 2 years (inclusive)	–	–
More than 2 year but less than 3 years (inclusive)	–	–
Sub-total	20,487,404.22	24,071,753.00
Less: Provision for bad and doubtful debts	–	(639,600.01)
Total	20,487,404.22	23,432,152.99

The ageing is counted starting from the date when accounts receivable are recognised.

(c) Classified disclosure by method of provision for bad debts:

	31 December 2018				
	Book balance		Provision for bad debts withdrawn, recovered or reversed during the year		
Class	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Provision for bad debts on separate basis	–	0%	–	0%	–
Provision for bad debts on a credit group basis					
Accounts receivable from subsidiaries of the Group	20,487,404.22	100%	–	0%	20,487,404.22
Amount due from independent third parties	–	0%	–	0%	–
Sub-total of groups	20,487,404.22	100%	–	0%	20,487,404.22
Total	20,487,404.22	100%	–	0%	20,487,404.22

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Bills receivable and accounts receivable (Continued)

(1) Accounts receivable (Continued)

(c) Classified disclosure by method of provision for bad debts: (Continued)

	31 December 2017				
	Book balance		Provision for bad and doubtful debts		
Class	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Provision for bad debts on separate basis	–	0%	–	0%	–
Provision for bad debts on a credit group basis					
Accounts receivable from subsidiaries of the Group	11,279,753.00	47%	–	0%	11,279,753.00
Amount due from independent third parties	12,792,000.00	53%	(639,600.01)	100%	12,152,399.99
Sub-total of groups	24,071,753.00	100%	(639,600.01)	100%	23,432,152.99
Total	24,071,753.00	100%	(639,600.01)	100%	23,432,152.99

(i) Confirmation criteria and explanations for provision for bad debts by portfolio in 2018:

The bad debts of accounts receivable made by the Company according on a group basis are the transactions of subsidiaries within the Group.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Bills receivable and accounts receivable (Continued)

(1) Accounts receivable (Continued)

(d) Changes in the provision for bad debts:

Item	2018	2017
Balance under the original Financial Instruments Standards	**639,600.01**	–
The amount of adjustment for the first implementation of the new financial instrument guidelines	**–**	–
Balance at the beginning of the year after adjustment	**639,600.01**	–
Provision made during the year	**–**	639,600.01
Recovered or reversed during the year	**(639,600.01)**	–
Balance at the end of the year	**–**	639,600.01

The Group assessed and calculated the accounts receivable for impairment using ageing expected credit loss model and then reversed or added impairment for the year after comparing with the impairment of the preceding accounting year.

(e) Five largest receivables by debtor at the end of the year

As at 31 December 2018, the subtotal of five largest accounts receivable of the Company amounted to RMB20,487,404.22, representing 100% of the total accounts receivable at the end of the year, and the provisions of bad and doubtful debts amounted to RMB0.

As at 31 December 2017, the subtotal of five largest accounts receivable of the Company amounted to RMB24,071,753.00, representing 100% of the total accounts receivable at the end of the year, and the provisions of bad and doubtful debts amounted to RMB639,600.01.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables

	Note	2018	2017
Interest receivable	(1)	**18,816,987.12**	20,899,731.15
Dividends receivable		**–**	–
Others	(2)	**457,863,151.92**	206,147,678.18
Total		**476,680,139.04**	227,047,409.33

(1) Interest receivable

(a) Interest receivable by category

Item	2018	2017
Entrusted loan interest	**18,816,987.12**	20,899,731.15

(b) On 31 December 2018, the Company had no overdue interest receivable.

2. Others

(a) Others by customer type:

Customer type	2018	2017
Amount due from independent third parties	**59,554,978.86**	23,335,187.75
Receivables from related party	**410,604,404.02**	191,627,732.76
Sub-total	**470,159,382.88**	214,962,920.51
Less: Provision for bad and doubtful debts	**(12,296,230.96)**	(8,815,242.33)
Total	**457,863,151.92**	206,147,678.18

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2. Others (Continued)

(b) The ageing analysis is as follows:

Ageing	2018	2017
Within 1 year (inclusive)	**445,844,562.35**	200,397,591.46
More than 1 year but less than 2 years (inclusive)	**13,419,557.42**	3,913,250.70
More than 2 year but less than 3 years (inclusive)	**281,584.76**	28,250.00
More than 3 year but less than 4 years (inclusive)	**100.00**	638,640.00
More than 4 year but less than 5 years (inclusive)	**638,390.00**	4,000,000.00
Over 5 years	**9,975,188.35**	5,985,188.35
Sub-total	**470,159,382.88**	214,962,920.51
Less: Provision for bad and doubtful debts	**(12,296,230.96)**	(8,815,242.33)
Total	**457,863,151.92**	206,147,678.18

The ageing is counted starting from the date when other receivables are recognised.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2. Others (Continued)

(c) Classified disclosure by method of provision for bad debts:

	2018				
	Book balance		Provision for bad and doubtful debts		
Class	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Provision for bad debts on separate basis					
– *Recovery of performance bond*	4,000,000.00	1%	(3,200,000.00)	26%	800,000.00
– *Amounts from former shareholder*	5,892,161.35	1%	(5,892,161.35)	48%	–
Provision for bad debts on a collective group basis (ii)					
– *Accounts receivable from subsidiaries of the Group*	410,604,404.02	87%	–	0%	410,604,404.02
– *Others*	49,662,817.51	11%	(3,204,069.61)	26%	46,458,747.90
Total	470,159,382.88	9%	(12,296,230.96)	0%	457,863,151.92

	2017				
	Book balance		Provision for bad and doubtful debts		
Class	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Provision for bad debts on separate basis					
– *Performance bond*	7,030,000.00	3%	(2,000,000.00)	23%	5,030,000.00
– *Amounts from former shareholder*	5,892,161.35	3%	(5,892,161.35)	67%	–
Provision for bad debts on a collective group basis					
– *Accounts receivable from subsidiaries of the Group*	191,627,732.76	89%	–	0%	191,627,732.76
– *Others*	10,413,026.40	5%	(923,080.98)	10%	9,489,945.42
Total	214,962,920.51	100%	(8,815,242.33)	100%	206,147,678.18

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2. Others (Continued)

(c) Classified disclosure by method of provision for bad debts: (Continued)

(i) Criteria for recognition and explanations for provision for bad debts on a separate basis in 2018:

Other receivables (by entity)	Book balance	Provision for bad and doubtful debts	Percentage	Rationale for provision
Sheyang County Government	4,000,000.00	(3,200,000.00)	80%	Some had long ageing and risk on collection
Dynagreen Environment Investment Limited (綠色動力環保投資有限公司)	5,160,600.00	(5,160,600.00)	100%	Had long ageing and risk on collection
Dynagreen International Holding (Group) Co., Ltd.	294,835.67	(294,835.67)	100%	Had long ageing and risk on collection
Current accounts of a former shareholder – individual	436,725.68	(436,725.68)	100%	Had long ageing and risk on collection
Total	9,892,161.35	(9,092,161.35)		

(ii) Criteria for recognition and explanations for provision for bad debts on a collective group basis in 2018:

The Company mainly makes provision for bad debts of other receivables based on the nature of the receivables.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2. Others (Continued)

(d) Provision for bad debts withdrawn, recovered or reversed:

(i) 2018

Provision for bad and doubtful debts	2018 First stage ECL for next 12 months	Second stage Lifetime ECL – no credit impairment	Third stage Lifetime ECL – credit impairment occurred	Total
Balance under the former financial instruments standards	457,401.95	465,679.03	7,892,161.35	8,815,242.33
Adjusted amount under firstly adopting the new financial instruments standards	–	–	–	–
Balance after adjustment at the beginning of the year	457,401.95	465,679.03	7,892,161.35	8,815,242.33
Transfer to the second stage	(120,977.87)	120,977.87	–	–
Transfer to the third stage	–	–	–	–
Turn back to the second stage	–	–	–	–
Turn back to the first stage	–	–	–	–
Provisions for the year	1,975,583.84	305,404.79	1,200,000.00	3,480,988.63
Balance at the end of the year	2,312,007.92	892,061.69	9,092,161.35	12,296,230.96

(ii) 2017

Provision for bad and doubtful debts	2017
Balance at the beginning of the year	6,943,563.64
Provisions/(Reversals) for the year	1,871,678.69
Others	–
Balance at the end of the year	8,815,242.33

For the financial year ended 31 December 2018 and 31 December 2017, the Company did not write off any significant other receivables.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2. Others (Continued)

(e) Other receivables by nature

Nature of money	2018	2017
Performance bond	4,000,000.00	7,030,000.00
Accounts receivable from subsidiaries of the Group	410,604,404.02	191,627,732.76
Others	55,554,978.86	16,305,187.75
Sub-total	470,159,382.88	214,962,920.51
Less: Provision for bad and doubtful debts	(12,296,230.96)	(8,815,242.33)
Total	457,863,151.92	206,147,678.18

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2. Others (Continued)

(f) Five largest other receivables by debtor at the end of the year

2018

Entity name	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of total other receivables at the end of the year (%)	Provision for bad and doubtful debts at year-end
Ninghe Company	Subsidiary transactions	129,813,836.56	Within 1 years	28%	–
Bobai Company	Subsidiary transactions	125,000,000.00	The amount of accounts aged within 1 year is RMB120 million and the amount of accounts aged 1-2 years is RMB5 million.	27%	–
Fengcheng Company	Corporate transactions amounts	37,816,510.20	Within 1 years	8%	(1,890,825.51)
Rushan Company	Subsidiary transactions	29,000,000.00	Within 1 years	6%	–
Jiamusi Company	Subsidiary transactions	24,000,000.00	Within 1 years	5%	–
Total		345,630,346.76		74%	(1,890,825.51)

2017

Entity name	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of total other receivables (%)	Provision for bad and doubtful debts at the end of the year
Bobai Company	Subsidiary transactions	90,296,711.29	Within 1 year (inclusive)	42%	–
Rushan Company	Subsidiary transactions	50,000,000.00	Within 1 year (inclusive)	23%	–
Jurong Company	Subsidiary transactions	10,321,608.43	Within 1 year (inclusive)	5%	–
Tianjin company	Subsidiary transactions	10,250,307.96	Within 1 year (inclusive)	5%	–
Wuhan Company	Subsidiary transactions	10,182,138.28	Within 1 year (inclusive)	5%	–
Total		171,050,765.96		80%	–

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term receivables

Item	2018 Book balance	Provision for bad and doubtful debts	Carrying amount	Interest rate range
Entrusted loans to subsidiaries	357,000,000.00	–	357,000,000.00	4.35%–4.75%
Performance bond	6,920,000.00	–	6,920,000.00	
Less: Due within one year	(25,744,348.18)	–	(25,744,348.18)	
Total	338,175,651.82	–	338,175,651.82	

Item	2017 Book balance	Provision for bad and doubtful debts	Carrying amount	Interest rate range
Entrusted loans to subsidiaries	459,000,000.00	–	459,000,000.00	4.35%–6.70%
Performance bond	2,720,000.00	–	2,720,000.00	
Less: Due within one year	(75,203,703.66)	–	(75,203,703.66)	
Total	386,516,296.34	–	386,516,296.34	

4. Long-term Equity Investments

(1) Long-term equity investments by category

Item	2018 Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	3,791,407,957.77	(11,149,297.53)	3,780,258,660.24
Investments in joint venture	31,222,775.27	–	31,222,775.27
Total	3,822,630,733.04	(11,149,297.53)	3,811,481,435.51

Item	2017 Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	2,528,207,957.77	(11,149,297.53)	2,517,058,660.24
Total	2,528,207,957.77	(11,149,297.53)	2,517,058,660.24

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Long-term Equity Investments (Continued)

(2) Investments in Subsidiaries

	2018					
Entity name	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year	Loss provision made during the year	Impairment at the end of the year
Haining Company	86,000,000.00	–	–	86,000,000.00	–	–
Taizhou Company	180,000,000.00	–	–	180,000,000.00	–	–
Yongjia Company	100,000,000.00	–	–	100,000,000.00	–	–
Rushan Company	100,880,000.00	–	–	100,880,000.00	–	–
Pingyang Company	100,000,000.00	–	–	100,000,000.00	–	–
Beijing Research Institute	15,000,000.00	–	–	15,000,000.00	–	–
Changzhou Company	220,221,697.72	–	–	220,221,697.72	–	–
Wuhan Company	127,874,320.40	–	–	127,874,320.40	–	–
Qingdao Company	63,091,383.59	–	–	63,091,383.59	–	(4,620,173.95)
Anshun Company	98,000,000.00	–	–	98,000,000.00	–	–
Zhangqiu Company	120,880,000.00	–	–	120,880,000.00	–	–
Jurong Company	98,000,000.00	–	–	98,000,000.00	–	–
Huizhou Company	217,800,000.00	–	–	217,800,000.00	–	–
Pingyao Company	19,800,000.00	–	–	19,800,000.00	–	–
Jixian Company	60,000,000.00	–	–	60,000,000.00	–	–
Blue-ocean Environment	163,613,261.06	–	–	163,613,261.06	–	–
Ninghe Company	99,000,000.00	50,000,000.00	–	149,000,000.00	–	–
Dongyang Fuli (東陽富力)	27,047,295.00	–	–	27,047,295.00	–	(6,529,123.58)
Tongzhou Company	149,000,000.00	171,000,000.00	–	320,000,000.00	–	–
Hongan Company	13,000,000.00	50,000,000.00	–	63,000,000.00	–	–
Longhui Company	20,000,000.00	–	–	20,000,000.00	–	–
Shantou Company	107,000,000.00	13,000,000.00	–	120,000,000.00	–	–
Bobai Company	75,000,000.00	–	–	75,000,000.00	–	–
Bengbu Company	166,000,000.00	–	–	166,000,000.00	–	–
Miyun Company	101,000,000.00	19,000,000.00	–	120,000,000.00	–	–
Huludao Company	–	170,000,000.00	–	170,000,000.00	–	–
Huizhou Phase II Project Company	–	55,000,000.00	–	55,000,000.00	–	–
Dengfeng Company	–	5,000,000.00	–	5,000,000.00	–	–
Haining Expansion Project Company	–	70,200,000.00	–	70,200,000.00	–	–
Guangdong Promising (博海昕能)	–	610,000,000.00	–	610,000,000.00	–	–
Shishou Company	–	50,000,000.00	–	50,000,000.00	–	–
Total	2,528,207,957.77	1,263,200,000.00	–	3,791,407,957.77	–	(11,149,297.53)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Long-term Equity Investments (Continued)

(2) Investments in Subsidiaries (Continued)

	2017					
Entity name	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year	Loss provision made during the year	Impairment at the end of the year
Haining Company	86,000,000.00	–	–	86,000,000.00	–	–
Taizhou Company	180,000,000.00	–	–	180,000,000.00	–	–
Yongjia Company	100,000,000.00	–	–	100,000,000.00	–	–
Rushan Company	100,880,000.00	–	–	100,880,000.00	–	–
Pingyang Company	100,000,000.00	–	–	100,000,000.00	–	–
Beijing Research Institute	15,000,000.00	–	–	15,000,000.00	–	–
Changzhou Company	220,221,697.72	–	–	220,221,697.72	–	–
Wuhan Company	127,874,320.40	–	–	127,874,320.40	–	–
Qingdao Company	63,091,383.59	–	–	63,091,383.59	–	(4,620,173.95)
Anshun Company	98,000,000.00	–	–	98,000,000.00	–	–
Zhangqiu Company	120,880,000.00	–	–	120,880,000.00	–	–
Jurong Company	98,000,000.00	–	–	98,000,000.00	–	–
Huizhou Company	217,800,000.00	–	–	217,800,000.00	–	–
Pingyao Company	19,800,000.00	–	–	19,800,000.00	–	–
Jixian Company	60,000,000.00	–	–	60,000,000.00	–	–
Blue-ocean Environment	163,613,261.06	–	–	163,613,261.06	–	–
Ninghe Company	99,000,000.00	–	–	99,000,000.00	–	–
Dongyang Fuli (東陽富力)	27,047,295.00	–	–	27,047,295.00	–	(6,529,123.58)
Tongzhou Company	119,000,000.00	30,000,000.00	–	149,000,000.00	–	–
Hongan Company	7,000,000.00	6,000,000.00	–	13,000,000.00	–	–
Longhui Company	20,000,000.00	–	–	20,000,000.00	–	–
Shantou Company	7,000,000.00	100,000,000.00	–	107,000,000.00	–	–
Bobai Company	15,000,000.00	60,000,000.00	–	75,000,000.00	–	–
Bengbu Company	90,000,000.00	76,000,000.00	–	166,000,000.00	–	–
Miyun Company	101,000,000.00	–	–	101,000,000.00	–	–
Total	2,256,207,957.77	272,000,000.00	–	2,528,207,957.77	–	(11,149,297.53)

For information about the subsidiaries of the Company, please refer to Note VII.

(3) Investments in joint venture

For the investment in the joint venture of the Company as at 31 December 2018 and December 31 2017, please refer to Note VII.2.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Capital reserve

	31 December 2018			
Item	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Capital premium(note)	628,984,641.83	229,818,800.00	–	**858,803,441.83**
Other capital reserves	47,361,993.67	–	–	**47,361,993.67**
Total	676,346,635.50	229,818,800.00	–	**906,165,435.50**

Note: For reasons of the changes in capital reserve during the year, refer to Note V.27.

6. Retained earnings

	2018	2017
Retained earnings at the beginning of the year	**319,978,091.00**	176,830,887.23
Add: Net profits for the year	**151,531,341.63**	228,719,115.30
Less: Appropriation for statutory surplus reserve	**(15,153,134.16)**	(22,871,911.53)
Distributions to shareholders	**–**	(62,700,000.00)
Retained earnings at the end of the year	**456,356,298.47**	319,978,091.00

For the actual dividend distribution of the Company, please refer to Note V.31.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Operating income and operating costs

(1) Operating income and operating costs

Item	Note	2018 income	2018 cost	2017 income	2017 cost
Principal activities		**125,215,044.72**	**9,004,114.52**	119,671,284.43	32,038,937.85
Including: income generated from contract	XV. 7(2)	**125,215,044.72**	**9,004,114.52**		

(2) income generated from contract

Contract classification	**2018**
Income from management service	**125,215,044.72**

(3) Operating income breakdown in 2017

Item	2017
Income from management service	92,337,951.24
Income from sales of goods	27,333,333.19
Total	119,671,284.43

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Investment income

Item	2018	2017
Income from long-term equity investments accounted for using cost method	**130,498,285.45**	215,500,000.00
Income from entrusted loan interest	**–**	30,476,508.81
Unified interest income	**28,343,438.46**	–
Interest income	**543,066.04**	–
Total	**159,384,789.95**	245,976,508.81

9. Information on cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities

Item	2018	2017
Net profit	**151,531,341.63**	228,719,115.30
Add: Impairment loss of assets	**–**	2,511,278.70
Credit impairment loss	**2,841,388.62**	–
Depreciation of fixed assets	**345,573.68**	353,755.07
Amortisation of intangible assets	**42,788.44**	28,021.20
Amortisation of long-term deferred expenses	**–**	15,054.61
Losses from disposal of fixed assets	**7,733.03**	–
Finance Costs	**66,436,270.83**	57,772,461.89
Investment income	**(159,384,789.95)**	(245,976,508.81)
Decrease in inventories	**–**	21,846,803.42
Changes in deferred tax assets	**(369,528.89)**	(376,691.81)
Changes in restricted deposits	**11,600,000.00**	17,227,000.00
(Increase)/Decrease in operating receivables	**(8,380,796.29)**	166,593,763.20
Decrease in operating payables	**(7,173,693.82)**	(51,035,357.04)
Net cash flow generated from operating activities	**57,496,287.28**	197,678,695.73

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Information on cash flow statement (Continued)

(1) Supplement to cash flow statement (Continued)

(b) Net changes in cash:

Item	2018	2017
Cash at the end of the year	**271,810,049.42**	112,681,313.36
Less: Cash at the beginning of the year	**(112,681,313.36)**	(107,329,347.71)
Net increase in cash	**159,128,736.06**	5,351,965.65

(2) Components of cash

Item	2018	2017
Cash		
Including: Cash on hand	**18,416.44**	18,568.76
Bank deposits available on demand	**271,791,632.98**	112,662,744.60
Other monetary funds with restricted use	**8,600,000.00**	20,200,000.00
Balance of cash at the end of the year	**280,410,049.42**	132,881,313.36
Less: Other monetary funds with restricted use	**(8,600,000.00)**	(20,200,000.00)
Cash balance available on demand at the end of the year	**271,810,049.42**	112,681,313.36

XVI. EXTRAORDINARY GAINS AND LOSSES

Item	2018	2017
Gains arising from the investment cost of acquiring a subsidiary less than the Company's share of fair value of the identifiable net assets of the investee on the acquisition date	**2,930,027.37**	–
Losses from disposal of non-current assets	**(267,029.18)**	(24,754.17)
Government grants recognised through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	**6,337,895.47**	4,594,474.76
Profit from income tax refunds	**1,799,913.12**	–
Other non-operating income and expenses besides items above	**(565,836.11)**	(292,072.06)
Other items qualified as extraordinary gain and loss	**–**	8,677,186.80
Sub-total	**10,234,970.67**	12,954,835.33
Less: Income tax expenses	**(678,031.79)**	(1,763,810.61)
Net extraordinary gains and losses	**9,556,938.88**	11,191,024.72
Including: extraordinary gains and losses affecting the net profit of the shareholders of the parent company	**9,556,938.88**	11,191,024.72

XVII. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC and relevant accounting standards, the Group's return on net assets and earnings per share are calculated as follows:

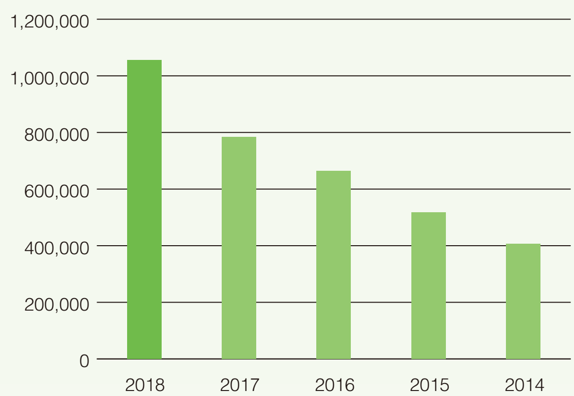
2018	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Consolidated net profit attributable to ordinary shareholders of the Company	**10.73%**	**0.25**	**0.25**
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	**10.35%**	**0.24**	**0.24**

Profit for 2017	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	9.55%	0.20	0.20
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	9.03%	0.19	0.19

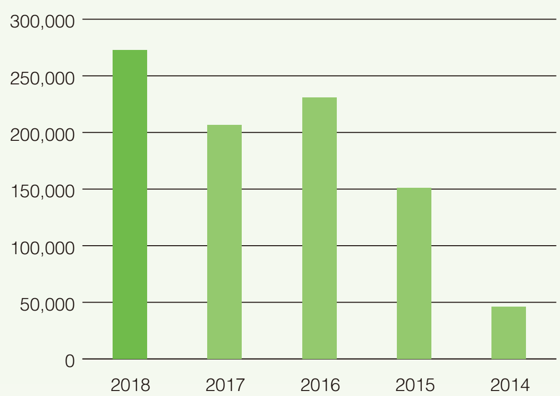
XIV. FIVE-YEAR OPERATIONS HIGHLIGHTS

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Result					
Operating income	**1,055,061**	784,839	664,335	518,391	405,826
Gross profit	**586,449**	458,526	413,100	327,827	252,248
Gross profit margin	**55.58%**	58.42%	62.18%	63.24%	62.16%
Net profit attributable to shareholders of the parent company	**272,773**	206,477	230,996	150,986	45,969
Financial position					
Total assets	**10,542,417**	6,810,136	5,612,535	4,488,010	3,950,564
Total liabilities	**7,613,400**	4,575,496	3,515,887	2,600,255	2,220,034

Operating income
(RMB'000)



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



XV. DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	The financial statements signed and sealed by the President, Chief Financial Officer and Chief Accountant of the Company
Documents available for inspection	The full text of the annual report signed and sealed by the Chairman of the Company
Documents available for inspection	The original copies of all of the documents and announcements of the Company disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) and in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times during the Reporting Period.

Chairman: Zhi Jun

Date of submission approved by the Board: 27 March 2019

Amendments

☐ Applicable ✓ Not applicable

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