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

INTERIM REPORT 2019

IMPORTANT NOTICE

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

II. Directors who were not present at the Board meeting

Title of absent Director	Name of absent Director	Reason of absence	Name of proxy
Director	Cao Jinjun	Business engagements	Qiao Dewei

III. This interim report is unaudited.

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 interim report.

V. The audit committee of the Board has reviewed this report and has also discussed with the management of the Company regarding the accounting policies and practices adopted by the Company and internal controls.

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

Nil

VII. 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 the relevant risks.

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

No

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

No

X. Major risk alerts

Policy risk, market risk, business risk and other risks that may exist have been described in this report in details. Please refer to the risk factors likely to be faced as set out in other disclosures in IV. Discussion and Analysis of Operations.

XI. Others

✓ Applicable ☐ Not applicable

The 2019 interim financial report of the Company was prepared in accordance with the China Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC and the relevant provisions (the "PRC Accounting Standards"), and was reviewed by KPMG Huazhen LLP, which issued the relevant review report. The functional currency of this interim report is Renminbi (RMB), unless otherwise specified.

The contents of this interim report are in compliance with all the requirements in relation to information to be disclosed in interim report under the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 – Contents and Formats of Interim 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3號–半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 interim 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.

CONTENTS

I. DEFINITIONS

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

Common words

The Company or Dynagreen	Dynagreen Environmental Protection Group Co., Ltd.
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)

Hong'an Company	Hong'an 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)
Yongjia Phase II Project 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)
Guangdong 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)

Jinsha Company	Guizhou Jinsha Green Energy Co., Ltd. (貴州金沙綠色能源有限公司)
Pingyang Phase II Project Company	Pingyang Dynagreen Environmental Energy Co., Ltd. (平陽綠動環保能源有限公司)
Jingxi Company	Baise Dynagreen Environmental Protection Co., Ltd. (百色綠動環保有限公司)
Changzhou Project	a municipal solid waste incineration thermoelectric project in Wujin District, Changzhou City, Jiangsu (江蘇常州市武進區生活垃圾焚燒熱電項目)
Wuhan Project	Xinghuo Waste-to-Energy Plant project in Wuhan, Hubei (湖北武漢星火垃圾焚燒發電廠項目)
Taizhou Project	a municipal solid waste-to-energy project in Taizhou City, Jiangsu (江蘇泰州市生活垃圾焚燒發電項目)
Pingyang Project	a solid waste-to-energy plant project in Pingyang, Zhejiang (浙江平陽生活垃圾焚燒發電廠項目)
Anshun Project	a waste-to-energy project in Anshun, Guizhou (貴州安順垃圾焚燒發電項目)
Haining Project	a waste incineration thermoelectric plant project in Haining City, Zhejiang (浙江海寧市垃圾焚燒熱電廠項目)
Yongjia Project	a waste-to-energy plant project in Yongjia, Zhejiang (浙江永嘉垃圾焚燒發電廠項目)
Rushan Project	a municipal solid waste-to-energy project in Rushan City, Shandong (山東乳山市生活垃圾焚燒發電項目)
Jizhou Project	a municipal solid waste-to-energy project in Jizhou District, Tianjin (天津市薊州區生活垃圾焚燒發電項目)
Huizhou Project	Lanzilong municipal soild waste-to-energy project in Huiyang Disctrict, Huizhou City, Guangdong (廣東惠州市惠陽區欖子壟生活垃圾焚燒發電項目)
Jurong Project	a municipal solid waste-to-energy project in Jurong City, Jiangsu (江蘇句容市生活垃圾焚燒發電項目)
Bengbu Project	a municipal solid waste-to-energy project in Bengbu City, Anhui (安徽蚌埠市生活垃圾焚燒發電廠項目)
Tongzhou Project	a renewable energy power plant in Tongzhou District, Beijing (北京市通州區再生能源發電廠)
Ninghe Straw Project	a straw incineration power generation project in Ninghe County, Tianjin (天津寧河縣秸稈焚燒發電項目)
Ninghe Biomass Project	a biomass power generation project in Ninghe District, Tianjin (天津寧河區生物質發電項目)
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)
Guangyuan Project	a municipal solid waste-to-energy project in Guangyuan City, Sichuan (四川廣元市生活垃圾焚燒發電項目)
Jiamusi Project	a municipal waste-to-energy BOT project in Jiamusi City, Heilongjiang (黑龍江佳木斯市城市生活垃圾焚燒發電BOT項目)
Sihui Project	an environmental energy thermal power plant BOT project in Sihui, Guangdong (廣東四會環保能源熱力發電廠BOT項目)
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)
Hong’an Project	a municipal waste-to-energy project in Hong’an 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)

I. DEFINITIONS (CONTINUED)

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)
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)
Pingyang Phase II Project	phase II of expansion of waste-to-energy power plant PPP project in Pingyang County, Zhejiang (浙江省平陽縣垃圾焚燒發電廠二期擴建PPP項目)
Jingxi Project	a municipal waste-to-energy project in Jingxi, Guangxi (廣西靖西市生活垃圾焚燒發電項目)
Jinsha Project	a municipal waste-to-energy project in Jinsha County, Guizhou (貴州省金沙縣生活垃圾焚燒發電項目)
Enshi Project	a municipal solid waste-to-energy project in Enshi, Hubei (湖北恩施城市生活垃圾焚燒發電項目)
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)
The Reporting Period	1 January 2019 to 30 June 2019
The end of the Reporting Period	30 June 2019
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
PRC Accounting Standards	the China Accounting Standards for Business Enterprises formulated and promulgated by the Ministry of Finance of the PRC
BOT	Build-Operate-Transfer

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. Corporate 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	15/F, International Trade Tower, 348 Kwun Tong Road, Hong Kong	2nd Floor, Jiuzhou Electronic Building, Keji South 12th Street, Nanshan District, Shenzhen
Telephone	0755-33631280	–	0755-33631280
Facsimile	0755-33631220	–	0755-33631220
E-mail address	ir@dynagreen.com.cn	–	ir@dynagreen.com.cn

III. Change in 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 in the Mainland China	2nd Floor, Jiuzhou Electronic Building, Keji South 12th Street, Nanshan District, Shenzhen
Postal code of principal place of business of the Company	518057
Principal place of business in Hong Kong	1st Floor, Xiu Ping Commercial Building, 104 Jervois Street, Hong Kong
Company's website	www.dynagreen.com.cn
E-mail address	ir@dynagreen.com.cn
Index to changes during the Reporting Period	During the Reporting Period, there was no change in basic information of the Company

IV. Changes in 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 interim report	www.sse.com.cn
Website designated by Hong Kong Stock Exchange for publishing the interim report	www.hkex.com.hk
Place for inspection of the interim report	2nd Floor, Jiuzhou Electronic Building, Keji South 12th Street, Nanshan District, Shenzhen
Index to changes during the Reporting Period	No change during the Reporting Period

V. 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 relevant information

✓ Applicable ☐ Not applicable

1. Auditors engaged by the Company

KPMG Huazhen LLP

2. Legal advisers engaged by the Company

As to Hong Kong law: Morrison & Foerster

As to the PRC law: Beijing Kangda Law Firm

3. Share registrar of the Company

Share registrar of A shares of the Company: China Securities Depository and Clearing Corporation Limited Shanghai Branch (Address: 3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New District, Shanghai, China, 200120)

Share registrar of H shares of the Company: Tricor Investor Services Limited (Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong)

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VII. Major accounting data and financial indicators

(I) Major accounting data

Unit: RMB

Major accounting data	The Reporting Period (January to June)	Corresponding period last year: After adjustment	Corresponding period last year: Before adjustment	Increase/decrease for the Reporting Period over the corresponding period last year (%)
Operating income	795,270,932.19	**516,223,451.78**	501,331,167.93	54.06
Net profit attributable to shareholders of the Company	217,163,283.10	**180,440,576.18**	168,086,711.59	20.35
Net profit excluding extraordinary gain and loss attributable to the shareholders of the Company	194,334,535.06	**179,317,558.31**	166,963,693.72	8.37
Net cash flows from operating activities	–125,467,057.29	**–189,122,860.59**	–189,122,860.59	N/A

	As at the end of the Reporting Period	As at the end of last year: After adjustment	As at the end of last year: Before adjustment	Increase/decrease for the end of the Reporting Period over the end of last year (%)
Net assets attributable to shareholders of the Company	3,097,009,421.28	**2,995,992,909.75**	2,852,412,360.00	3.37
Total assets	12,271,605,205.59	**10,689,006,481.90**	10,542,416,667.63	14.81

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

(II) Key financial indicators

Key financial indicators	The Reporting Period (January to June)	Corresponding period last year		Increase/decrease for the Reporting Period over the corresponding period last year (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB/share)	0.19	**0.17**	0.16	11.76
Diluted earnings per share (RMB/share)	0.19	**0.17**	0.16	11.76
Basic earnings per share excluding extraordinary gain and loss (RMB/share)	0.17	**0.17**	0.16	5.88
Weighted average return on net assets (%)	6.99%	**7.60%**	7.26%	Decreased by 0.61 percentage points
Weighted average return on net assets excluding extraordinary gain and loss (%)	6.26%	**7.56%**	7.21%	Decreased by 1.30 percentage points

Explanations on the major accounting data and financial indicators of the Company

✓ Applicable ☐ Not applicable

On 4 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 on Changes in Accounting Policies of Dynagreen Environmental Protection Group Co., Ltd. disclosed on designated medias, i.e. China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, and the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkex.com.hk) as at 15 November 2018. The Company adopted retrospective adjustment method when the changed accounting policy was implemented. The impacts of the change in the accounting policy on the major accounting items of prior years are as follows: revenue for 2017 and prior years increased by RMB57,428,400; net profit for 2017 and prior years increased by RMB50,702,800; shareholders' equity as at 31 December 2017 increased by RMB50,702,800; total assets as at 31 December 2017 increased by RMB54,389,600; revenue for 2018 increased by RMB85,013,700; net profit for 2018 increased by RMB82,493,900; shareholders' equity as at 31 December 2018 increased by RMB143,580,500, total assets as at 31 December 2018 increased by RMB146,589,800.

VIII. Accounting data differences between domestic and overseas accounting standards

☐ Applicable ✓ Not applicable

IX. Extraordinary gains and losses items and amounts

✓ Applicable ☐ Not applicable

Unit: RMB

Extraordinary gains and losses items	Amount	Note (if applicable)
Gains and losses from disposal of non-current assets	–27,157.84	
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)	22,300,672.38	
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	545,075.45	
Other non-operating income and expenses besides items above	424,714.66	
Effects on non-controlling shareholders	–35,062.68	
Effects on income tax	–379,493.93	
Total	22,828,748.04	

X. Others

☐ Applicable ✓ Not applicable

III. 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, Pearl River Delta and Bohai Economic Rim, 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, Pearl River Delta and Bohai Rim and spanning across the country. As at 30 June 2019, in respect of the municipal waste-to-energy sector, the Company had 20 projects under operation, 7 projects under construction and 14 projects under preparation. The waste treatment capacity of the projects under operation reached 18,610 tons/day, the installed capacity was 363.5MW, the waste treatment capacity of the projects under construction was 7,850 tons/day, and the installed capacity of the projects under construction was 174MW, 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 processing capability in China is still relative lower, and was approximately 40% as of 2017. According to the national "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" land filling of raw garbage.

The municipal waste-to-energy industry is characterised 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.

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 accounts receivable of the Company amounted to RMB376,672,529.11, representing an increase of 62.55% compared to the end of the previous year, mainly due to the addition of operating projects such as Shantou, Zhangqiu, Jiamusi and Miyun during the period and the extension in settlement period of accounts receivable of some project companies; the contract assets amounted to RMB273,117,676.11, representing an increase of 75.84% compared to the end of the previous year, mainly due to the addition of operating projects such as Shantou, Zhangqiu, Jiamusi and Miyun during the period, and some projects under operation which have not been included in the directory of national renewable energy subsidies, and the increase in the accumulated balance of receivables from national renewable energy subsidies; the intangible assets amounted to RMB5,399,154,357.18, representing an increase of 22.40% compared to the end of the previous year, mainly due to the increase in construction expenditure for BOT projects.

In which, overseas assets amounted to RMB44,737,352.33, accounting for 0.36% 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 20 provinces/municipalities/autonomous regions. Focusing on the vast market space of the economically developed Yangtze River Delta, Pearl River Delta and Bohai Economic Rim, 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, Pearl River Delta and Bohai Rim 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 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 State. 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, Mr. 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 an experienced team of the Company helps to enhance the operating efficiency and warrants the quality of the projects.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS

I. Discussion and analysis of operations

Industry overview

The construction of ecological civilization in China is in a critical period with multiple pressure, and progress will have to be made through difficulties. It is of great importance and urgency to comprehensively enhance the ecological environmental protection and pollution treatment. The war of protecting the sky, lucid water and land is keeping promotion in 2019. By summarizing the working experience in environment protection supervision in the last three years, the Rules of Central Supervision for Ecological Environmental Protection sets out that, the environment protection supervision will be normalized, which indicates the decision of the Central Committee of the Communist Party and the State Council of China in promoting the construction of ecological civilization and building a beautiful China, and also creates a good political environment for the development of environmental protection industry.

The municipal wastes detoxification treatment and resource utilization are the key aspects of protection war of land, and the municipal waste-to-energy is a treatment method encouraged to be adopted by the policies. 2019 is also the key year implementing 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 stable. The treatment capacity of the industry continued to grow with further release of market potential.

Business review

In the first half of 2019, the Company focused on the annual work plan, and made significant achievements in various aspects. 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. Miyun Project, Shantou Project, Jiamusi Project, Zhangqiu Project and Bobai Project began to supply electricity to the grid, leading to the rapid growth of production capabilities. Excellent results had been achieved in project expansion again and there were four newly added municipal waste-to-energy projects.

In the first half of 2019, the Company achieved revenue of RMB795,270,932.19, representing an increase of 54.06% as compared to the corresponding period last year, and a net profit attributable to shareholders of the Company of RMB217,163,283.10, representing an increase of 20.35% as compared to the corresponding period last year. As at 30 June 2019, the total assets and total equity attributable to shareholders of the Company amounted to RMB12,271,605,205.59 and RMB3,097,009,421.28, respectively.

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

In the first half of 2019, the Company treated 3.4012 million tons of municipal waste, representing a year-on-year increase of 59.47%, treated 171,900 tons of straws, and generated on-grid electricity (including straw power generation) of 961 million kWh, representing a year-on-year increase of 51.63%. The Company constantly attaches great importance to operation management. In the first half of 2019, the Company conducted its operation under the concepts of being "safe, environmental friendly, civilized and effective" to strengthen security and environment protection management and deepen refined management, maintaining stable production and meeting emission standards.

2. The projects under construction successfully conducted and five projects were completed and commenced operation

In the first half of 2019, the projects under construction of the Company were conducted smoothly. Miyun Project, Shantou Project, Jiamusi Project, Zhangqiu Project and Bobai Project began to supply electricity to the grid successively with newly added production capacity of 5,100 ton/day. The Sihui Project was generally completed, 45%, 45%, 50%, 35% and 25% of construction works were completed in the Huizhou Phase II Project, Hong'an Project, Fengcheng Project, Yichun Project and Haining Expansion Project, respectively. The Yongjia Phase II Project was commenced the piling work.

3. Reaching new horizons in market development with four newly additional municipal waste-to-energy projects

In 2019, the Company is maintaining efforts for project development in both new project development and merger and acquisition. The Company successively entered into three concession agreements for the phase II of Pingyang Project, Jingxi Project and Enshi Project, and succeeded in acquiring Jinsha Project in Guizhou, enriching the project reserve.

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

The Company continued to promote the research into and develop of large incinerators. The Company completed the design and optimization, and commenced the processing and manufacturing of the 800-ton incinerator, organized the research and development of the online warning and control system of dioxin arising from waste-to-energy project, which is the first domestically. With the 5 patents (including 2 invention patents) newly obtained in first half of year, the Group has obtained a total of 58 patents (including 11 invention patents and 47 utility model patents).

BUSINESS OUTLOOK

In order to realize the construction goals set forth 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》), as well as to enhance ecological civilization and build beautiful China, waste incineration is encouraged by the State, the waste incineration power generation industry in China will still be in a promising period of opportunity, and the fierce competition in the industry will also be maintained. Shanghai took the lead in entering the era of garbage classification, and other cities in China will gradually realize the mandatory classification of domestic garbage, which will have certain impact on the back-end garbage disposal.

The Company will take the mission of creating a better living environment, give full play to its advantages in brand, technology, talent team and financing channel, seize the opportunities of industry development, continue to deepen the waste incineration power generation industry, and consolidate its leading position in the industry. In addition, we will also strengthen technology research, development and innovation, optimize management of projects under construction, improve operational project management standards, improve internal management systems, and achieve high-quality sustainable development.

In the second half of the year, the Company will continue to speed up the project preparation and construction to ensure that Sihui Project will be completed and put into operation in this year. It is expected that Fengcheng, Yichun, Huizhou Phase II Project, Haining Expansion and Hong'an Project will complete 90%, 80%, 80%, 70% and 85% of the total construction respectively by the end of the year. We will strive to start the Pingyang Phase II Project, Shishou Project and Dengfeng Project in this year.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

(I) Analysis of principal operations

1. Analysis of changes in the relevant items in the financial statements

Unit: RMB

Item	Amount for the current period	Amount for the corresponding period last year	Change (%)
Operating income	**795,270,932.19**	516,223,451.78	54.06
Operating cost	**369,381,701.88**	195,970,431.36	88.49
Administrative expenses	**55,188,466.26**	41,732,531.58	32.24
Finance costs	**151,796,172.26**	103,395,126.76	46.81
Research and development expenses	**4,591,001.76**	4,222,330.72	8.73
Net cash flow generated from operating activities	**–125,467,057.29**	–189,122,860.59	N/A
Net cash flow generated from investing activities	**–1,202,774,164.11**	–422,762,160.60	N/A
Net cash generated from financing activities	**1,196,976,022.87**	770,779,998.09	55.29

Explanation on changes in operating income:	Mainly due to the addition of operating projects such as Tongzhou, Ninghe Biomass, Miyun, Zhangqiu, Shantou, Jiamusi and Guangyuan during the period
Explanation on changes in operating cost:	Mainly due to the increase in operating projects, as well as the increase in straw treatment capacity and unit procurement price of the Ninghe Straw Project, resulting in the increase in procurement cost of straws
Explanation on changes in administrative expenses:	Increase in operating projects
Explanation on changes in finance costs:	Increase in borrowing
Explanation on changes in research and development expenses:	Minimum changes
Explanation on changes in net cash flow generated from operating activities:	Mainly due to the increase in cash received for the sale of goods and provision of services
Explanation on changes in net cash flow generated from investing activities:	Increase in construction expenditure for the projects under construction and increase in payment for acquisition not under common control
Explanation on changes in net cash flow generated from financing activities:	Increase in the projects under construction and the payment for acquisition not under common control, resulting in the increase in borrowing

2. Others

(1) Detailed explanation of major changes in the composition or sources of the Company's profit

☐ Applicable ✓ Not Applicable

(2) Others

☐ Applicable ✓ Not Applicable

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

☐ Applicable ✓ Not Applicable

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

(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	Amount as at the end of the current period to total assets (%)	Amount as at the end of the prior period	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
Accounts receivable	**376,672,529.11**	**3.07**	231,720,897.81	2.17	62.55	The addition of operating projects such as Miyun, Jiamusi, Shantou and Zhangqiu during the period and the extension in settlement period of some project companies
Contract assets	**273,117,676.11**	**2.23**	155,318,993.04	1.45	75.84	The addition of operating projects such as Miyun, Jiamusi, Shantou and Zhangqiu during the period, and some projects under operation which have not been included in the directory of national renewable energy subsidies, and the increase in the accumulated balance of receivables from national renewable energy subsidies
Long-term receivables	**4,196,344,697.36**	**34.20**	3,836,000,876.02	35.89	9.39	The increase in construction expenditure of Haining Expansion Project and Hong'an project, and acquisition of Jinsha Project
Intangible assets	**5,399,154,357.18**	**44.00**	4,411,246,358.86	41.27	22.40	The increase in construction expenditure of projects
Short-term loans	**1,971,000,000.00**	**16.06**	854,000,000.00	7.99	130.80	The increase in investment expenditure for projects under construction, payment of acquisition not under common control, and the increase in borrowings from BSAM
Accounts payable	**1,052,707,854.04**	**8.58**	900,854,708.97	8.43	16.86	The increase in projects under construction and increase in payables for construction
Long-term loans	**4,587,186,834.20**	**37.38**	4,390,551,321.62	41.08	4.48	

Other explanation

Nil

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

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

✓ Applicable ☐ Not Applicable

Unit: RMB

Item	Balance at the end of the period	Reason for restriction
Assets for providing guarantees		
– Monetary funds	**81,757,520.00**	Assets for providing performance bond
– Intangible assets	**2,446,967,563.26**	Providing guarantees for loans
– Accounts receivable	**194,018,868.88**	Providing guarantees for loans
– Contract assets	**254,182,114.10**	Providing guarantees for loans
– Long-term receivables due within one year	**29,952,093.63**	Providing guarantees for loans
– Long-term receivables	**1,675,573,679.47**	Providing guarantees for loans
Total	**4,682,451,839.34**	

3. *Other explanation*

☐ Applicable ✓ Not Applicable

(IV) Financial Review

Financial position and net profit

For the first half of 2019, the Group achieved an operating income of RMB795,270,932.19 and net profit of RMB218,287,580.40. As at 30 June 2019, the Group's total assets and total liabilities amounted to RMB12,271,605,205.59 and RMB9,039,864,578.70 respectively. The total equity amounted to RMB3,231,740,626.89 and the gearing ratio (calculated as total liabilities over total assets) was 73.66%, and the net asset value per share attributable to the shareholders of the Company was RMB2.67.

Revenue analysis

During the Reporting Period, the Group achieved an operating income of RMB795,270,932.19 (corresponding period in 2018: RMB516,223,451.78), representing an increase of 54.06% as compared to the corresponding period in 2018. The increase was mainly due to an increased number of projects. In particular, operating income from waste-to-energy projects amounted to RMB618,916,553.59 (corresponding period in 2018: RMB396,765,272.36), representing an increase of 55.99% as compared to the corresponding period in 2018, mainly due to the addition of operating projects such as Tongzhou, Ninghe Biomass, Miyun, Zhangqiu, Shantou, Guangyuan and Jiamusi. Interest income amounted to RMB137,778,275.25 (corresponding period in 2018: RMB105,903,694.25), representing an increase of 30.10% as compared to the corresponding period in 2018. The increase was mainly due to the increase in interest income recognised by using effective interest method as a result of the increase in the long-term receivables recognised based on the completion percentage for the construction of waste-to-energy projects, e.g., the Haining Expansion Project.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group increased by 32.99% to RMB425,889,230.31 (corresponding period in 2018: RMB320,253,020.42) and the gross profit margin was 53.55% (corresponding period in 2018: 62.04%), mainly because (1) the gross profit margins of new operating projects, i.e. Miyun, Jiamusi, Shantou and Zhangqiu projects are below average; (2) Taizhou and other projects conducted overhaul during the period, thereby increasing operating costs and causing a decline in gross profit margin.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group amounted to approximately RMB55,188,466.26 (corresponding period in 2018: RMB41,732,531.58), which accounted for approximately 6.94% (corresponding period in 2018: 8.08%) of the operating income of Group. The administrative expenses slightly decreased as compared to the previous year.

Finance costs

During the Reporting Period, the finance costs for the Group amounted to RMB151,796,172.26, representing an increase of approximately RMB48,401,045.50 over the previous year. This was mainly due to an increase in bank borrowings as required by project construction.

Total profit

During the Reporting Period, the total profit of the Group amounted to RMB246,509,555.50, representing an increase of approximately RMB48,691,976.25 as compared to corresponding period in 2018, which was mainly due to an increase in operating income.

Income tax

During the Reporting Period, the income tax expenses of the Group amounted to approximately RMB28,221,975.10 (first half of 2018: RMB17,358,517.73), accounting for approximately 11.45% (first half of 2018: 8.78%) of total profit of the Group. The ratio of income tax expenses to total profit increased mainly because of the expiry of the tax holiday and the 50% relief period of corporate income tax of part of subsidiaries.

Total comprehensive income attributable to the shareholders of the Company

During the Reporting Period, the total comprehensive income attributable to the shareholders of the Company was RMB217,139,204.89 (corresponding period in 2018: RMB180,982,900.46). The increase was mainly due to an increase in net profit.

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 30 June 2019, the Group had cash and cash equivalents of approximately RMB545,063,911.58, representing a decrease of RMB88,914,572.14 as compared to RMB633,978,483.72 at the end of 2018. The cash balance decreased as compared with last year mainly because the cash outflows used in project construction exceeded the cash inflows generated from financing activities. As at 30 June 2019, the Group's gearing ratio increased from 71.25% at the end of 2018 to 73.66%. The increase was mainly due to the increase in borrowings.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

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 reasonable capital structure to reduce 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. During the six months ended 30 June 2019, the Group's strategy remained unchanged from 2018. As at 30 June 2019 and 31 December 2018, the gearing ratios of the Group were 73.66% and 71.25% respectively.

Loans and borrowings and pledge of assets

As at 30 June 2019, the Group had total outstanding borrowings of approximately RMB7,143,717,764.13, representing an increase of RMB1,366,863,152.00 as compared to RMB5,776,854,612.13 at the end of 2018. The borrowings included secured loans of RMB4,952,717,764.13 and unsecured loans of RMB2,191,000,000.00. The Group's borrowings were denominated in Renminbi and Hong Kong dollars. Most of the Group's borrowings were at floating rates. As at 30 June 2019, the Group had composite banking credit facilities in the amount of RMB11,560,728,550, of which RMB4,720,902,817.56 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 to occur. 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 RMB4,346,512,205.24 as at 30 June 2019.

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 2018 and 30 June 2019 under the guarantees was the credit facility drawn down by the subsidiaries of RMB2,845,159,102.65 and RMB3,117,380,752.91 respectively.

Commitments
As at 31 December 2018 and 30 June 2019, the Group's outstanding purchase commitments in relation to the construction contracts which had not been provided for in the Group's interim financial statements were RMB3,140,925,730.64 and RMB3,566,741,257.51 respectively.

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

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Within 1 year	**1,015,401.55**	2,421,278.00
Over 1 year but within 2 years	**17,900.00**	152,370.00
Over 2 years but within 3 years (inclusive)	**660.00**	4,400.00
Total	**1,033,961.55**	2,578,048.00

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.

(V) Investment analysis

1. *Overall analysis of external equity investments*

✓ Applicable ☐ Not Applicable

Investments during the Reporting Period (RMB)	**Investments during the corresponding period last year (RMB)**	**Change**
560,386,540.04	297,000,000.00	88.68%

(1) Material equity investments

☐ Applicable ✓ Not Applicable

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (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
Shantou Project	Self-financing and borrowings	8,536.53	55,840.70	Trial operation in March 2019
Huizhou Phase II Project	Self-financing and borrowings	21,277.10	24,780.17	45% completed
Haining Expansion Project	Self-financing and borrowings	24,519.97	24,519.97	25% completed

(3) Details of future material investment or capital assets planning
As at 30 June 2019, 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 interim 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 controlling and companies invested by the Company

✓ Applicable ☐ Not Applicable

Unit: RMB'0,000

Name of company	Principal business	Registered capital	Total assets	Net assets	Net profit	Operating income	Operating profit
Huizhou Company	Waste treatment and power generation	22,000	71,067.75	31,499.19	3,729.18	7,160.85	4,324.04
Wuhan Company	Waste treatment and power generation	12,948.4	46,247.57	28,597.81	2,485.74	5,087.41	2,919.69
Tongzhou Company	Waste treatment and power generation	37,500	139,508.07	44,413.49	3,842.1	8,815.69	4,302.43
Anshun Company	Waste treatment and power generation	10,000	46,493.91	22,784.36	2,366.96	3,824.35	2,599.83

(VIII) Structured entities controlled by the Company

☐ Applicable ✓ Not Applicable

II. Other disclosures

(I) Warning and explanation about anticipated loss on the accumulated net profit for the period from the beginning of the year to the end of the next reporting period or significant change as compared with the corresponding period last year

☐ Applicable ✓ Not Applicable

(II) Potential risks

✓ 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.

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.

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.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

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 complexity of the operation of the Company may be intensified and the profitability of the Company may be adversely affected.

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.

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.

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.

8. Risk of high gearing ratio

Municipal waste-to-energy is a capital-intensive industry, and project construction funds are generally raised by 30% of capital and 70% of bank loans. The Company has recently many projects under construction, resulting in an increase in the gearing ratio. As of the end of June 2019, the Company's gearing ratio was 73.66%, higher than the industry average. The Company maintains sufficient credit line in the bank, and at the same time applies for financial support from the controlling shareholder. With the tightening domestic monetary and poor lending channels, the operations, financial conditions and cash flow of the Company may be affected adversely .

(III) Other disclosure

☐ Applicable ✓ Not Applicable

V. SIGNIFICANT EVENTS

I. 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
2018 Annual General Meeting	5 June 2019	www.hkexnews.hk www.sse.com.cn	Stock Exchange: 5 June 2019 SSE: 6 June 2019

Explanation of general meetings

☐ Applicable ✓ Not applicable

II. Proposal of profit distribution or conversion of capital reserve

(I) Proposal of profit distribution or conversion of capital reserve to share capital for the first half of the year

Any distribution or capital increase	No

Number of bonus shares for every 10 shares (share)
Dividends for every 10 shares (RMB) (Tax inclusive)
Reserve to share capital for every 10 Shares (share)
Details of proposal of profit distribution or conversion of capital reserve
The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019

V. SIGNIFICANT EVENTS (CONTINUED)

III. 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 and the Company

✓ 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 prices of the shares are 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 lock-up 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		

V. 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 lock-up 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) (安徽省江淮成長投資基金中心(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		
	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		
	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/the undertaking party 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		

V. 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	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		
	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 lock-up period, the price shall not be lower than the issue price.	11 June 2021 to 10 June 2023	Yes	Yes		

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, 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	Yes	Yes		

IV. Appointment or dismissal of auditors

Explanation of appointment or dismissal of auditors

✓ Applicable ☐ Not applicable

During the Reporting Period, as passed at the 2018 annual general meeting of the Company, the Company appointed KPMG Huazhen LLP as its auditors to provide financial reporting, internal control and audit services for the Company in 2019 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

Explanation of the Company on the "non-standard audit report" issued by auditors

☐ Applicable ✓ Not applicable

Explanation of the Company on the "non-standard audit report" issued by the registered accountant in the financial statements of last year's annual report

☐ Applicable ✓ Not applicable

V. Matters related to bankruptcy and reorganization

☐ Applicable ✓ Not applicable

VI. Material litigation and arbitration

☐ The Company had material litigation and arbitration during the Reporting Period

✓ The Company did not have material litigation and arbitration during the Reporting Period

VII. Punishment and rectification of the Company and its Directors, Supervisors, senior management, controlling shareholder, beneficial controllers and bidders

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

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

☐ Applicable ✓ Not applicable

(II) Incentive 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

X. Significant related party transactions

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

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

(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

V. 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

1. The Company provided a loan of RMB37,816,510.20 to Fengcheng Company in December 2018, which was repaid in June 2019, and a loan of RMB10 million to Fengcheng Company in June 2019, which was repaid in July 2019.

2. The Company applied to BSAM, the controlling shareholder, for financial assistance not exceeding to RMB3.5 billion in total at the benchmark rate, and the balance of loans was RMB1,810 million as at the end of the Reporting Period.

3. Matters which have not been published in temporary announcements

☐ Applicable ✓ Not applicable

(V) Other significant related party transactions

☐ Applicable ✓ Not applicable

(VI) Others

☐ Applicable ✓ Not applicable

XI. Material contracts and their performance

1 Trusteeship, contracting and leasing matters

☐ Applicable ✓ Not applicable

2 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 provided by the Company for its subsidiaries	
Total guarantees for subsidiaries during the Reporting Period	503,938,526.51
Total guarantee balance for subsidiaries as at the end of Reporting Period (B)	3,117,380,752.91
Total amount of guarantees provided by the Company (including those for subsidiaries)	
Total amount of guarantees (A+B)	3,117,380,752.91
Total amount of guarantees over the net assets of the Company (%)	109.29
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)	1,628,674,905.26
Amount of the total guarantees exceeding 50% of net assets (E)	1,691,174,572.87
Total amount of above three guarantees (C+D+E)	3,319,849,478.13
Explanations on outstanding guarantee which may undertake joint liability for satisfaction	
Explanations on guarantees	

3 Other material contracts

☐ Applicable ✓ Not applicable

XII. Poverty alleviation work of the Company

☐ Applicable ✓ Not applicable

XIII. Convertible bonds

☐ Applicable ✓ Not applicable

XIV. Environmental information

(I) 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

Wuhan Company, Anshun Company, Huizhou Company and Tongzhou Company, which are key 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. 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 these wage pipe network, and there is no discharge outlet for reuse.

V. 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	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 2019 No. 158 17 April 2019	1# furnace	ND	100
					2# furnace	6	100
					3# furnace	4	100
		Oxynitride			1# furnace	100	300
					2# furnace	105	300
					3# furnace	70	300
		Smog			1# furnace	ND	30
					2# furnace	1.1	30
					3# furnace	2.7	30
		Dioxin		Hua Huan Jian Ce Zi [Dioxin] 2019 No. 202 8 May 2019	1# furnace	0.006	0.1
					2# furnace	0.008	0.1
				Hua Huan Jian Ce Zi [Dioxin] 2019 No. 76 22 February 2019	3# furnace	0.017	0.1
2	Tongzhou Company	Sulfur dioxide	Beijing Centre Testing International Group Co., Ltd (華測檢測認證集團北京有限公司)	A2190128081101005; 5 June 2019	1# furnace	<2	50
					2# furnace	7	50
					3# furnace	<3	50
		Oxynitride			1# furnace	55	80
					2# furnace	73	80
					3# furnace	52	80
		Smog			1# furnace	<0.8	10
					2# furnace	<0.9	10
					3# furnace	<0.9	10
		COD				<4	50
		Dioxin		A2190044793101; 18 March 2019	1# furnace	0.025	0.1
				A2190146985101; 20 and 21 June 2019	2# furnace	0.0013	0.1
					3# furnace	0.0021	0.1
3	Anshun Company	Sulfur dioxide	Guizhou Zhongce Test Technology Service Co., Ltd. (貴州中測檢測技術有限公司)	Zhong [Jian] 201903080 27 March 2019	1# furnace	10	100
					2# furnace	64	100
		Oxynitride			1# furnace	119	300
					2# furnace	125	300
		Smog			1# furnace	7.38	30
					2# furnace	8.38	30
		Dioxin	Jiangsu Weipu Test Technology Service Co., Ltd. (江蘇微譜檢測技術有限公司)	WJS-19046014-JC-01 8 and 9 May 2019	1# furnace	0.0064	0.1
					2# furnace	0.0036	0.1

V. SIGNIFICANT EVENTS (CONTINUED)

No.	Name of unit	Name of pollutants	Testing institution	Number and date of the testing report	Emission concentration		Emission limit
4	Wuhan Company	Sulfur dioxide	Wuhan Centre Testing International Co., Ltd. (武漢市華測檢測技術有限公司)	EDD18L000626002 9 April 2019	1# furnace	4	100
					2# furnace	ND	100
					3# furnace	ND	100
		Oxynitride			1# furnace	143	300
					2# furnace	140	300
					3# furnace	159	300
		Smog			1# furnace	1.88	30
					2# furnace	2.16	30
					3# furnace	1.303	30
		Dioxin	Jiangxi Gaoyan Test Technology Service Co., Ltd. (江西高研檢測技術服務有限公司)	JDF19050018 30 May 2019	1# furnace	0.0293	0.1
					2# furnace	0.0067	0.1
					3# furnace	0.0263	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.

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 emission.

The estimated total emissions and the approved total annual emissions of major pollutants of the above companies during the Reporting Period are summarised as follows:

Name of pollutant	Actual emissions (ton)	Emission indicators (ton/year)
Sulfur dioxide	49.76	422.68
Oxynitride	321.81	1,295.42
Smog	5.94	114.08
COD	0	9.6

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.

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	Wuhan Project	24 November 2008	Environmental Protection Department of Hubei Province
2	Anshun Project	10 October 2013	Environmental Protection Department of Guizhou Province
3	Huizhou Project	24 December 2014	Environmental Protection Bureau of Huizhou City
4	Tongzhou Project	25 December 2015	Environmental Protection Bureau of Beijing 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 annually 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

(II) Environmental information of companies other than major pollutant-emission units

✓ Applicable ☐ Not applicable

All of the Company's domestic waste incineration power plants are equipped with complete exhaust gas, leachate and fly ash treatment systems, which are up to standard discharge during the Reporting Period.

(III) Reasons for not disclosing the environmental information of companies other than major pollutant-emission units

☐ Applicable ✓ Not applicable

(IV) Further progress or changes of environmental information disclosed during the Reporting Period

☐ Applicable ✓ Not applicable

XV. Compliance with the Corporate Governance Code

The Company has fully complied with all the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules for the six months ended 30 June 2019.

XVI. Other matters of significance

(I) Compared with the last accounting period, the change of accounting policies, accounting estimates and calculation methods and their reasons and impact

✓ 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 30 of "Changes in significant accounting policies and accounting estimates" in Section X.

(II) The correction on significant accounting errors required to be restated, its amount after correction, reasons and impact during the Reporting Period

☐ Applicable ✓ Not applicable

(III) Others

☐ Applicable ✓ Not applicable

VI. CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. Changes in share capital

(I) Table of changes in shares

1. Changes in share capital

Unit: '0,000 shares

	Before change		Increase or decrease (+ or –)					After change	
	Number	Percentage (%)	New issue	Bonus issue	Shares converted from reserves	Others	Sub-total	Number	Percentage (%)
I. Restricted shares	64,064.0208	55.1705				–13,945.059	–13,945.059	50,118.9618	43.1614
1. Shares held by the state									
2. Shares held by state-owned legal persons	50,118.9618	43.1614						50,118.9618	43.1614
3. Shares held by other domestic investors	13,945.059	12.0091				–13,945.059	–13,945.059	0	0
Including: shares held by domestic non-state-owned legal persons	13,945.059	12.0091				–13,945.059	–13,945.059	0	0
4. Shares held by overseas investors									
II. Non-restricted shares	52,055.9792	44.8295				13,945.059	13,945.059	66,001.0382	56.8386
1. RMB ordinary shares	11,620	10.0069				13,945.059	13,945.059	25,565.059	22.0161
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	40,435.9792	34.8226						40,435.9792	34.8226
4. Others									
III. Total number of shares	116,120	100						116,120	100

2. Explanation of changes in shares

✓ Applicable ☐ Not applicable

On 11 June 2019, 139,450,590 initial public offering restricted shares of the Company were listed for circulation.

3. Effect of changes in shares on financial indicators such as earnings per share and net assets per share within the period from the end of the Reporting Period to the disclosure date of the interim report (if any)

☐ Applicable ✓ Not applicable

4. Repurchase, sales or redemption of listed securities of the Company

During the six months ended 30 June 2019, neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

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

☐ Applicable ✓ Not applicable

VI. CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Changes in restricted shares

✓ Applicable ☐ Not applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Release of restricted shares during the Reporting Period	Increase of restricted shares during the Reporting Period	Number of restricted shares at the end of the Reporting Period	Reason for release	Date of release of the restricted shares
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership) (安徽省江淮成長投資基金中心(有限合夥))	49,725,295	49,725,295		0	Undertakings of initial public offering	11 June 2019
Shanghai Zhonghui Jinjiu Investment Co., Ltd. – Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership) (上海中匯金玖投資有限公司–保利龍馬鴻利股權投資基金(天津)合夥企業(有限合夥))	27,889,610	27,889,610		0	Undertakings of initial public offering	11 June 2019
Gongqingcheng Jingxiu Investment Partnership (Limited Partnership)	20,918,478	20,918,478		0	Undertakings of initial public offering	11 June 2019
Beijing Huitai Hengrui Investment Co., Ltd. (北京惠泰恒瑞投資有限公司)	20,917,207	20,917,207		0	Undertakings of initial public offering	11 June 2019
Zhongshang Longrun Huanke Investment Co., Ltd. (中商龍潤環科投資有限公司)	20,000,000	20,000,000		0	Undertakings of initial public offering	11 June 2019
Total	139,450,590	139,450,590		0	/	/

II. Shareholders

(I) Total number of shareholders:

Total number of holders of ordinary shares as at the end of the Reporting Period	51,007
Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period	0

VI. CHANGES IN 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

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	Pledged or frozen: Status	Pledged or frozen: Number	Nature of shareholder
Beijing State-owned Assets Management Co., Ltd.	0	501,189,618	43.1614	501,189,618	Nil		State-owned legal person
HKSCC NOMINEES LIMITED	1,000	379,481,000	32.6801	0	Unknown		Overseas legal person
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)	–11,611,923	38,113,372	3.2822	0	Nil		Domestic non-state-owned legal person
Beijing State-owned Assets Management (Hong Kong) Company Limited ("BSAM (HK)")	0	24,859,792	2.1409	0	Nil		Overseas legal person
Zhongshang Longrun Huanke Investment Co., Ltd.	0	20,000,000	1.7224	0	Pledged	20,000,000	Domestic non-state-owned legal person
Beijing Huitai Hengrui Investment Co., Ltd.	–1,637,000	19,280,207	1.6604	0	Nil		Domestic non-state-owned legal person
Shanghai Zhonghui Jinjiu Investment Co., Ltd. – Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership)	–11,598,900	16,290,710	1.4029	0	Nil		Domestic non-state-owned legal person
Gongqingcheng Jingxiu Investment Partnership (Limited Partnership)	–5,600,400	15,318,078	1.3192	0	Nil		Domestic non-state-owned legal person
Zhao Yuyan	1,700,000	1,700,000	0.1464	0	Nil		Domestic natural person
Ruan Kerong	1,125,000	1,125,000	0.0969	0	Nil		Domestic natural person

VI. CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

Top ten holders of shares not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Class and number of shares: Class	Class and number of shares: Number
HKSCC NOMINEES LIMITED	379,481,000	Overseas listed foreign shares	379,481,000
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)	38,113,372	RMB ordinary shares	38,113,372
BSAM (HK)	24,859,792	Overseas listed foreign shares	24,859,792
Zhongshang Longrun Huanke Investment Co., Ltd.	20,000,000	RMB ordinary shares	20,000,000
Beijing Huitai Hengrui Investment Co., Ltd	19,280,207	RMB ordinary shares	19,280,207
Shanghai Zhonghui Jinjiu Investment Co., Ltd. – Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership)	16,290,710	RMB ordinary shares	16,290,710
Gongqingcheng Jingxiu Investment Partnership (Limited Partnership)	15,318,078	RMB ordinary shares	15,318,078
Zhao Yuyan	1,700,000	RMB ordinary shares	1,700,000
Ruan Kerong	1,125,000	RMB ordinary shares	1,125,000
Huang Jiawei	1,000,000	RMB ordinary shares	1,000,000

Particulars of related-party relationship or concert party arrangement among the Shareholders above	BSAM (HK) is a wholly-owned subsidiary of BSAM

VI. CHANGES IN 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

Particulars of related-party relationship or concert party arrangement among the Shareholders above	N/A

VI. CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

(III) Particulars of shareholding of substantial shareholders disclosed pursuant to the SFO

Save as disclosed in the section headed "Interests in securities held by Directors, Supervisors and senior management", as at 30 June 2019, 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)
Beijing State-owned Assets Management Co., Ltd. ("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%	2.44%
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)(4)	38,113,372 A shares (Long position)	Beneficial owner	5.04%	3.28%
Beijing Green Innovation Investment Company Limited(4) (北京綠色創想投資有限公司)	38,113,372 A shares (Long position)	Interest in controlled corporation	5.04%	3.28%
Beijing Zhixin Hengjin Investment Co., Ltd.(4) (北京智信恒金投資有限公司)	38,113,372 A shares (Long position)	Interest in controlled corporation	5.04%	3.28%
Bai Hongtao(4)	38,113,372 A shares (Long position)	Interest in controlled corporation	5.04%	3.28%

VI. CHANGES IN 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]
Pan Ling[4]	38,113,372 A shares (Long position)	Interest in controlled corporation	5.04%	3.28%
Tenbagger Capital Management CO., LTD	32,438,000 H Shares (Long position)	Investment manager	8.02%	2.79%

Notes:

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 30 June 2019.

(2) The calculation is based on the total number of 1,161,200,000 Shares in issue as at 30 June 2019.

(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% share of Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership) is held by Beijing Green Innovation Investment Company Limited. 45.78% share of Beijing Green Innovation Investment Company Limited is held by Beijing Zhixin Hengjin Investment Co., Ltd. The share of Beijing Zhixin Hengjin 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 Zhixin Hengjin 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 30 June 2019, no other interests required to be recorded in the Register kept under Section 336 of the SFO have been notified to the Company.

The non-executive directors of the Company, Mr. Zhi Jun and Mr. Cheng Suning are employees of entities under the BSAM group.

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

☐ Applicable ✓ Not applicable

III. Changes in controlling shareholder or beneficial controllers

☐ Applicable ✓ Not applicable

VII. PREFERENCE SHARES

☐ Applicable ✓ Not applicable

VIII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Changes in shareholding

(I) Changes in shareholding of the current and resigned Directors, Supervisors and senior management during the Reporting Period

☐ Applicable ✓ Not applicable

(II) Interests in securities held by Directors, Supervisors and senior management

As at 30 June 2019, the interests and short positions of the Directors, supervisors (the "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 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 Companies (the "Model Code") 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)	15,318,078 A shares (Long position)	Interest in controlled corporation	2.02%	1.32%

Notes:

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 30 June 2019.

(2) The calculation is based on the total number of 1,161,200,000 Shares in issue as at 30 June 2019.

(3) Gongqingcheng Jingxiu Investment Partnership (Limited Partnership) ("Jingxiu Investment", originally known as Shenzhen Jingxiu Investment Partnership (Limited Partnership)) held 15,318,078 A shares, representing approximately 2.02% of the A shares and approximately 1.32% 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 30 June 2019 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 2019 to 30 June 2019 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.

(III) Equity incentive granted to Directors, Supervisors and senior management during the Reporting Period

☐ Applicable ✓ Not applicable

II. Changes in Directors, Supervisors and senior management of the Company

☐ Applicable ✓ Not applicable

Explanation of changes in Directors, Supervisors and senior management of the Company

☐ Applicable ✓ Not applicable

III. Code of conduct for 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. 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.

IV. Human resources and policies

As at 30 June 2019, the Group had a total of 2,107 staff members.

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.

The Group also provides systematic training. 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 nurture a pool of reserve talent.

V. Other explanation

☐ Applicable ✓ Not applicable

IX. CORPORATE BONDS

☐ Applicable ✓ Not applicable

X. FINANCIAL REPORT

REVIEW REPORT

畢馬威華振專字第1900945號

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

We have reviewed the accompanying interim financial report of Dynagreen Environmental Protection Group Co., Ltd. ("Dynagreen"), which comprises the consolidated and company balance sheets as at 30 June 2019, and 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 period between 1 January 2019 and 30 June 2019 and notes to the interim financial report. Dynagreen's management is responsible for preparing the interim financial report in accordance with "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting", issued by the Ministry of Finance of the People's Republic of China. Our responsibility is to issue a report on the interim financial report based on our review.

We conducted our review in accordance with "China Standard on Review No. 2101 – Engagements to Review Financial Statements". This Standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial report is free from material misstatement. A review is limited primarily to inquiries of personnel of Dynagreen and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report is not presented fairly, in all material respects in accordance with "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting".

KPMG Huazhen LLP

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

Fong Kwin

Huang Qiumei

Beijing, China

28 August 2019

CONSOLIDATED BALANCE SHEET

(Unit: RMB)

	Note	30 June 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Assets				
Current assets:				
Cash at bank and on hand	V. 1	**626,821,431.58**	710,736,003.72	694,492,369.22
Bills receivable	V. 2	**1,000,000.00**	16,329,816.00	1,188,000.00
Accounts receivable	V. 3	**376,672,529.11**	231,720,897.81	137,882,371.30
Prepayments	V. 4	**15,852,324.14**	35,883,159.32	10,665,860.03
Other receivables	V. 5	**39,577,028.22**	67,278,534.97	43,025,535.20
Inventories	V. 6	**21,404,324.00**	20,094,393.80	13,468,671.92
Contract assets	V. 7	**273,117,676.11**	155,318,993.04	62,445,722.36
Long-term receivables due within one year	V. 8	**79,431,561.25**	71,704,170.76	60,253,469.54
Other current assets	V. 9	**121,818,949.64**	136,983,506.10	79,571,134.97
Total current assets		**1,555,695,824.05**	1,446,049,475.52	1,102,993,134.54
Non-current assets:				
Long-term receivables	V. 10	**4,196,344,697.36**	3,836,000,876.02	2,851,455,610.55
Long-term equity investments	V. 11	**69,046,224.60**	31,222,775.27	–
Fixed assets	V. 12	**51,118,973.53**	49,538,030.79	11,222,619.07
Right-of-use assets	V. 51	**3,335,832.33**	–	–
Intangible assets	V. 13	**5,399,154,357.18**	4,411,246,358.86	2,250,956,146.38
Goodwill	V. 14	**43,910,821.67**	43,910,821.67	–
Long-term deferred expenses	V. 15	**747,369.25**	1,300,011.71	1,252,282.08
Deferred income tax assets	V. 16	**195,238,383.09**	180,996,600.65	144,492,431.40
Other non-current assets	V. 17	**757,012,722.53**	688,741,531.41	502,153,608.63
Total non-current assets		**10,715,909,381.54**	9,242,957,006.38	5,761,532,698.11
Total assets		**12,271,605,205.59**	10,689,006,481.90	6,864,525,832.65

The notes on pages 66 to 187 form part of these financial statements.

X. FINANCIAL REPORT (CONTINUED)

	Note	30 June 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Liabilities and shareholders' equity				
Current liabilities:				
Short-term loans	V. 18	**1,971,000,000.00**	854,000,000.00	310,154,600.00
Accounts payable	V. 19	**1,052,707,854.04**	900,854,708.97	480,416,745.67
Advances from customers		**–**	–	868,370.67
Contract liabilities	V. 20	**8,343,389.02**	6,145,947.92	–
Employee benefits payable	V. 21	**35,567,299.12**	76,002,585.39	52,761,417.16
Taxes payable	V. 22	**53,946,337.60**	43,246,575.79	37,643,292.07
Other payables	V. 23	**282,944,727.75**	369,910,815.21	50,690,875.83
Non-current liabilities due within one year	V. 24	**595,619,702.41**	539,592,998.16	364,932,684.97
Total current liabilities		**4,000,129,309.94**	2,789,753,631.44	1,297,467,986.37
Non-current liabilities:				
Long-term loans	V. 25	**4,587,186,834.20**	4,390,551,321.62	2,914,085,622.20
Lease liabilities	V. 51	**624,701.46**	–	–
Long-term payables	V. 26	**301,206,398.29**	305,098,322.59	319,693,175.61
Deferred income	V. 27	**31,225,163.52**	21,297,023.96	18,333,333.40
Deferred income tax liabilities	V. 16	**119,492,171.29**	109,709,057.59	29,602,706.45
Total non-current liabilities		**5,039,735,268.76**	4,826,655,725.76	3,281,714,837.66
Total liabilities		**9,039,864,578.70**	7,616,409,357.20	4,579,182,824.03

The notes on pages 66 to 187 form part of these financial statements.

X. FINANCIAL REPORT (CONTINUED)

	Note	30 June 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Liabilities and shareholders' equity (Continued)				
Shareholders' equity:				
Share capital	V. 28	**1,161,200,000.00**	1,161,200,000.00	1,045,000,000.00
Capital reserve	V. 29	**858,800,748.47**	858,803,441.83	628,984,641.83
Other comprehensive income	V. 30	**(8,142,237.66)**	(8,118,159.45)	(10,098,220.33)
Surplus reserve	V. 31	**71,532,851.40**	71,532,851.40	56,379,717.24
Retained earnings	V. 32	**1,013,618,059.07**	912,574,775.97	562,076,869.88
Total equity attributable to shareholders of the company		**3,097,009,421.28**	2,995,992,909.75	2,282,343,008.62
Non-controlling interests		**134,731,205.61**	76,604,214.95	3,000,000.00
Total shareholders' equity		**3,231,740,626.89**	3,072,597,124.70	2,285,343,008.62
Total liabilities and shareholders' equity		**12,271,605,205.59**	10,689,006,481.90	6,864,525,832.65

These financial statements were approved by the Board of Directors on 28 August 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)	

X. FINANCIAL REPORT (CONTINUED)

COMPANY BALANCE SHEET

(Unit: RMB)

	Note	30 June 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Assets				
Current assets:				
Cash at bank and on hand		**119,074,220.43**	280,410,049.42	132,881,313.36
Accounts receivable	XV. 1	**49,433,737.48**	20,487,404.22	23,432,152.99
Prepayments		**113,766.83**	824,071.91	3,903,404.82
Other receivables	XV. 2	**1,052,773,375.54**	476,680,139.04	227,047,409.33
Long-term receivable due within one year		**39,681,337.11**	25,744,348.18	75,203,703.66
Other current assets		**–**	3,500,000.00	8,584,557.51
Total current assets		**1,261,076,437.39**	807,646,012.77	471,052,541.67
Non-current assets:				
Long-term receivables	XV. 3	**386,738,662.89**	338,175,651.82	386,516,296.34
Long-term equity investments	XV. 4	**4,371,867,975.63**	3,811,481,435.51	2,517,058,660.24
Fixed assets		**2,334,649.52**	1,173,504.80	1,573,002.58
Right-of-use assets		**1,961,049.00**	–	–
Intangible assets		**1,078,421.78**	538,087.51	137,858.73
Deferred income tax assets		**843,848.86**	948,156.39	578,627.50
Total non-current assets		**4,764,824,607.68**	4,152,316,836.03	2,905,864,445.39
Total assets		**6,025,901,045.07**	4,959,962,848.80	3,376,916,987.06

The notes on pages 66 to 187 form part of these financial statements.

X. FINANCIAL REPORT (CONTINUED)

	Note	**30 June 2019**	31 December 2018 (Restated)	1 January 2018 (Restated)
Liabilities and shareholders' equity				
Current liabilities:				
Short-term loans		**1,958,000,000.00**	860,000,000.00	260,000,000.00
Accounts payable		**172,721.24**	2,451,600.02	5,308,301.28
Contract liabilities		**10,000,000.00**	10,000,000.00	19,059,400.00
Employee benefits payable		**2,925,669.35**	18,466,649.40	12,595,926.45
Taxes payable		**445,962.48**	1,945,247.00	1,705,182.51
Other payables		**236,539,740.47**	271,886,881.28	22,927,146.17
Non-current liabilities due within one year		**236,222,068.26**	155,354,661.34	87,945,661.34
Total current liabilities		**2,444,306,161.80**	1,320,105,039.04	409,541,617.75
Non-current liabilities:				
Long-term loans		**960,705,683.53**	1,044,603,224.39	869,670,925.57
Total non-current liabilities		**960,705,683.53**	1,044,603,224.39	869,670,925.57
Total liabilities		**3,405,011,845.33**	2,364,708,263.43	1,279,212,543.32

The notes on pages 66 to 187 form part of these financial statements.

X. FINANCIAL REPORT (CONTINUED)

	Note	30 June 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Liabilities and shareholders' equity (Continued)				
Shareholders' equity:				
Share capital	V. 28	**1,161,200,000.00**	1,161,200,000.00	1,045,000,000.00
Capital reserve	XV. 5	**906,165,435.50**	906,165,435.50	676,346,635.50
Surplus reserve	V. 31	**71,532,851.40**	71,532,851.40	56,379,717.24
Retained earnings	XV. 6	**481,990,912.84**	456,356,298.47	319,978,091.00
Total shareholders' equity		**2,620,889,199.74**	2,595,254,585.37	2,097,704,443.74
Total liabilities and shareholders' equity		**6,025,901,045.07**	4,959,962,848.80	3,376,916,987.06

These financial statements were approved by the Board of Directors on 28 August 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 66 to 187 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

(Unit: RMB)

		Note	Six-month period from 1 January 2019 to 30 June 2019	Six-month period from 1 January 2018 to 30 June 2018 (Restated)
I.	**Operating income**	V. 33	**795,270,932.19**	516,223,451.78
	Less: Operating costs	V. 33	**369,381,701.88**	195,970,431.36
	Taxes and surcharges	V. 34	**16,688,159.68**	12,839,104.11
	General and administrative expenses	V. 35	**55,188,466.26**	41,732,531.58
	Research and development expenses	V. 36	**4,591,001.76**	4,222,330.72
	Finance costs	V. 37	**151,796,172.26**	103,395,126.76
	Including: Interest expense		**153,039,081.03**	102,641,302.50
	Interest income		**2,391,625.91**	1,463,045.78
	Add: Other income	V. 38	**65,353,635.32**	47,347,695.91
	Investment income	V. 39	**785,496.06**	–
	Including: Income from investment in joint ventures		**6,939.13**	–
	Impairment loss of credit	V. 40	**(18,197,638.51)**	(6,627,315.43)
	(Losses)/Gains from assets disposal	V. 41	**(25,424.58)**	18,434.21
II.	**Operating profit**		**245,541,498.64**	198,802,741.94
	Add: Non-operating income	V. 42	**1,271,931.45**	118,305.47
	Less: Non-operating expenses	V. 42	**303,874.59**	1,103,468.16
III.	**Total profit**		**246,509,555.50**	197,817,579.25
	Less: Income tax expenses	V. 43	**28,221,975.10**	17,358,517.73
IV.	**Net profit**		**218,287,580.40**	180,459,061.52
	Net profit attributable to shareholders of the company		**217,163,283.10**	180,440,576.18
	Non-controlling interests		**1,124,297.30**	18,485.34
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			
	Translation differences arising from translation of foreign currency financial statements	V. 30	**(24,078.21)**	542,324.28
	Other comprehensive income attributable to non-controlling interests, net of tax		**–**	–

The notes on pages 66 to 187 form part of these financial statements.

X. FINANCIAL REPORT (CONTINUED)

		Note	**Six-month period from 1 January 2019 to 30 June 2019**	Six-month period from 1 January 2018 to 30 June 2018 (Restated)
VI.	**Total comprehensive income**		**218,263,502.19**	181,001,385.80
	Total comprehensive income attributable to shareholders of the company		**217,139,204.89**	180,982,900.46
	Total comprehensive income attributable to non-controlling interests		**1,124,297.30**	18,485.34
VII.	**Earnings per share**			
	(I) Basic earnings per share	V. 44	**0.19**	0.17
	(II) Diluted earnings per share	V. 44	**0.19**	0.17

These financial statements were approved by the Board of Directors on 28 August 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 66 to 187 form part of these financial statements.

COMPANY INCOME STATEMENT

(Unit: RMB)

		Note	Six-month period from 1 January 2019 to 30 June 2019	Six-month period from 1 January 2018 to 30 June 2018
I.	**Operating income**	XV. 7	**57,492,523.91**	49,999,632.70
	Less: Operating costs	XV. 7	**2,334,792.39**	4,570,581.49
	Taxes and surcharges		**219,759.04**	262,337.72
	General and administrative expenses		**15,396,184.71**	11,354,696.08
	Research and development expenses		**3,411,458.95**	4,222,330.72
	Finance costs		**59,321,430.79**	35,616,729.62
	Including: Interest expense		**59,148,454.99**	35,042,625.05
	Interest income		**965,353.48**	917,248.89
	Add: Other income		**266,733.02**	369,622.64
	Investment income	XV. 8	**164,011,063.72**	99,114,000.65
	Including: Income from investment in joint ventures		**6,939.13**	–
	Impairment loss of credit		**695,383.51**	(572,839.53)
	Gains from assets disposal		**10,145.67**	–
II.	**Operating profit**		**141,792,223.95**	92,883,740.83
	Add: Non-operating income		**–**	–
	Less: Non-operating expenses		**–**	–
III.	**Total profit**		**141,792,223.95**	92,883,740.83
	Less: Income tax expenses		**37,609.58**	312,164.84
IV.	**Net profit**		**141,754,614.37**	92,571,575.99
V.	**Other comprehensive income, net of tax**		**–**	–
VI.	**Total comprehensive income**		**141,754,614.37**	92,571,575.99

These financial statements were approved by the Board of Directors on 28 August 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 66 to 187 form part of these financial statements.

X. FINANCIAL REPORT (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT

(Unit: RMB)

		Note	Six-month period from 1 January 2019 to 30 June 2019	Six-month period from 1 January 2018 to 30 June 2018
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(6)	**651,536,342.56**	426,292,867.58
	Refund of taxes		**42,819,708.08**	38,620,996.32
	Cash received from other operating activities	V. 46(1)	**42,003,136.01**	33,385,574.55
	Sub-total of cash inflows from operating activities		**736,359,186.65**	498,299,438.45
	Cash paid for goods and services		**(262,577,177.45)**	(148,349,363.67)
	Increase of principal of long-term receivables of BOT projects and BT projects	V. 46(6)	**(331,814,674.09)**	(310,692,924.00)
	Cash paid to and for employees		**(157,286,015.56)**	(128,485,390.45)
	Payments of various taxes		**(78,953,020.35)**	(77,787,929.00)
	Cash paid for other operating activities	V. 46(2)	**(31,195,356.49)**	(22,106,691.92)
	Sub-total of cash outflows for operating activities		**(861,826,243.94)**	(687,422,299.04)
	Net cash used in operating activities	V. 47(1)(a)	**(125,467,057.29)**	(189,122,860.59)
II.	**Cash flows from investing activities:**			
	Proceeds from disposal of an investment		**3,500,000.00**	–
	Net cash received from disposal of fixed assets		**130,675.27**	55,904.98
	Cash received from other investing activities	V. 46(3)	**38,659,040.04**	1,285,840.11
	Sub-total of cash inflows from investing activities		**42,289,715.31**	1,341,745.09
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(942,594,623.86)**	(308,103,913.75)
	Cash paid for investments		**(37,816,510.20)**	(34,000,000.00)
	Cash paid for acquisition of subsidiaries	V. 47(2)	**(202,363,030.05)**	(81,999,991.94)
	Cash paid for other investing activities	V. 46(4)	**(20,000,000.00)**	–
	Sub-total of cash outflows for investing activities		**(1,202,774,164.11)**	(424,103,905.69)
	Net cash used in investing activities		**(1,160,484,448.80)**	(422,762,160.60)

The notes on pages 66 to 187 form part of these financial statements.

X. FINANCIAL REPORT (CONTINUED)

		Note	Six-month period from 1 January 2019 to 30 June 2019	Six-month period from 1 January 2018 to 30 June 2018
III.	**Cash flows from financing activities:**			
	Cash received from investments		**57,000,000.00**	10,712,939.90
	Including: Cash received from non-controlling shareholders of subsidiaries		**57,000,000.00**	10,712,939.90
	Proceeds from IPO		**–**	382,298,000.00
	Cash received from loans		**1,706,938,526.51**	955,372,335.75
	Sub-total of cash inflows from financing activities		**1,763,938,526.51**	1,348,383,275.65
	Cash paid for repayment of loans		**(386,079,414.32)**	(452,636,387.96)
	Cash paid for distribution of dividends and profit or payment of interests		**(178,969,932.02)**	(95,021,408.83)
	Cash paid for other financing activities	V. 46(5)	**(1,913,157.30)**	(29,945,480.77)
	Sub-total of cash outflows for financing activities		**(566,962,503.64)**	(577,603,277.56)
	Net cash generated from financing activities		**1,196,976,022.87**	770,779,998.09
IV.	**Effect of foreign exchanges rate changes on cash**		**60,911.08**	(53,231.43)
V.	**Net (decrease)/increase in cash**	V. 47(1)(b)	**(88,914,572.14)**	158,841,745.47
	Add: Balance of cash at the beginning of the period		**633,978,483.72**	665,292,369.22
VI.	**Balance of cash at the end of the period**	V. 47(1)(b)	**545,063,911.58**	824,134,114.69

These financial statements were approved by the Board of Directors on 28 August 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)	

X. FINANCIAL REPORT (CONTINUED)

COMPANY CASH FLOW STATEMENT

(Unit: RMB)

		Note	Six-month period from 1 January 2019 to 30 June 2019	Six-month period from 1 January 2018 to 30 June 2018
I.	**Cash flows from operating activities:**			
	Cash received from rendering of services		**30,789,746.50**	53,455,797.35
	Cash received from other operating activities		**28,557,798.47**	101,502,728.51
	Sub-total of cash inflows from operating activities		**59,347,544.97**	154,958,525.86
	Cash paid for goods		**(2,970,605.66)**	(6,340,220.00)
	Cash paid to and for employees		**(29,486,636.45)**	(22,006,159.42)
	Payments of various taxes		**(3,392,224.98)**	(2,159,256.05)
	Cash paid for other operating activities		**(43,427,067.67)**	(107,560,823.73)
	Sub-total of cash outflows for operating activities		**(79,276,534.76)**	(138,066,459.20)
	Net cash (used in)/generated from operating activities	XV. 9(1)(a)	**(19,928,989.79)**	16,892,066.66
II.	**Cash flows from investing activities:**			
	Proceeds from disposal of an investment		**3,500,000.00**	–
	Cash received from investment income		**54,629,600.60**	26,500,000.00
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**26,097.22**	–
	Cash received from other investing activities		**229,126,244.40**	450,444,375.05
	Sub-total of cash inflows from investing activities		**287,281,942.22**	476,944,375.05
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(1,279,011.27)**	(107,269.14)
	Cash paid for investments		**(492,264,200.89)**	(207,000,000.00)
	Cash paid for acquisition of subsidiaries and other business units		**(202,863,280.00)**	(82,000,000.00)
	Cash paid for other investing activities		**(746,800,000.00)**	(433,490,000.00)
	Sub-total of cash outflows for investing activities		**(1,443,206,492.16)**	(722,597,269.14)
	Net cash used in investing activities		**(1,155,924,549.94)**	(245,652,894.09)

The notes on pages 66 to 187 form part of these financial statements.

X. FINANCIAL REPORT (CONTINUED)

		Note	**Six-month period from 1 January 2019 to 30 June 2019**	Six-month period from 1 January 2018 to 30 June 2018
III.	**Cash flows from financing activities:**			
	Cash received from loans		**1,188,000,000.00**	402,990,000.00
	Net proceeds from IPO		**–**	382,298,000.00
	Sub-total of cash inflows from financing activities		**1,188,000,000.00**	785,288,000.00
	Cash paid for repayment of loans		**(96,027,830.67)**	(223,527,830.67)
	Cash paid for distribution of profit or payment of interests		**(80,978,744.35)**	(35,914,648.77)
	Cash paid for other financing activities		**(1,475,761.90)**	(29,945,480.77)
	Sub-total of cash outflows for financing activities		**(178,482,336.92)**	(289,387,960.21)
	Net cash generated from financing activities		**1,009,517,663.08**	495,900,039.79
IV.	**Effect of foreign exchanges rate changes on cash**		**47.66**	6,126.00
V.	**Net (decrease)/increase in cash**	XV. 9(1)(b)	**(166,335,828.99)**	267,145,338.36
	Add: Balance of cash at the beginning of the period		**271,810,049.42**	112,681,313.36
VI.	**Balance of cash at the end of the period**	XV. 9(2)	**105,474,220.43**	379,826,651.72

These financial statements were approved by the Board of Directors on 28 August 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)	

X. FINANCIAL REPORT (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unit: RMB)

	Note	Equity attributable to shareholders of the Company							
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Balance 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**
Changes in accounting policies		**–**	**–**	**–**	**–**	**143,580,549.75**	**143,580,549.75**	**–**	**143,580,549.75**
II. Balance at 1 January 2019		**1,161,200,000.00**	**858,803,441.83**	**(8,118,159.45)**	**71,532,851.40**	**912,574,775.97**	**2,995,992,909.75**	**76,604,214.95**	**3,072,597,124.70**
III. Changes for the period									
(I) Shareholders' contribution		**–**	**(2,693.36)**	**–**	**–**	**–**	**(2,693.36)**	**57,002,693.36**	**57,000,000.00**
(II) Total comprehensive income	V. 32	**–**	**–**	**(24,078.21)**	**–**	**217,163,283.10**	**217,139,204.89**	**1,124,297.30**	**218,263,502.19**
(III) Dividend distribution	V. 32	**–**	**–**	**–**	**–**	**(116,120,000.00)**	**(116,120,000.00)**	**–**	**(116,120,000.00)**
IV. Balance at 30 June 2019		**1,161,200,000.00**	**858,800,748.47**	**(8,142,237.66)**	**71,532,851.40**	**1,013,618,059.07**	**3,097,009,421.28**	**134,731,205.61**	**3,231,740,626.89**

	Note	Equity attributable to shareholders of the Company							
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Balance 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
Changes in accounting policies		–	–	–	–	50,702,832.17	50,702,832.17	–	50,702,832.17
II. Balance at 1 January 2018		1,045,000,000.00	628,984,641.83	(10,098,220.33)	56,379,717.24	562,076,869.88	2,282,343,008.62	3,000,000.00	2,285,343,008.62
III. Changes for the period									
(I) Shareholders' contribution		116,200,000.00	229,818,800.00	–	–	–	346,018,800.00	22,235,234.48	368,254,034.48
(II) Total comprehensive income	V. 32	–	–	542,324.28	–	180,440,576.18	180,982,900.46	18,485.34	181,001,385.80
IV. Balance at 30 June 2018		1,161,200,000.00	858,803,441.83	(9,555,896.05)	56,379,717.24	742,517,446.06	2,809,344,709.08	25,253,719.82	2,834,598,428.90

These financial statements were approved by the Board of Directors on 28 August 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 66 to 187 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unit: RMB)

	Note	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total
I. Balance at 1 January 2019		**1,161,200,000.00**	**906,165,435.50**	**71,532,851.40**	**456,356,298.47**	**2,595,254,585.37**
II. Changes for the period						
(I) Shareholders' contribution		**–**	**–**	**–**	**–**	**–**
(II) Total comprehensive income	V. 32	**–**	**–**	**–**	**141,754,614.37**	**141,754,614.37**
(III) Dividend distribution	V. 32	**–**	**–**	**–**	**(116,120,000.00)**	**(116,120,000.00)**
III. Balance at 30 June 2019		**1,161,200,000.00**	**906,165,435.50**	**71,532,851.40**	**481,990,912.84**	**2,620,889,199.74**

	Note	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total
I. Balance 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
II. Changes for the period						
(I) Shareholders' contribution		116,200,000.00	229,818,800.00	–	–	346,018,800.00
(II) Total comprehensive income	V. 32	–	–	–	92,571,575.99	92,571,575.99
III. Balance at 30 June 2018		1,161,200,000.00	906,165,435.50	56,379,717.24	412,549,666.99	2,536,294,819.73

These financial statements were approved by the Board of Directors on 28 August 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 66 to 187 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, Guangdong Province, 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 overallotment 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.

Since 1 January 2018, the Group has implemented the Accounting Standards for Business Enterprises No. 14 – Revenue, the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and other new Financial Instruments Standards revised by the MOF in 2017, and since 1 January 2019, the Group has implemented the Accounting Standards for Business Enterprises No. 21 – Leases revised by the MOF in 2018 (see Note III. 30(1)).

2. Going concern

At 30 June 2019, the net current liabilities of the Group amounted to RMB2,444,433,485.89, including short-term loans form BSAM amounted to approximately RMB1,810,000,000.00, and the committed capital expenditure within one year of the Group amounted to approximately RMB3,566,741,257.51, which lead to certain liquidity risk.

The management of the Group intend to take the following measures to ensure the Group has continuous and sufficient working capital 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 30 June 2019, the available banking facilities of the Group amounted to RMB4,720,902,817.56.

(b) With the constant completion and commencement of operations of the new projects, the management foresees that the Group will generate stable cash inflow from future operating activities.

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 July 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 promulgated by the MOF, and present truly and completely the consolidated financial position and financial position of the Company as at 30 June 2019, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the six-month period from 1 January 2019 to 30 June 2019.

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 Group, as 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. 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 at the date when 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 transactions and balances, 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 unrealized 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation of consolidated financial statements (Continued)

(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 are 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.

(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 is 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 in the balance sheet 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 in the income statement 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.

X. FINANCIAL REPORT (CONTINUED)

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.19.

(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 financial asset 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 instrument 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 instrument 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 liabilities at amortised cost*
  Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

  The Group does have no financial liability at FVTPL 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.

X. FINANCIAL REPORT (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(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).

Loss allowances for trade receivables and contracted assets 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 and contracted assets, 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(6) Impairment (Continued)

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.

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).

X. FINANCIAL REPORT (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(6) Impairment (Continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(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.

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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 in the consolidated financial statements of the ultimate controlling party 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.

(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 and provisioning 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.

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 (Continued)

(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.

– In calculating its share of the investee's net profit or loss, 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 joint ventures, please refer to Note III.17.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Long-term equity investments (Continued)

(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 related activities unilaterally;

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

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Fixed assets (Continued)

(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:

Type	Useful life (year)	Residual value rate (%)	Depreciation rate (%)
Motor vehicles	5 to 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 at least at each year-end.

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

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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 to 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") or Build-Operate-Own ("BOO") 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 or there is not any significant residual interest in the infrastructure. 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 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 (Continued)

(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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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 benefits 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Revenue (Continued)

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 economic 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;

– the customer has accepted the goods or services.

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 accounting policies related to the major activities of the Group to derive revenue are as follows:

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Revenue (Continued)

Revenue from BOT, BOO and Build-Transfer ("BT") projects

With respect to the public infrastructure construction business participated in on a BOT, BOO 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 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 and BOO agreements, deducting the portion recognised as financial assets.

20. 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, BOO and BT construction.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. 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;

– 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;

– 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)

22. 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.

23. 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 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 government grant related to income 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)

24. 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 shareholders' 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 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 reporting 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 liabilities and current tax assets;

– 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.

X. FINANCIAL REPORT (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether the contract is a lease or contains a lease. If one party under the contract transfers one or more of the right to use of the identified asset within a period of time in exchange for consideration, the contract shall be considered as a lease or containing lease.

To assess whether a contract conveys the one or more of rights to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

– Whether an asset is typically identified by being explicitly specified in a contract. An identified asset may be specified by the contract or implicitly specified when the asset is available to the customer to use, and the asset is physically distinguishable. A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from use of the asset. If the supplier has the substantive right to substitute the asset throughout the period of use, the asset is not an identified asset;

– Whether the lessee is entitled to the right to obtain substantially all of the economic benefits from use of the identified asset during the period of use;

– Whether the lessee has the right to direct the use of the identified asset during the period of use.

Where the contract contains multiple lease components, the lessee and the lessor shall separate the lease components and account for each individual lease component separately. Where the contract includes both the lease and the non-lease component, the lessee and the lessor shall separate the lease and non-lease components. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group acts as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The Group uses the straight-line method to accrue depreciation for the right-of-use assets. Where it is reasonable to determine the ownership of the lease asset at the expiration of the lease term, the Group make depreciation provision during the remaining useful life of the leased asset. Otherwise, depreciation provision is made for lease asset over the lease term or the remaining useful life of the leased asset, whichever is shorter. The right-of-use assets are provided for impairment according to the accounting policies described in Note III. 17.

The lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Lease (Continued)

The Group acts as a lessee (Continued)

The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and is included in the current profit and loss or the cost of related asset. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss or the cost of related asset when incurred.

After the commencement date of the lease term, if the following circumstances occur, the Group re-measures the lease liability based on the present value of the lease payments after the change:

- changes in the amount expected to be payable under a residual value guarantee;

- changes in future lease payments arising from a change in an index or rate;

- changes in arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise the right-of-use assets and lease liabilities for short-term leases (leases with a lease term of not more than 12 months) and low-value asset leases, and the relevant lease payments are included in the current profit and loss or related asset costs in each period of the lease term on a straight-line basis.

26. 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.

27. 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. 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.

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.

29. 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.3, 5, 7, 10, 11, 13, 14 and 17 and Note XV.1 and 2). Other significant accounting estimates are as follows:

(1) BOT/BOO Projects – 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/BOO 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.16)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Changes in significant accounting policies and accounting estimates

(1) Contents and reasons of the changes in accounting policies

(a) *Recognition of tariff revenue from the national renewable energy subsidies*

In accordance with the provisions of the Accounting Standards for Enterprises No. 28 – Changes in Accounting Policies and Estimates and Corrections of Errors, and in order to provide reliable and relevant accounting information, the Group decided to change its accounting policies for recognition of tariff revenue from the national renewable energy subsidies. The Group's previous accounting policy for the recognition of tariff revenue from the national renewable energy subsidies is to recognize the same upon inclusion in the national subsidy catalogue and after the right of control of relevant commodities is transferred to the competent electricity authorities, and one-off recognition for all national renewable energy subsidies received since the commencement of operation of the project. The Group currently changed the accounting policy for the recognition of tariff revenue from the national renewable energy subsidies to: recognition of tariff revenue from the national renewable energy subsidies since the date of commencement of operation of the project, with the grid-connected power generation approved by the competent electricity authorities, and after the right of control of relevant commodities was transferred to the competent electricity authorities. The change of the accounting policy has been approved at the third meeting of the third session of the Board of the Company. The Group has prepared financial statements as of 30 June 2019 in accordance with the provisions of above accounting policy. The comparative financial statements have been retrospectively adjusted accordingly. The impact on the financial statements is as follows:

As at 1 January 2018, the impact on the consolidated balance sheet is as follows:

		The Group	
	Before adjustment	Adjustment	After adjustment
Contract assets	–	62,445,722.36	62,445,722.36
Other current assets	73,146,086.71	6,425,048.26	79,571,134.97
Deferred income tax assets	145,490,684.33	(998,252.93)	144,492,431.40
Other non-current assets	515,636,575.91	(13,482,967.28)	502,153,608.63
Tax payable	33,956,573.83	3,686,718.24	37,643,292.07
Undistributed profits attributable to the shareholders of the Company	511,374,037.71	50,702,832.17	562,076,869.88
Total		108,779,100.82	

X. FINANCIAL REPORT (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Changes in significant accounting policies and accounting estimates (Continued)

(1) Contents and reasons of the changes in accounting policies (Continued)

(a) *Recognition of tariff revenue from the national renewable energy subsidies (Continued)*

As at 31 December 2018, the impact on the consolidated balance sheet is as follows:

	The Group		
	Before adjustment	Adjustment	After adjustment
Contract assets	–	155,318,993.04	155,318,993.04
Other current assets	138,886,404.79	(1,902,898.69)	136,983,506.10
Deferred income tax assets	179,941,342.58	1,055,258.07	180,996,600.65
Other non-current assets	696,623,069.56	(7,881,538.15)	688,741,531.41
Tax payable	40,237,311.27	3,009,264.52	43,246,575.79
Undistributed profits attributable to the shareholders of the Company	768,994,226.22	143,580,549.75	912,574,775.97
Total		293,179,628.54	

For the six-month period between 1 January 2018 to 30 June 2018, the impact on the consolidated income statement is as follows:

	The Group		
	Before adjustment	Adjustment	After adjustment
Operating income	501,331,167.93	14,892,283.85	516,223,451.78
Impairment loss of credit	(4,607,515.97)	(2,019,799.46)	(6,627,315.43)
Income tax expenses	16,839,897.93	518,619.80	17,358,517.73
Total		13,391,104.19	

This change in accounting policy has no impact on the Company's financial statements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Changes in significant accounting policies and accounting estimates (Continued)

(1) Contents and reasons of the changes in accounting policies (Continued)

(b) Changes in other accounting policies

In 2019, the Group implemented the following amendments to the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance in recent years:

– Accounting Standards for Business Enterprises No. 21 – Leases (Amendment) ("New Lease Standard")

– Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)

– Accounting Standard for Business Enterprises No. 7 – Exchange of Non-monetary Assets (Amendment)》("Standard No.7 (2019)")

– Accounting Standard for Business Enterprises No. 12 – Debt Restructurings (Amendment) ("Standard No.12 (2019)")

(i) Cai Kuai [2019] No. 6

The Group has prepared financial statements as of 30 June 2019 in accordance with the presentation format of financial statements specified in Cai Kuai [2019] No. 6. 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 balance sheet of Parent Company as at 31 December 2018:

	The Group		
	Before adjustment	Amount of adjustment	After adjustment
Bills receivables	–	16,329,816.00	16,329,816.00
Accounts receivable	–	231,720,897.81	231,720,897.81
Bills and accounts receivables	248,050,713.81	(248,050,713.81)	–
Accounts payables	–	900,854,708.97	900,854,708.97
Bills and accounts payables	900,854,708.97	(900,854,708.97)	–
Deferred income (current)	802,380.88	(802,380.88)	–
Deferred income (non-current)	20,494,643.08	802,380.88	21,297,023.96
Total		–	

X. FINANCIAL REPORT (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Changes in significant accounting policies and accounting estimates (Continued)

(1) Contents and reasons of the changes in accounting policies (Continued)

(b) Changes in other accounting policies (Continued)

(i) Cai Kuai [2019] No. 6 (Continued)

		The Company	
	Before adjustment	Amount of adjustment	After adjustment
Accounts receivable	–	20,487,404.22	20,487,404.22
Bills and accounts receivables	20,487,404.22	(20,487,404.22)	–
Accounts payables	–	2,451,600.02	2,451,600.02
Bills and accounts payables	2,451,600.02	(2,451,600.02)	–
Total		–	

(ii) New Lease Standard

The new lease standard is a revision of the Accounting Standard for Business Enterprises No. 21 – Leases issued by MOF in 2006 (the "previous lease standard"). The Group has adopted the new lease standard since 1 January 2019, and adjusted the accounting policies accordingly.

The new lease standard refines the definition of lease. The Group assesses whether a contract is a lease or contains any lease based on the revised definition of lease under the new lease standard. As to the contracts existing prior to the initial application of the new lease standard, the Group elects not to reassess whether they are leases or contain any lease on the date of initial application of the new lease standard.

The Group as a lessee

Under the previous lease standard, the Group, classifies a lease into a finance lease or an operating lease based on the assessment of whether the lease has transferred substantially all the risks and rewards related to the ownership of an asset to the Group.

Under the new lease standard, the Group no longer distinguishes between finance leases and operating leases. The Group recognizes right-of-use assets and lease liabilities for all leases (Except for short-term leases and low-value asset leases using simplified treatment methods).

For a contract that contains a lease component and non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group elects to adjust the opening balance of retained earnings and other related financial statement items for the year in which the new lease standard is initially applied, by the accumulated adjustments arising from the initial application of the new lease standard, and not to adjust the comparative figures.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Changes in significant accounting policies and accounting estimates (Continued)

(1) Contents and reasons of the changes in accounting policies (Continued)

(b) Changes in other accounting policies (Continued)

(ii) New Lease Standard (Continued)

The Group as a lessee (Continued)

As to the operating leases existing prior to the date of initial application, the Group measures the lease liabilities at the present value of the outstanding lease payment, discounted at the incremental borrowing rate as at the date of initial application, and measures the right-of-use assets as follows:

– based on an amount equal to the lease liabilities, with necessary adjustments to the prepaid rents. The Group uses this method for all leases.

For the operating lease before the initial implementation date, the Group has adopted the following simplified treatment when applying the above method:

– Leases with lease term ended within 12 months from the date of initial application are treated as short-term leases;

– When measuring lease liabilities, the same discount rate is used for leases with similar characteristics;

– The measurement of the right-of-use asset does not include the initial direct cost;

– Where there is a renewal option or termination option of the lease, the lease period is determined based on the actual exercise of the option before the initial implementation date and other recent developments;

– For lease changes that occurred prior to the beginning of the first year of the new lease standard, no retrospective adjustments will be made, and will be accounted in accordance with the new lease criteria based on the final arrangement of the lease change.

In measuring the lease liability, the Group uses the incremental borrowing rate as at 1 January 2019 to discount the lease payments. The weighted average interest rate used by the Group is 4.5% and the weighted average interest rate used by the Company is 4.5%.

X. FINANCIAL REPORT (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Changes in significant accounting policies and accounting estimates (Continued)

(1) Contents and reasons of the changes in accounting policies (Continued)

(b) Changes in other accounting policies (Continued)

(ii) New Lease Standard (Continued)

The Group as a lessee (Continued)

Based on the comparative financial statements retrospectively adjusted in accordance with the requirements of Caikuai [2019] No.6 and changes in accounting policies, the summary of impact of applying the new lease standard on items of the consolidated balance sheet and the balance sheet of the Parent Company as at 1 January 2019 is as below:

		The Group	
	31 December 2018	1 January 2019	Adjustment
Assets			
Current assets:			
Prepayments	35,883,159.32	35,723,584.32	(159,575.00)
Total current assets	1,446,049,475.52	1,445,889,900.52	(159,575.00)
Non-current assets:			
Right-of-use assets	–	13,202,105.03	13,202,105.03
Total non-current assets	9,242,957,006.38	9,256,159,111.41	13,202,105.03
Total assets	10,689,006,481.90	10,702,049,011.93	13,042,530.03
Liabilities and shareholders' equity			
Current liabilities:			
Non-current liabilities due within one year	539,592,998.16	543,048,894.74	3,455,896.58
Total current liabilities	2,789,753,631.44	2,793,209,528.02	3,455,896.58
Non-current liabilities:			
Lease liabilities	–	9,586,633.45	9,586,633.45
Total non-current liabilities	4,826,655,725.76	4,836,242,359.21	9,586,633.45
Total liabilities	7,616,409,357.20	7,629,451,887.23	13,042,530.03
Total liabilities and shareholders' equity	10,689,006,481.90	10,702,049,011.93	13,042,530.03

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Changes in significant accounting policies and accounting estimates (Continued)

(1) Contents and reasons of the changes in accounting policies (Continued)

(b) Changes in other accounting policies (Continued)

(ii) New Lease Standard (Continued)

The Group as a lessee (Continued)

	The Company		
	31 December 2018	1 January 2019	Adjustment
Assets			
Non-current assets:			
Right-of-use assets	–	12,062,532.38	12,062,532.38
Total non-current assets	4,152,316,836.03	4,164,379,368.41	12,062,532.38
Total assets	4,959,962,848.80	4,972,025,381.18	12,062,532.38
Liabilities and shareholders' equity			
Current liabilities:			
Non-current liabilities due within one year	155,354,661.34	158,060,161.11	2,705,499.77
Total current liabilities	1,320,105,039.04	1,322,810,538.81	2,705,499.77
Non-current liabilities:			
Lease liabilities	–	9,357,032.61	9,357,032.61
Total non-current liabilities	1,044,603,224.39	1,053,960,257.00	9,357,032.61
Total liabilities	2,364,708,263.43	2,376,770,795.81	12,062,532.38
Total liabilities and shareholders' equity	4,959,962,848.80	4,972,025,381.18	12,062,532.38

X. FINANCIAL REPORT (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Changes in significant accounting policies and accounting estimates (Continued)

(1) Contents and reasons of the changes in accounting policies (Continued)

(b) Changes in other accounting policies (Continued)

(iii) Standard No.7 (2019)

Standard No.7 (2019) refines the scope of application of the non-monetary asset exchange standard, clarifies the point of confirmation of the exchange of assets and the point of termination of the exchange of assets, and stipulates the accounting treatment when the two points are inconsistent. It revised the measurement principle when converting or exchanging multiple assets at the same time in the exchange of non-monetary assets measured at fair value. In addition, it has added disclosure requirements for whether the exchange of non-monetary assets has commercial substance and its causes.

Standard No.7 (2019) has been in effect since 10 June 2019. The exchanges of non-monetary assets occurred between the period from 1 January 2019 and the date of implementation of the Standard were adjusted in accordance with the Standard. No retrospective adjustments will be made to the exchanges of non-monetary assets that occurred prior to 1 January 2019. The adoption of the Standard has no significant impact on the financial position and operating results of the Group.

(iv) Standard No.12 (2019)

Standard No.12 (2019) modifies the definition of debt restructuring, clarifies the scope of application of the standard, and stipulates the requirements for the recognition, measurement and presentation of relevant financial instruments for financial instruments involved in debt restructuring. For debt restructuring by means of asset liquidation, Standard No. 12 (2019) modifies the measurement principle at initial confirmation when the creditor transfers the non-financial assets, and presents the gains and losses arising from the debtor's debt restructuring, and no longer distinguishes between the profit and loss of asset transfer and the gains and losses of debt restructuring. For debt restructuring by converting debt into equity instruments, Standard No. 12 (2019) modifies the measurement principle of creditors' initial recognition of shares, it also adds guidance to the measurement principles of the debtor's initial recognition of equity instruments.

Standard No.12 (2019) has been in effect since 17 June 2019. The debt restructurings occurred between the period from 1 January 2019 and the date of implementation of the Standard were adjusted in accordance with the Standard. No retrospective adjustments will be made to the debt restructurings that occurred prior to 1 January 2019. The adoption of the Standard has no significant impact on the financial position and operating results of the Group.

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%, 13%** and 16%
City maintenance and construction tax	Based on VAT effectively paid	5% and 7%
Education surcharges	Based on VAT effectively paid	3%
Local education surcharges	Based on VAT effectively 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") and 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) ("Beijing Research Institute"), which all were subsidiaries of the Company, were small-scale VAT taxpayers and their applicable tax rate was 3%.

** Pursuant to Announcement No. 39 of 2019 of the General Administration of Customs of the Ministry of Finance and the State Administration of Taxation, the applicable VAT tax rate for general VAT tax payer, for which tax rate of 16% was applied, was adjusted to 13% since 1 April 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

The operating earnings of Shantou Dynagreen Renewable Energy Co., Ltd. (汕頭市綠色動力再生能源有限公司) ("Shantou Company"), Beijing Dynagreen Renewable Energy Co., Ltd. (北京綠色動力再生能源有限公司) ("Miyun Company"), Jiamusi Bohai Environmental Protection and Electricity Company Limited (佳木斯博海環保電力有限公司) ("Jiamusi Company"), Guangyuan Boneng Renewable Energy Co., Ltd. (廣元博能再生能源有限公司) ("Guangyuan Company"), Zhangqiu Dynagreen Renewable Energy Co., Ltd. (章丘綠色動力再生能源有限公司) ("Zhangqiu Company") and Bobai Dynagreen Renewable Energy Co., Ltd. (博白綠色動力再生能源有限公司) ("Bobai 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:

- Shantou Company, Miyun Company, Zhangqiu Company and Bobai Company obtained the Notification of CIT 3+3 tax holiday in 2019 and was entitled to the 3+3 tax holiday from 2019 to 2024;

- Jiamusi 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;

- Guangyuan 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;

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

Shantou Company, Miyun Company, Jiamusi Company, Guangyuan Company, Zhangqiu Company and Bobai 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.

Except for the above matters, the tax rates and preferential tax rate policies applicable to the Company and its subsidiaries had no change from 2018.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	30 June 2019	31 December 2018
Cash on hand	**61,542.53**	72,162.60
Deposits with banks	**545,002,369.05**	633,906,321.12
Other monetary funds	**81,757,520.00**	76,757,520.00
Total	**626,821,431.58**	710,736,003.72
Including: Total overseas deposits	**44,737,352.33**	44,059,572.57

As at 30 June 2019, the Group did not hold any time deposit (31 December 2018: Nil).

Other monetary funds of the Group mainly comprised the retention money for BOT projects and letter of credit with restricted use.

2. Bills receivables

Classification of bills receivable

Type	30 June 2019	31 December 2018
Commercial acceptance bills	**–**	4,629,816.00
Bank acceptance bills	**1,000,000.00**	11,700,000.00
Total	**1,000,000.00**	16,329,816.00

All of the above bills receivable were due within one year.

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable

(1) Accounts receivable by customer type are as follows:

Customer Type	30 June 2019	31 December 2018
Due from third parties	**397,354,701.19**	243,930,449.74
Less: Provision for bad and doubtful debts	**(20,682,172.08)**	(12,209,551.93)
Totals	**376,672,529.11**	231,720,897.81

(2) The ageing analysis of accounts receivable is as follows:

Ageing	30 June 2019	31 December 2018
Within 1 year (inclusive)	**381,065,961.58**	243,669,861.34
Over 1 year but within 2 years (inclusive)	**16,288,739.61**	260,588.40
Sub-total	**397,354,701.19**	243,930,449.74
Less: Provision for bad and doubtful debts	**(20,682,172.08)**	(12,209,551.93)
Total	**376,672,529.11**	231,720,897.81

The ageing is counted beginning from the date when accounts receivable is recognised.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(3) Accounts receivable are disclosed by type based on the methods of provision for bad and doubtful debts:

		30 June 2019				
		Book balance		Provision for bad and doubtful debts		
Category	Note	**Amounts**	**Percentage (%)**	**Amounts**	**Percentage (%)**	**Carrying amount**
Provision for bad and doubtful debts individually		**–**	**0%**	**–**	**0%**	**–**
Provision for bad and doubtful debts collectively	(i)	**397,354,701.19**	**100%**	**(20,682,172.08)**	**100%**	**376,672,529.11**
Total		**397,354,701.19**	**100%**	**(20,682,172.08)**	**100%**	**376,672,529.11**

		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		–	0%	–	0%	–
Provision for bad and doubtful debts collectively	(i)	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

(i) Criteria and statement of recognition of provision for bad and doubtful debts collectively in the six-month period ended 30 June 2019:

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)

3. Accounts receivable (Continued)

(3) Accounts receivable are disclosed by type based on the methods of provision for bad and doubtful debts: (Continued)

(ii) Expected credit loss assessment on accounts receivables in the six-month period ended 30 June 2019:

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Ageing	Default loss rate	Book balance at the end of the period	Provision for impairment at the end of the period
Within 1 year (inclusive)	5%	**381,065,961.58**	19,053,298.12
Over 1 year but within 2 years (inclusive)	10%	**16,288,739.61**	1,628,873.96
Total		**397,354,701.19**	20,682,172.08

Default loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group' view of economic conditions over the expected lives of the receivables.

(4) Change in provision for bad and doubt debts:

Item	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018
Balance at the beginning of the period	**12,209,551.93**	7,283,007.63
Provisions for the year	**8,393,318.19**	3,679,021.98
Business combination involving entities not under common control	**79,301.96**	–
Balance at the end of the period	**20,682,172.08**	10,962,029.61

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.

(5) Five largest accounts receivable by debtor at the end of the period/year

As at 30 June 2019, the subtotal of five largest accounts receivable of the Group amounted to RMB147,838,602.10, representing 37% of the total accounts receivable at the end of the period, and the provisions of bad and doubtful debts amounted to RMB7,768,362.95.

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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments

(1) Prepayments by category:

Item	30 June 2019	31 December 2018
Prepayment to third parties	**15,852,324.14**	35,883,159.32

The ageing is counted starting from the date when prepayments are recognised. As at 30 June 2019 and 31 December 2018, the ageing of the Group's prepayments was 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 period/year

As at 30 June 2019, the subtotal of five largest prepayments of the Group amounted to RMB9,209,616.73, representing 58% of the total prepayments at the end of the period, and no provisions for bad and doubtful debts had been made.

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.

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables

	Note	30 June 2019	31 December 2018
Interest receivable		–	63,972.93
Other receivable	(1)	**39,577,028.22**	67,214,562.04
Total		**39,577,028.22**	67,278,534.97

(1) Other receivables

(a) Others by customer type are as follows:

Customer Type	30 June 2019	31 December 2018
Due from third parties	**52,320,828.23**	52,017,826.07
Due from related parties	**10,000,000.00**	37,816,919.79
Less: Provision for bad and doubtful debts	**(22,743,800.01)**	(22,620,183.82)
Total	**39,577,028.22**	67,214,562.04

(b) The ageing analysis of others is as follows:

Ageing	30 June 2019	31 December 2018
Within 1 year (inclusive)	**31,476,889.13**	59,567,082.87
Over 1 year but within 2 years (inclusive)	**6,304,042.25**	8,495,025.39
Over 2 years but within 3 years (inclusive)	**3,119,244.01**	545,768.94
Over 3 years but within 4 years (inclusive)	**526,733.08**	1,622,062.87
Over 4 years but within 5 years (inclusive)	**2,168,729.97**	928,761.00
Over 5 years	**18,725,189.79**	18,676,044.79
Sub-total	**62,320,828.23**	89,834,745.86
Less: Provision for bad and doubtful debts	**(22,743,800.01)**	(22,620,183.82)
Total	**39,577,028.22**	67,214,562.04

The ageing is counted beginning from the date when other receivables are recognised.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

(c) Other receivables are disclosed by type based on the methods of provision for bad and doubtful debts:

	30 June 2019				
	Book balance		Provision for bad and doubtful debts		Carrying amount
Category	**Amounts**	**Percentage (%)**	**Amounts**	**Percentage (%)**	
Provision for bad and doubtful debts individually					
– Performance bond	**5,000,000.00**	**8%**	**(5,000,000.00)**	**22%**	**–**
– Due from former shareholders	**12,880,234.85**	**21%**	**(12,880,234.85)**	**57%**	**–**
Provision for bad and doubtful debts collectively					
– VAT refunds receivable and other tax refunds receivable	**10,121,755.83**	**16%**	**–**	**0%**	**10,121,755.83**
– Others	**34,318,837.55**	**55%**	**(4,863,565.16)**	**21%**	**29,455,272.39**
Total	**62,320,828.23**	**100%**	**(22,743,800.01)**	**100%**	**39,577,028.22**

	31 December 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)	23%	51,726,328.05
Total	89,834,745.86	100%	(22,620,183.82)	100%	67,214,562.04

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

(c) Other receivables are disclosed by type based on the methods of provision for bad and doubtful debts: (Continued)

(i) Criteria and statement of recognition of provision for bad and doubtful debts individually in the six-month period ended 30 June 2019:

Other receivables (by entity)	Book balance	Provision for bad and doubtful debts	Percentage	Rationale for provision
Sheyang County Government	**4,000,000.00**	**(4,000,000.00)**	**100%**	Had long ageing and risk on collection
City Administration Bureau of Changzhou City Wujin District	**1,000,000.00**	**(1,000,000.00)**	**100%**	Had long ageing and risk on collection
Huang Jianzhong	**70,000.00**	**(70,000.00)**	**100%**	Had long ageing and risk on collection
Zheng Daobin	**11,061.30**	**(11,061.30)**	**100%**	Had long ageing and risk on collection
Zheng Shen	**355,664.38**	**(355,664.38)**	**100%**	Had long ageing and risk on collection
Dynagreen Environment Investment Limited	**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
Shenzhen Hanyang Holdings Company	**6,988,073.50**	**(6,988,073.50)**	**100%**	Had long ageing and risk on collection
Total	**17,880,234.85**	**(17,880,234.85)**		

(ii) Criteria and statement of recognition of provision for bad and doubtful debts collectively in the six-month period ended 30 June 2019:

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 the amount of advances and payments due from receivables.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

(d) Additions, recoveries or reversals of provision for bad and doubtful debts:

Provision for bad and doubtful debts	**For the six-month period ended 30 June 2019** **First stage ECL for next 12 months**	**Second stage Lifetime ECL – no credit impairment**	**Third stage Lifetime ECL – credit impairment occurred**	**Total**
Balance at the beginning of the period	**2,481,442.43**	**2,808,506.54**	**17,330,234.85**	**22,620,183.82**
Transfer to the second stage	**(65,202.11)**	**65,202.11**	**–**	**–**
Business combination involving entities not under common control	**16,349.97**	**–**	**–**	**16,349.97**
Provisions/(Reversals) for the period	**(1,416,583.65)**	**723,849.87**	**800,000.00**	**107,266.22**
Balance at the end of the period	**1,016,006.64**	**3,597,558.52**	**18,130,234.85**	**22,743,800.01**

Provision for bad and doubtful debts	For the six-month period end 30 June 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 period	573,957.09	1,326,333.18	15,880,234.85	17,780,525.12
Transfer to the second stage	(146,595.23)	146,595.23	–	–
Business combination involving entities not under common control	–	–	–	–
Provisions/(Reversals) for the period	(182,992.68)	(88,513.33)	1,200,000.00	928,493.99
Balance at the end of the period	244,369.18	1,384,415.08	17,080,234.85	18,709,019.11

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(1) Other receivables (Continued)

(e) By nature of receivables

Nature of receivables	30 June 2019	31 December 2018
Performance bond	**16,035,000.00**	10,025,000.00
VAT refunds receivable and other tax refunds receivable	**10,121,755.83**	9,913,233.99
Others	**36,164,072.40**	69,896,511.87
Sub-total	**62,320,828.23**	89,834,745.86
Less: Provision for bad and doubtful debts	**(22,743,800.01)**	(22,620,183.82)
Total	**39,577,028.22**	67,214,562.04

(f) Five largest receivables by debtor at the end of the period

Entity name	Nature of receivables	Balance at the end of the period	Ageing	Percentage of total balance at the end of the period (%)	Balance of provision for bad and doubtful debts at the end of the period
Fengcheng Dynagreen Environmental Protection Co., Ltd. (豐城綠色動力環保有限公司) ("Fengcheng Company")	Current accounts of entities	10,000,000.00	Within 1 year	25%	(500,000.00)
Shenzhen Hanyang Holdings Company (深圳瀚洋控股公司)	Current accounts of former shareholders	6,988,073.50	Over 5 years	18%	(6,988,073.50)
Pingyang County Public Resource Trading Centre	Performance bond	6,000,000.00	Within 1 year	15%	–
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	13%	(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	13%	(500,000.00)
Total		33,148,673.50		84%	(13,148,673.50)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories

Inventories by category

	30 June 2019		
Type of inventories	**Book balance**	**Provision for impairment of inventories**	**Carrying amount**
Turnover materials	**21,404,324.00**	**–**	**21,404,324.00**

	31 December 2018		
Type of inventories	Book balance	Provision for impairment of inventories	Carrying amount
Turnover materials	20,094,393.80	–	20,094,393.80

The Group's balance of inventories as at 30 June neither included capitalised borrowing costs nor was pledged as security.

There was no provision for impairment of inventories by the Group for this period and last period.

7. Contract assets

(1) Contract assets by nature are as follows:

	30 June 2019		
Item	**Book balance**	**Provision for impairment**	**Carrying amount**
Contract assets generated by electricity sales contract	**293,828,983.88**	**(20,711,307.77)**	**273,117,676.11**

	31 December 2018		
Item	Book balance	Provision for impairment	Carrying amount
Contract assets generated by electricity sales contract	166,333,246.71	(11,014,253.67)	155,318,993.04

The Group's contract assets primarily relate to the tariff revenue from the national renewable energy subsidies in the electricity supply contract between the Group and the grid customers at the balance sheet date.

The tariff revenue from the national renewable energy subsidies for selling electricity shall be paid after the project is included in the National Renewable Energy Subsidy Catalogue. When the Group obtains the right to receive the unconditional consideration, the contract assets will be converted into accounts receivable.

For the details of contract assets with restricted ownership, please see Note V.48.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Contract assets (Continued)

(2) Provision for impairment of contract assets:

Item	For the six-month period ended 30 June 2019 Balance at the beginning of the period	Provisions for the period	Reversed for the period	Write-back or write-off for the period	Balance at the end of the period	Reason
Provision for impairment	**11,014,253.67**	**9,697,054.10**	**–**	**–**	**20,711,307.77**	**Extension of operating time and increase in new operating projects**

Item	For the six-month period ended 30 June 2018 Balance at the beginning of the period	Provisions for the period	Reversed for the period	Write-back or write-off for the period	Balance at the end of the period	Reason
Provision for impairment	4,699,107.71	2,019,799.46	–	–	6,718,907.17	Extension of operating time and increase in new operating projects

8. Long-term receivables due within one year

Item	30 June 2019	31 December 2018
BOT projects	**74,378,197.33**	67,946,505.81
BT projects	**5,053,363.92**	3,757,664.95
Total	**79,431,561.25**	71,704,170.76

For the long-term receivables due within one year with restricted ownership, please see Note V.48.

9. Other current assets

As at the end of each accounting period/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)

10. Long-term receivables

Item	30 June 2019 Book balance	Provision for bad and doubtful debts	Carrying amount
BOT projects	**4,174,010,627.68**	**–**	**4,174,010,627.68**
BT projects	**62,208,892.59**	**–**	**62,208,892.59**
Performance bond	**39,556,738.34**	**–**	**39,556,738.34**
Sub-total	**4,275,776,258.61**	**–**	**4,275,776,258.61**
Less: Due within one year	**79,431,561.25**	**–**	**79,431,561.25**
Total	**4,196,344,697.36**	**–**	**4,196,344,697.36**

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

As at 30 June 2019 and 31 December 2018, the ranges of discount rate of the long-term receivables of BOT projects were 4.90% – 9.13% and 5.04% – 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.

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term equity investments

(1) Long-term equity investments by category at the end of the accounting period/ year were as follows:

Item	30 June 2019	31 December 2018
Investments in joint ventures	**69,046,224.60**	31,222,775.27
Less: Provision for impairment	**–**	–
Total	**69,046,224.60**	31,222,775.27

(2) Analysis of the movements of long-term equity investments is as follows:

Investee	Balance at the beginning of the period	Changes for the period			Balance at the end of the period
		Additional investment	Investment deducted	Investment income recognized under equity method	
Joint ventures					
Fengcheng Company	**31,222,775.27**	**37,816,510.20**	**–**	**6,939.13**	**69,046,224.60**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Fixed assets

Item	Motor vehicles	Office and other equipment	Buildings and structures*	Total
Cost				
Balance at the beginning of the period	24,254,898.16	28,327,284.95	23,779,400.00	76,361,583.11
Additions for the period				
– Purchases	466,418.98	4,738,288.34	–	5,204,647.32
– Addition in business combination involving entities not under common control	360,800.00	71,000.00	–	431,800.00
Disposals during the period	(308,420.00)	(438,892.49)	–	(747,312.49)
Balance at the end of the period	24,773,697.14	32,697,620.80	23,779,400.00	81,250,717.94
Accumulated depreciation				
Balance at the beginning of the period	10,758,374.13	12,973,060.19	3,092,118.00	26,823,552.32
Additions for the period				
– Provision for the period	699,239.12	2,494,933.82	646,407.53	3,840,580.47
– Addition in business combination involving entities not under common control	45,736.00	11,355.00	–	57,091.00
Disposals during the period	(292,999.00)	(296,480.38)	–	(589,479.38)
Balance at the end of the period	11,210,350.25	15,182,868.63	3,738,525.53	30,131,744.41
Carrying amount				
Balance at the end of the period	13,563,346.89	17,514,752.17	20,040,874.47	51,118,973.53
Balance at the beginning of the period	13,496,524.03	15,354,224.76	20,687,282.00	49,538,030.79

* 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") 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 RMB20,040,874.47 has no House Title Certificate. The management of the Company believes that the Group can effectively occupy and use the above fixed assets.

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Intangible assets

(1) Intangible assets

Item	Concession rights	Land use right	Softwares	Construction license	Total
Cost					
Balance at the beginning of the period	4,703,720,414.22	83,956,207.40	1,497,716.40	6,529,123.58	4,795,703,461.60
Additions for the period					
– Purchase/construction	1,063,681,690.47	33,018.87	606,837.61	–	1,064,321,546.95
– Addition in business combination involving entities not under common control	810,500.00	–	34,791.56	–	845,291.56
Exchange gains and losses	54,009.76	–	–	–	54,009.76
Balance at the end of the period	5,768,266,614.45	83,989,226.27	2,139,345.57	6,529,123.58	5,860,924,309.87
Accumulated amortisation					
Balance at the beginning of the period	377,262,123.74	–	665,855.42	3,396,442.65	381,324,421.81
Charge for the period	75,965,880.89	1,226,406.00	101,345.55	–	77,293,632.44
Addition in business combination involving entities not under common control	–	–	2,899.30	–	2,899.30
Exchange gains and losses	16,318.21	–	–	–	16,318.21
Balance at the end of the period	453,244,322.84	1,226,406.00	770,100.27	3,396,442.65	458,637,271.76
Provision for impairment of assets					
Balance at the beginning of the period	–	–	–	3,132,680.93	3,132,680.93
Charge for the period	–	–	–	–	–
Balance at the end of the period	–	–	–	3,132,680.93	3,132,680.93
Carrying amount					
Balance at the end of the period	5,315,022,291.61	82,762,820.27	1,369,245.30	–	5,399,154,357.18
Balance at the beginning of the period	4,326,458,290.48	83,956,207.40	831,860.98	–	4,411,246,358.86

For the intangible assets with restricted ownership, please see Note V.48.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Goodwill

(1) Changes in goodwill

Name of investees or issues forming goodwill	Balance at the beginning of the period	Additions for the period	Disposals for the period	Balance at the end of the period
Original book value				
Lvyi (Huludao) Environmental Services Limited* (綠益(葫蘆島)環境服務有限公司) ("Huludao Company")	43,910,821.67	–	–	43,910,821.67
Provision for impairment				
Huludao Company	–	–	–	–
Carrying amount	43,910,821.67	–	–	43,910,821.67

15. Long-term deferred expenses

Item	Balance at the beginning of the period	Additions for the period	Decreased for the period	Balance at the end of the period
Renovation costs for office under operating lease	**386,560.40**	**–**	**(386,560.40)**	**–**
Others	**913,451.31**	**(166,082.06)**	**–**	**747,369.25**
Total	**1,300,011.71**	**(166,082.06)**	**(386,560.40)**	**747,369.25**

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities

Item	30 June 2019 Deductible or taxable temporary differences (for taxable temporary difference)	30 June 2019 Deferred tax assets or liabilities (for liabilities)	31 December 2018 Deductible or taxable temporary differences (for taxable temporary difference)	31 December 2018 Deferred tax assets or liabilities (for liabilities)
Deferred tax assets:				
Tax losses	**107,680,327.20**	**26,920,081.80**	101,053,987.17	30,262,052.47
Provision for impairment	**49,844,503.03**	**7,305,711.76**	32,628,445.32	4,027,569.84
Unrealised profits	**730,542,898.54**	**180,414,660.02**	701,334,913.77	162,106,829.45
Amount offset	**(107,674,111.80)**	**(19,402,070.49)**	(65,381,037.72)	(15,399,851.11)
Balance after offsetting	**780,393,616.97**	**195,238,383.09**	769,636,308.54	180,996,600.65
Deferred tax liabilities:				
Temporary difference from long-term receivables and long-term payables	**(461,669,387.01)**	**(68,185,820.90)**	(226,448,139.30)	(56,605,442.44)
PRC withholding tax on dividends	**(37,123,023.71)**	**(3,712,302.37)**	(20,730,202.81)	(2,073,020.27)
Additions from asset appraisal for business combination involving entities not under common control	**(267,984,474.08)**	**(66,996,118.51)**	(265,721,783.95)	(66,430,445.99)
Amount offset	**107,674,111.80**	**19,402,070.49**	65,381,037.72	15,399,851.11
Balance after offsetting	**(659,102,773.00)**	**(119,492,171.29)**	(447,519,088.34)	(109,709,057.59)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. 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	30 June 2019	31 December 2018
Tax losses	**56,955,839.96**	34,854,932.83
Provision for bad and doubtful debts	**13,410,518.72**	13,215,544.07
Total	**70,366,358.68**	48,070,476.90

According to the accounting policy stated in Note III.24, 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 tax losses for unrecognised deferred tax assets

Item	30 June 2019	31 December 2018
2019	**450,687.24**	450,687.24
2020	**–**	–
2021	**6,280,684.65**	6,280,684.65
2022	**11,280,570.02**	11,280,570.02
2023	**15,539,310.57**	16,842,990.92
2024	**23,404,587.48**	–
Total	**56,955,839.96**	34,854,932.83

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Other non-current assets

Item	30 June 2019	31 December 2018
Prepayments for BOT projects and equipment	**421,736,368.19**	228,641,956.04
Prepayments for acquisition of concession rights	**–**	208,359,338.30
Deductible VAT	**335,276,354.34**	251,740,237.07
Less: provision for impairment	**–**	–
Sub-total	**757,012,722.53**	688,741,531.41
Less: portion expiring within one year	**–**	–
Total	**757,012,722.53**	688,741,531.41

18. Short-term loans

Item	30 June 2019	31 December 2018
Credit loans	**1,971,000,000.00**	854,000,000.00

At the end of each accounting period/year, the Group did not have short-term loans past due.

19. Accounts payables

Details of accounts payables are as follows:

Item	30 June 2019	31 December 2018
Materials and equipment payables	**1,052,707,854.04**	900,854,708.97

As at 30 June 2019 and 31 December 2018, the accounts payable aged over one year amounted to RMB86,937,660.42 and RMB93,779,042.62 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)

20. Contract liabilities

Item	30 June 2019	31 December 2018
Electricity fees received in advance	**7,808,857.17**	6,145,947.92
Others	**534,531.85**	–
Total	**8,343,389.02**	6,145,947.92

Contract liabilities mainly consist of electricity 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 Shantou Power Supply Bureau of Guangdong Power Grid Co., Ltd (廣東電網有限責任公司汕頭供電局). The fees received in advance are electricity fees paid in advance. The relevant revenue from that contract will be recognized upon the execution of the contractual obligation by the Group.

21. Employee benefits payable

(1) Employee benefits payable:

	Balance at the beginning of the period	Additions for the period	Decreased for the period	Balance at the end of the period
Short-term employee benefits	**72,092,134.61**	**129,550,629.68**	**(169,883,771.30)**	**31,758,992.99**
Post-employment benefits – defined contribution plans	**3,910,450.78**	**13,140,920.77**	**(13,243,065.42)**	**3,808,306.13**
Total	**76,002,585.39**	**142,691,550.45**	**(183,126,836.72)**	**35,567,299.12**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Employee benefits payable (Continued)

(2) Short-term salaries

	Balance at the beginning of the period	Additions for the period	Decreased for the period	Balance at the end of the period
Salaries, bonuses, allowances and subsidies	64,513,844.84	98,821,717.04	(139,229,861.45)	24,105,700.43
Staff welfare	324,695.07	8,448,168.69	(8,174,311.28)	598,552.48
Social insurance	245,782.50	6,975,044.05	(7,003,268.49)	217,558.06
Medical insurance	207,660.43	6,028,449.44	(6,052,677.09)	183,432.78
Work-related injury insurance	21,135.14	446,480.16	(448,789.56)	18,825.74
Maternity insurance	16,986.93	500,114.45	(501,801.84)	15,299.54
Housing provident	522,192.79	10,116,401.84	(10,100,096.80)	538,497.83
Labour union fee, staff and workers' education fee	6,438,051.13	2,519,777.37	(2,749,750.06)	6,208,078.44
Commercial insurance	47,568.28	1,730,018.02	(1,686,980.55)	90,605.75
Others	–	939,502.67	(939,502.67)	–
Total	72,092,134.61	129,550,629.68	(169,883,771.30)	31,758,992.99

(3) Post-employment benefits – defined contribution plans

	Balance at the beginning of the period	Additions for the period	Decreased for the period	Balance at the end of the period
Basic pension insurance	3,895,779.61	12,775,911.27	(12,876,233.70)	3,795,457.18
Unemployment insurance	14,671.17	365,009.50	(366,831.72)	12,848.95
Total	3,910,450.78	13,140,920.77	(13,243,065.42)	3,808,306.13

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Taxes payable

Item	30 June 2019	31 December 2018
Corporate income tax	**33,590,673.53**	25,222,481.62
Individual income tax	**349,827.78**	354,100.55
City maintenance and construction tax	**569,951.40**	753,249.61
Urban land use tax	**1,892,811.54**	1,173,945.30
Property tax	**2,486,553.35**	2,744,513.48
Value-added tax	**14,128,104.61**	11,910,495.29
Others	**928,415.39**	1,087,789.94
Total	**53,946,337.60**	43,246,575.79

23. Other payables

	Note	30 June 2019	31 December 2018
Interest payable	(1)	**16,404,613.90**	14,141,187.13
Dividends payable	(2)	**92,395,788.80**	–
Others	(3)	**174,144,325.05**	355,769,628.08
Total		**282,944,727.75**	369,910,815.21

(1) Interest payable

Item	30 June 2019	31 December 2018
Interest payable for long-term loans with interest paid in instalments and principal repaid on maturity	**12,280,544.46**	13,047,187.13
Interest payable for long-term loans with interest and principal repaid on maturity	**1,376,000.00**	–
Interest payable on short-term loans	**2,748,069.44**	1,094,000.00
Total	**16,404,613.90**	14,141,187.13

At the end of each accounting period/year, the Group did not have overdue interest payment.

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Other payables (Continued)

(2) Dividends payable

Item	30 June 2019	31 December 2018
Dividends for ordinary shares	**92,395,788.80**	–

At the end of each accounting period/year, the Group did not have any unpaid dividend exceeds one year.

(3) Others

(a) By nature

Item	30 June 2019	31 December 2018
Payables for power grid lines construction projects	**10,022,705.35**	10,022,705.35
Intermediary fees payable	**600,000.00**	2,400,000.00
Risk guarantees for suppliers	**11,549,943.36**	9,862,332.89
Payable for purchase of equity	**117,252,120.00**	252,000,000.00
Current accounts payables of entities	**–**	45,000,000.00
Slag processing fee	**–**	4,763,572.21
Other payables	**34,719,556.34**	31,721,017.63
Total	**174,144 ,325.05**	355,769,628.08

(b) Significant other payables aged over one year:

Significant other payables aged over one year as at 30 June 2019:

Item	Balance at the end of the period	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	**5,600,060.00**	Risk guarantees for suppliers

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Non-current liabilities due within one year

Non-current liabilities due within one year by category are as follows:

Item	30 June 2019	31 December 2018
Long-term loans due within one year (Note)	**585,530,929.93**	532,303,290.51
Long-term payables due within one year	**7,536,778.32**	7,289,707.65
Lease liabilities due within one year	**2,551,994.16**	–
Total	**595,619,702.41**	539,592,998.16

Note: As at the end of the accounting period/year, the Group did not have overdue long-term loans due within one year.

25. Long-term loans

(1) Long-term loans by nature:

Item	30 June 2019	31 December 2018
Credit loans	**220,000,000.00**	183,000,000.00
Guaranteed and pledged loans	**4,952,717,764.13**	4,739,854,612.13
Less: Long-term loans due within one year	**(585,530,929.93)**	(532,303,290.51)
Total	**4,587,186,834.20**	4,390,551,321.62

There was no long-term loans formed from extension of overdue loans of the Group as at the end of the period/year.

As at 30 June 2019 and 31 December 2018, the interest rates of the Group's long-term loans were 4.30%–6.52% and 4.41%–6.52%, respectively.

(2) Repayment terms of the long-term loans:

	30 June 2019	31 December 2018
Over 1 year but within 2 years (inclusive)	**760,801,879.19**	700,228,704.72
Over 2 years but within 5 years (inclusive)	**2,023,432,733.16**	1,853,185,683.30
Over 5 years	**1,802,952,221.85**	1,837,136,933.60
Total	**4,587,186,834.20**	4,390,551,321.62

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Long-term payables

Item	30 June 2019	31 December 2018
Long-term payables for leachate treatment stations	**592,597,786.42**	606,706,053.29
Less: long-term payables due within one year	**(28,216,534.15)**	(28,216,534.15)
Sub-total	**564,381,252.27**	578,489,519.14
Less: unrecognised financing expenses	**(263,174,853.98)**	(273,391,196.55)
Total	**301,206,398.29**	305,098,322.59

The net amount of the above long-term payables due within one year deducting the unrecognised financing expenses is disclosed in Note V.24.

27. Deferred Income

Item	Balance at the beginning of the period	Additions for the period	Decreased for the period	Balance at the end of the period	Reason
Government grant (Note) – related to assets	**21,297,023.96**	**10,329,330.00**	**(401,190.44)**	**31,225,163.52**	**Granted by the government**

Note: For the government grant of the Group recognised as deferred income, please see Note V.38.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Deferred Income (Continued)

Projects involving government grants:

Liabilities	Balance at the beginning of the period	Credited for the period other income	Additions for the period	Balance at the end of the period	Related to assets/ Related to income
Infrastructure subsidies for the Anshun WTE project	17,666,666.76	(333,333.32)	–	17,333,333.44	Related to assets
Specific fund for Guangyuan technology upgrading and phasing out outdated production capacities	3,630,357.20	(67,857.12)	–	3,562,500.08	Related to assets
Award fund for investment promotion enterprise infrastructure in Hong'an County	–	–	3,832,330.00	3,832,330.00	Related to assets
Yichun enterprise development fund	–	–	6,497,000.00	6,497,000.00	Related to assets
Total	21,297,023.96	(401,190.44)	10,329,330.00	31,225,163.52	

Note: Yichun Dynagreen Renewable Energy Co., Ltd. (宜春綠色動力再生能源有限公司) ("Yichun Company") received funds of RMB6,497,000.00 from the Management Committee of Yichun Economic and Technological Development Area for fixed assets investment in the form of enterprise development fund on 20 March 2019. The government grant is related to assets and is amortised as BOT assets over the operating period of the BOT assets of Yichun Company.

Hong'an Dynagreen Renewable Energy Co., Ltd. (紅安綠色動力再生能源有限公司) ("Hong'an Company") received a one-time infrastructure award of RMB3,832,330.00 from Hubei Jinyuan Investment Development Group Co., Ltd. (湖北省金圓投資發展集團有限公司) on 20 March 2019. The government grant is related to assets and is amortised as BOT assets over the operating period of the BOT assets of Hong'an Company.

28. Share capital

	Balance at the beginning of the period	New shares issued during the period	Balance at the end of the period
Total number of shares	1,161,200,000.00	–	1,161,200,000.00

29. Capital reserve

Item	Balance at the beginning of the period	Accrued during the period	Decreased during the period	Balance at the end of the period
Share capital premium	858,803,441.83	–	(2,693.36)	858,800,748.47

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Other comprehensive income

	30 June 2019					
Item	Balance at the beginning of the period attributable to shareholders of the Company	Before-tax amount during the period	Less: Previously recognised amount transferred to profi t or loss	Less: Income tax expenses	After-tax amount attributable to non-controlling interests	Balance at the end of the period 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	**(8,118,159.45)**	**(24,078.21)**	**–**	**–**	**–**	**(8,142,237.66)**

31. Surplus reserve

Statutory surplus reserve	30 June 2019	31 December 2018
Balance at the beginning of the period/year	**71,532,851.40**	56,379,717.24
Accrued during the period/year	**–**	15,153,134.16
Balance at the end of the period/year	**71,532,851.40**	71,532,851.40

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)

32. Retained earnings

	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Retained earnings at the end of last year before adjustment	**768,994,226.22**	511,374,037.71
Effect of changes in accounting policies on retained earnings (note 1)	**143,580,549.75**	50,702,832.17
Retained earnings at the beginning of the period after adjustment	**912,574,775.97**	562,076,869.88
Add: Net profits for the year attributable to shareholders of the Company	**217,163,283.10**	180,440,576.18
Less: Appropriation for statutory surplus reserve	**–**	–
Distributions to shareholders (note 2)	**(116,120,000.00)**	–
Retained earnings at the end of the period (note 3)	**1,013,618,059.07**	742,517,446.06

Note 1: Effect of changes in accounting policies on retained earnings

Due to the Group's change in the accounting policy for the recognition of tariff revenue from the national renewable energy subsidies, the affected amounts in the beginning of 2019 and 2018 were RMB143,580,549.75 and RMB50,702,832.17 respectively (see Note III. 30(1)(a)).

Note 2: Distributions to shareholders

In June 2019, as resolved at the general meeting, the Company distributed dividends of RMB116,120,000.00 at RMB0.1 per share to shareholders and completed the payment of such dividends in July 2019.

Note 3: Retained earnings at the end of the period

As at 30 June 2019, the retained earnings attributable to the Company included appropriation to surplus reserves made by the Company's subsidiaries amounting to RMB121,818,333.33 (30 June 2018: RMB92,682,555.11).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Operating income and operating costs

(1) Operating income and operating costs

Item	Note	For the six-month period between 1 January 2019 to 30 June 2019 Revenue	Cost	For the six-month period between 1 January 2018 to 30 June 2018 Revenue	Cost
Principal activities		**795,270,932.19**	**369,381,701.88**	516,223,451.78	195,970,431.36
Including: income generated from contract	V.33(2)	**657,492,656.94**	**305,387,443.15**	410,319,757.53	155,766,925.35
Other income		**137,778,275.25**	**63,994,258.73**	105,903,694.25	40,203,506.01

(2) Income generated from contracts

Contract classification	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Electricity tariff	**538,319,720.61**	350,374,623.93
Waste treatment fees	**80,596,832.98**	46,390,648.43
Others	**38,576,103.35**	13,554,485.17
Total	**657,492,656.94**	410,319,757.53

The Group's revenue from electricity supply business is recognized at the time of transfer of electricity control rights, while the revenue from waste treatment services is recognized during the period in which services are rendered.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Taxes and surcharges

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
City maintenance and construction tax	**2,569,229.09**	2,820,772.00
Education surcharges	**2,070,943.59**	2,507,162.62
Property tax	**7,314,832.21**	4,418,713.72
Land use tax	**2,862,111.57**	1,643,255.47
Others	**1,871,043.22**	1,449,200.30
Total	**16,688,159.68**	12,839,104.11

35. Administrative expenses

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Staff cost	**31,056,421.44**	22,584,430.69
Depreciation and amortisation	**2,258,181.16**	1,261,758.10
Utilities and leasing expenses	**2,491,607.71**	1,377,752.58
Business entertainment expenses	**1,246,710.40**	942,980.13
Transportation expenses	**2,689,988.67**	2,202,327.03
Intermediary service fees	**3,206,873.11**	2,324,472.80
External labour costs	**5,084,322.06**	3,490,628.79
Tax expenses	**116,544.55**	114,888.09
Others	**7,037,817.16**	7,433,293.37
Total	**55,188,466.26**	41,732,531.58

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Research and development expenses

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Staff cost	**3,660,355.34**	3,222,512.46
Depreciation and amortisation	**136,879.03**	36,064.19
Utilities and leasing expenses	**309,598.44**	223,599.29
Others	**484,168.95**	740,154.78
Total	**4,591,001.76**	4,222,330.72

37. Financial expenses

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Interest expenses from loans and accounts payable	**169,137,113.48**	106,717,082.09
Interest expenses from lease liabilities commitments	**85,715.48**	–
Less: Borrowing costs capitalised	**16,183,747.93**	4,075,779.59
Interest income from deposits and receivables	**(2,391,625.91)**	(1,463,045.78)
Net exchange (revenue)/loss	**(60,911.08)**	634,443.25
Other financial expenses	**1,209,628.22**	1,582,426.79
Total	**151,796,172.26**	103,395,126.76

The interest rates at which the borrowing costs were capitalised by the Group during the Reporting Period were 4.35%-6.52% (for the six-month period between 1 January 2018 to 30 June 2018: 4.41%–5.77%).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Other income

	Note	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
VAT refund income		**43,028,229.92**	44,922,516.00
Environmental incentives from Ninghe government		**20,000,000.00**	–
Property tax, land use tax refunds		**852,814.53**	1,072,809.10
Infrastructure subsidies for the Anshun WTE project	Note V. 27	**333,333.32**	333,333.32
Supporting funds from Economy Promotion Bureau of Nanshan District, Shenzhen Municipality (深圳南山區經濟促進局) for office buildings		**238,000.00**	–
Special subsidy for Manufacturers in Huiyang		**227,000.00**	–
Unemployment insurance refunds received by Yongjia Company for the year 2018		**226,570.75**	–
Regional incentives for newly reaching scale operation for Guangyuan Boneng		**75,000.00**	–
Special funds for technological transformation and elimination of backward production capacity for Guangyuan Company	Note V. 27	**67,857.12**	–
Operation and maintenance subsidies from Pingyang Environmental Protection Bureau		**62,000.00**	–
Refunds of handling fees of Shenzhen withholding local tax		**–**	339,622.64
Foreign trade promotion policy funds of Bengbu		**–**	197,000.00
Others		**242,829.68**	482,414.85
Total		**65,353,635.32**	47,347,695.91

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Investment income

Item	**For the six-month period between 1 January 2019 to 30 June 2019**	For the six-month period between 1 January 2018 to 30 June 2018
Gains from long-term equity investments accounted for using equity method	**6,939.13**	–
Interest income	**672,491.74**	–
Others	**106,065.19**	–
Total	**785,496.06**	–

40. Impairment loss of credit

Item	**For the six-month period between 1 January 2019 to 30 June 2019**	For the six-month period between 1 January 2018 to 30 June 2018
Accounts receivable	**8,393,318.19**	3,679,021.98
Contract assets	**9,697,054.10**	2,019,799.46
Other receivables	**107,266.22**	928,493.99
Total	**18,197,638.51**	6,627,315.43

41. Gains from asset disposal

Item	**For the six-month period between 1 January 2019 to 30 June 2019**	For the six-month period between 1 January 2018 to 30 June 2018	**Included in non-operating gains and losses in 2019**
(Loss)/gains from disposal of fixed assets	**(25,424.58)**	18,434.21	**(25,424.58)**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Non-operating income and expenses

(1) Non-operating income by item is as follows:

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018	Included in non-operating gains and losses in 2019
Gains from business combination involving entities not under common control	**545,075.45**	–	**545,075.45**
Gains from disposal of non-current assets	**1,996.70**	18,151.28	**1,996.70**
Others	**724,859.30**	100,154.19	**724,859.30**
Total	**1,271,931.45**	118,305.47	**1,271,931.45**

(2) Non-operating expenses

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018	Included in non-operating gains and losses in 2019
Losses from retirement of non-current assets	**3,729.96**	15,324.56	**3,729.96**
Others	**300,144.63**	1,088,143.60	**300,144.63**
Total	**303,874.59**	1,103,468.16	**303,874.59**

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Income tax expenses

Item	Note	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Current tax expenses for the year based on tax law and relevant regulations		**33,479,193.04**	22,807,336.10
Adjustments for tax filling differences		**476,891.01**	(480,216.65)
Income tax refunds*		**(29,834.36)**	–
Changes in deferred income tax	(1)	**(5,704,274.59)**	(4,968,601.72)
Total		**28,221,975.10**	17,358,517.73

* 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	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Origination/(Reversal) of temporary differences	**(5,704,274.59)**	(4,968,601.72)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Income tax expenses (Continued)

(2) Relationship between income tax expenses and accounting profit:

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Profit before tax	**246,509,555.50**	197,817,579.25
Statutory tax rate	**25%**	25%
CIT based on statutory tax rate	**61,627,388.88**	49,454,394.81
Effect of tax preferential benefits and tax rate differences	**(44,518,558.75)**	(25,336,019.60)
Non-deductible expenses	**1,678,983.06**	1,105,772.60
Recognise the effect of temporary differences for which deferred tax asset was not recognised in previous years	**–**	(1,913,386.26)
Effect of temporary differences for which no deferred tax asset was recognised	**8,885,798.09**	1,054,875.97
Adjustments for tax filling differences	**476,891.01**	(480,216.65)
Tax losses for which no deferred income tax was recognised in previous years	**(671,248.66)**	(5,368,927.59)
PRC withholding tax on dividends	**1,630,313.37**	272,770.78
Others	**(887,591.90)**	(1,430,746.33)
Income tax expenses for the period	**28,221,975.10**	17,358,517.73

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:

	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Consolidated net profit attributable to ordinary shareholders of the Company	**217,163,283.10**	180,440,576.18
Weighted average number of ordinary shares outstanding of the Company	**1,161,200,000.00**	1,057,839,779.01
Basic earnings per share (RMB/share)	**0.19**	0.17

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Basic earnings per share and diluted earnings per share (Continued)

(1) Basic earnings per share (Continued)

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

	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Issued ordinary shares at the beginning of the period	**1,161,200,000.00**	1,045,000,000.00
Effect of the issue of shares under the initial public offering on the Shanghai Stock Exchange	**–**	12,839,779.01
Weighted average number of ordinary shares at the end of the period	**1,161,200,000.00**	1,057,839,779.01

(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 Reporting Period.

45. Supplementary information on income statement

Expenses in the income statement are analysed by their nature:

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Operating income	**795,270,932.19**	516,223,451.78
Less: Waste treatment and power generation costs	**209,647,388.71**	99,503,140.34
Depreciation and amortisation	**81,723,428.82**	37,943,704.62
Employee benefits	**116,733,423.54**	91,125,842.72
Impairment loss of credit	**18,197,638.51**	6,627,315.43
Rental expenses	**1,203,714.90**	1,012,586.93
Finance costs	**151,796,172.26**	103,395,126.76
Other Income	**(65,353,635.32)**	(47,347,695.91)
Other expenses	**35,781,302.13**	25,160,688.95
Operating profit	**245,541,498.64**	198,802,741.94

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Cash flow statement items

(1) Cash received from other operating activities

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Retention money	**6,820,000.00**	13,030,000.00
Government grants and others (Note)	**32,253,544.96**	8,755,574.55
Other monetary funds with restricted use	**–**	11,600,000.00
Others	**2,929,591.05**	–
Total	**42,003,136.01**	33,385,574.55

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	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Retention money	**6,039,000.00**	7,300,000.00
Restricted deposits	**5,000,000.00**	–
Intermediary service fee, travel and communication expenses and others	**20,156,356.49**	14,806,691.92
Total	**31,195,356.49**	22,106,691.92

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Cash flow statement items (Continued)

(3) Cash received from other investing activities

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Recovery of current accounts of entities	**37,816,510.20**	–
Interest income	**842,529.84**	1,285,840.11
Total	**38,659,040.04**	1,285,840.11

(4) Cash paid for other investing activities

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Payment of performance bond	**10,000,000.00**	–
Payment of current accounts of entities	**10,000,000.00**	–
Total	**20,000,000.00**	–

(5) Cash paid for other financing activities

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Cash paid for repayment of principal and interests of lease liabilities	**1,913,157.30**	–
Financing expenses (note)	**–**	29,945,480.77
Total	**1,913,157.30**	29,945,480.77

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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Information on cash flow statement

(1) Supplement to cash flow statement

(a) Adjustment of net profit to cash flows from operating activities:

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Net profit	**218,287,580.40**	180,459,061.52
Add: Impairment loss of credit	**18,197,638.51**	6,627,315.43
Depreciation of fixed assets	**3,477,910.33**	1,747,102.41
Depreciation of right-of-use assets	**1,791,178.67**	–
Amortisation of intangible assets	**76,067,779.42**	36,023,853.50
Amortisation of long-term deferred expenses	**552,642.46**	172,748.71
Losses/(gains) from disposal of fixed assets	**25,424.58**	(18,434.21)
Losses/(gains) from scrapping of fixed assets	**1,733.26**	(2,826.72)
Finance costs	**142,100,869.41**	90,738,899.12
Investment income	**(785,496.06)**	–
Gains from business combination involving entities not under common control	**(545,075.45)**	–
(Increase)/decrease in inventory	**(1,309,930.20)**	(2,574,477.38)
Changes in deferred tax assets	**(14,241,782.44)**	(11,192,533.19)
Changes in deferred tax liabilities	**8,537,410.23**	6,223,932.56
(Increase)/decrease in restricted deposits	**(5,000,000.00)**	11,600,000.00
Increase in operating receivables	**(635,223,075.99)**	(476,173,737.40)
Increase/(decrease) in operating payables	**62,598,135.58**	(32,753,764.94)
Net cash flow used in operating activities	**(125,467,057.29)**	(189,122,860.59)

(b) Net changes in cash:

Item	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Cash at the end of the period	**545,063,911.58**	824,134,114.69
Less: Cash at the beginning of the period	**633,978,483.72**	665,292,369.22
Net (decrease)/increase in cash	**(88,914,572.14)**	158,841,745.47

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Information on cash flow statement (Continued)

(2) Acquisition of subsidiaries during the year

Acquisition of subsidiaries

	For the six-month period between 1 January 2019 to 30 June 2019	For the six-month period between 1 January 2018 to 30 June 2018
Cash paid for the acquisition of subsidiaries	**68,115,400.00**	90,000,000.00
Cash and cash equivalents paid for acquisition of subsidiaries during the period	**60,480,780.00**	82,000,000.00
Less: Cash and cash equivalents held by subsidiaries	**500,249.95**	8.06
Add: Cash paid for acquisition of subsidiaries in the previous years	**142,382,500.00**	–
Net cash paid for the acquisition of subsidiaries	**202,363,030.05**	81,999,991.94

For details of the acquisition of non-cash assets and liabilities of subsidiaries, please refer to Note VI. 2(2).

(3) Components of cash

Item	**For the six-month period between 1 January 2019 to 30 June 2019**	For the six-month period between 1 January 2018 to 30 June 2018
Cash		
Including: Cash on hand	**61,542.53**	40,053.20
Bank deposits available on demand	**545,002,369.05**	824,094,061.49
Other monetary funds with restricted use	**81,757,520.00**	17,600,000.00
Balance of cash at the end of the period	**626,821,431.58**	841,734,114.69
Less: Other monetary funds with restricted use	**81,757,520.00**	17,600,000.00
Cash balance available on demand at the end of the period	**545,063,911.58**	824,134,114.69

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Assets with restrictive ownership title or right of use

For the six-month period between 1 January 2019 to 30 June 2019

Item	Note	Balance at the beginning of the period	Accrued during the period	Decreased during the period	Balance at the end of the period	Reason for restriction
Assets for providing guarantees						
– Cash at bank and on hand	V.1	**76,757,520.00**	**5,000,000.00**	**–**	**81,757,520.00**	Mainly used for issuing performance bond
– Intangible assets	V.13	**2,609,152,080.47**	**41,168,894.13**	**(203,353,411.34)**	**2,446,967,563.26**	Providing guarantees for loans
– Accounts receivable	V.3	**157,661,328.79**	**489,055,277.72**	**(452,697,737.63)**	**194,018,868.88**	Providing guarantees for loans
– Contract assets	V.7	**154,879,707.03**	**99,302,407.07**	**–**	**254,182,114.10**	Providing guarantees for loans
– Long-term receivables due within one year	V.8	**23,565,132.64**	**29,952,093.63**	**(23,565,132.64)**	**29,952,093.63**	Providing guarantees for loans
– Long-term receivables	V.10	**1,391,320,745.15**	**535,889,072.37**	**(251,636,138.05)**	**1,675,573,679.47**	Providing guarantees for loans
Total		**4,413,336,514.08**	**1,200,367,744.92**	**(931,252,419.66)**	**4,682,451,839.34**	

For the six-month period between 1 January 2018 to 30 June 2018

Item	Note	Balance at the beginning of the period	Accrued during the period	Decreased during the period	Balance at the end of the period	Reason for restriction
Assets for providing guarantees						
– Cash at bank and on hand	V.1	29,200,000.00	4,000,000.00	(15,600,000.00)	17,600,000.00	Mainly used for issuing performance bond
– Intangible assets	V.13	1,377,340,726.06	245,696,583.62	(12,095,730.72)	1,610,941,578.96	Providing guarantees for loans
– Accounts receivable	V.3	81,476,656.43	481,766,794.16	(409,846,425.35)	153,397,025.24	Providing guarantees for loans
– Contract assets	V.7	67,144,830.06	68,018,638.82	(30,934,299.53)	104,229,169.35	Providing guarantees for loans
– Long-term receivables due within one year	V.8	17,810,034.34	19,756,738.18	(17,810,034.34)	19,756,738.18	Providing guarantees for loans
– Long-term receivables	V.10	885,252,044.73	49,643,116.72	(20,604,529.75)	914,290,631.70	Providing guarantees for loans
Total		2,458,224,291.62	868,881,871.50	(506,891,019.69)	2,820,215,143.43	

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	30 June 2019	31 December 2018
HKD	**0.8797**	0.8762

50. Government grants

(1) Basic information of government grants

Type	Amount	Items presented	Amount included in current profit or loss
VAT refund income	43,028,229.92	Other income	43,028,229.92
Environmental incentives from Ninghe government	20,000,000.00	Other income	20,000,000.00
Infrastructure subsidies for the Anshun WTE project	17,666,666.76	Deferred income	333,333.32
Corporate development fund in Yichun	6,497,000.00	Deferred Income	–
Infrastructure incentives for investment promotion in Hong'an county	3,832,330.00	Deferred income	–
Special funds for technological transformation and elimination of backward production capacity for Guangyuan Company	3,630,357.20	Deferred income	67,857.12
Property tax, land use tax refunds	852,814.53	Other income	852,814.53
Supporting funds from Economy Promotion Bureau of Nanshan District, Shenzhen Municipanity (深圳南山區經濟促進局) for office buildings	238,000.00	Other income	238,000.00
Special subsidy for Manufacturers in Huiyang	227,000.00	Other income	227,000.00
Unemployment insurance refunds received by Yongjia Company for the year 2018	226,570.75	Other income	226,570.75
Regional incentives for newly reaching scale operation for Guangyuan Boneng	75,000.00	Other income	75,000.00
Operation and maintenance subsidies from Pingyang Environmental Protection Bureau	62,000.00	Other income	62,000.00
Others	242,829.68	Other income	242,829.68

(2) There was no return of government subsidies for the six-month period between 1 January 2019 to 30 June 2019.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Leases

(1) the Group as lessee

Right-of-use assets

Item	Buildings and structures	Motor vehicles	Others	Total
Cost				
1 January 2019	**12,832,945.58**	**123,948.48**	**245,210.97**	**13,202,105.03**
Accrued during the period	**782,068.40**	**–**	**–**	**782,068.40**
Decreased during the period	**(8,791,373.97)**	**(43,753.71)**	**–**	**(8,835,127.68)**
30 June 2019	**4,823,640.01**	**80,194.77**	**245,210.97**	**5,149,045.75**
Accumulated depreciation				
1 January 2019	**–**	**–**	**–**	**–**
Accrued during the period	**1,770,767.43**	**34,994.08**	**22,034.75**	**1,827,796.26**
Decreased during the period	**(14,582.84)**	**–**	**–**	**(14,582.84)**
30 June 2019	**1,756,184.59**	**34,994.08**	**22,034.75**	**1,813,213.42**
Carrying amount				
30 June 2019	**3,067,455.42**	**45,200.69**	**223,176.22**	**3,335,832.33**
1 January 2019	**12,832,945.58**	**123,948.48**	**245,210.97**	**13,202,105.03**

X. FINANCIAL REPORT (CONTINUED)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Leases (Continued)

(1) the Group as lessee (Continued)

Lease liabilities

Item	30 June 2019
Long-term lease liabilities	**3,176,695.62**
Less: Lease liabilities due within one year	**(2,551,994.16)**
Total	**624,701.46**

Item	For the six-month period between 1 January 2019 to 30 June 2019
Short-term lease expense under simplified approach	**1,651,058.05**
Low-value lease expense (except short-term lease expense of low-value assets) under simplified approach	**25,328.22**
Total cash outflows relating to leases	**3,812,388.16**

The Group also lease staff dormitories, office equipment and printing equipment with lease terms ranging from six months to three years. These leases are short-term or low-value asset leasing. The Group decided not to recognise right-of-use assets and leasing liabilities for these leases.

VI. CHANGE OF CONSOLIDATION SCOPE

1. Subsidiaries established during the period of these financial statements

During the period, the Group established new subsidiaries, namely Pingyang Dynagreen Renewable Energy Co., Ltd. (平陽綠動環保能源有限公司) ("Pingyang Phase II Project Company") and Baise Dynagreen Environment Co., Ltd. (百色綠動環保有限公司) ("Jingxi Company").

2. Business combination involving entities not under common control

(1) Business combination involving entities not under common control for the period between 1 January to 30 June 2019

	Consideration of equity acquired	Percentage of equity acquired	Way of equity acquisition	Acquisition date	Basis of determination of the acquisition date	Attributable to the acquiree for the period from the date of purchase until 30 June 2019 (Expressed in Renminbi) Income	Net profit	Net cash inflow
Guizhou Jinsha Green Energy Co., Ltd (貴州金沙綠色能源有限公司) ("Jinsha Company")	RMB68,115,400 (provisional)	100%	Equity transfer	24 March 2019	Transfer of control	3,586,292.32	1,226,187.21	358,515.71

Jinsha Company was incorporated in Bijie City, Guizhou province on 24 August 2017. It is principally engaged in environmental technology development such as waste-to-energy and provision of municipal road sweeping, transportation and cleaning service. Before combination, the shareholders of Jinsha Company were Zhuhai Outai Energy Environmental Protection Partnership (Limited Partnership) (珠海歐泰能源環保合夥企業(有限合夥)) and Shenzhen Guoyun Environmental Protection Investment Co., Ltd. (深圳市國運環保投資有限公司). On 24 March 2019, the Company completed the handover procedure with former shareholders of Jinsha Company and obtained the control over Jinsha Company, which became a subsidiary of the Company since then.

The excess of the fair value of the identifiable assets and liabilities of Jinsha Company as at the acquisition date over the acquisition consideration of RMB545,075.45 was recognised as non-operating income.

X. FINANCIAL REPORT (CONTINUED)

VI. CHANGE OF CONSOLIDATION SCOPE (Continued)

2. Business combination involving entities not under common control (Continued)

(2) Identifiable assets and liabilities of Jinsha Company on the purchase date:

	Jinsha Company	
	Fair value	**Carrying amount**
Assets:		
Cash at bank and on hand	500,249.95	500,249.95
Bills receivable and accounts receivable, prepayments and other receivables	1,728,616.55	1,728,616.55
Other current assets	5,883,588.17	5,883,588.17
Long-term receivables	73,987,879.23	73,957,695.74
Fixed assets	374,709.00	309,072.37
Intangible assets	842,392.26	31,892.26
Other non-current assets	18,723,121.07	17,366,751.07
Liabilities:		
Accounts payable, interest payable and other payables	(32,134,377.31)	(32,134,377.31)
Deferred tax liabilities	(1,245,703.47)	(680,030.95)
Identifiable net assets	68,660,475.45	66,963,457.85

The Group uses the future cash flow discounting method to determine the fair value of the intangible assets of Jinsha Company 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 (11.6% and 13.1%).

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		Share holding (%)		Acquisition method
			Currency	Amount in original currency	Direct	Indirect	
Taizhou Dynagreen Renewable Energy Co., Ltd. (泰州綠色動力再生能源有限公司) ("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 million/15 million	100%	–	Establishment
Zhangqiu Company	Zhangqiu, Shandong	Waste treatment and power generation	RMB	172.94 million/172.94 million	100%	–	Establishment
Anshun Dynagreen Renewable Energy Co., Ltd. (安順綠色動力再生能源有限公司) ("Anshun Company")	Anshun, Guizhou	Waste treatment and power generation	RMB	100 million/100 million	100%	–	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	100%	–	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	100%	–	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	100%	–	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% (a)	Establishment
Tianjin Dynagreen Environmental Energy Co., Ltd. (天津綠動環保能源有限公司) ("Ninghe Company")	Ninghe, Tianjin	Waste treatment and power generation	RMB	150 million/150 million	100%	–	Establishment
Hong'an Company	Hong'an, Hubei	Waste treatment and power generation	RMB	100 million/100 million	100%	–	Establishment
Beijing Dynagreen Environment Co., Ltd. (北京綠色動力環保有限公司) ("Tongzhou Company")	Beijing	Waste treatment and power generation	RMB	375 million/375 million	100%	–	Establishment
Shantou Company	Shantou, Guangdong	Waste treatment and power generation	RMB	160 million/160 million	75%	25% (b)	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 Company	Bobai, Guangxi	Waste treatment and power generation	RMB	100 million/100 million	75%	25% (b)	Establishment

X. FINANCIAL REPORT (CONTINUED)

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	Share holding (%): Direct	Share holding (%): Indirect	Acquisition method
Bengbu Dynagreen Renewable Energy Co., Ltd. (蚌埠綠色動力再生能源有限公司) ("Bengbu Company")	Bengbu, Anhui	Waste treatment and power generation	RMB	166 million/166 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% (b)	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% (b)	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
Miyun Company	Miyun, Beijing	Waste treatment and power generation	RMB	120.00 million/120.00 million	100%	–	Establishment
Yichun Company	Yichun, Jiangxi	Waste treatment and power generation	RMB	165 million/72.1294 million	–	77.52% (c)	Establishment
Wenzhou Dynagreen Environmental Energy Co., Ltd. (溫州綠動環保能源有限公司) ("Yongjia Phase II Project Company")	Yongjia, Zhejiang	Waste treatment and power generation	RMB	100 million/49 million	51%	49% (d)	Establishment
Huludao Company	Huludao, Liaoning	Hazardous Waste Treatment	RMB	100 million/92.2 million	80% (e)	–	Business combination involving entities not under common control
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")	Huizhou, Guangdong	Waste treatment and power generation	RMB	250 million/221 million	100%	–	Establishment
Dengfeng Dynagreen Renewable Energy Co., Ltd. (登封綠色動力再生能源有限公司) ("Dengfeng Company")	Dengfeng, Henan	Waste treatment and power generation	RMB	100 million/15 million	100%	–	Establishment
Haining Dynagreen Haiyun Environmental Protection Energy Co., Ltd. (海寧綠動海雲環保能源有限公司) ("Haining Expansion Project Company")	Haining, Zhejiang	Waste treatment and power generation	RMB	390 million/234 million	60%	40% (f)	Establishment
Shishou Dynagreen Renewable Energy Co., Ltd. (石首綠色動力再生能源有限公司) ("Shishou Company")	Shishou, Hubei	Waste treatment and power generation	RMB	100 million/50 million	100%	–	Establishment
Guangyuan Company	Guangyuan, Sichuan	Waste treatment and power generation	RMB	140 million/140 million	–	100% (i)	Business combination involving entities not under common control
Dongguan Changneng	Dongguan, Guangdong	Garbage transfer	RMB	10 million/10 million	–	100% (g)	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: Currency	Registered capital/paid-in capital: Amount in original currency	Share holding (%): Direct	Share holding (%): Indirect	Acquisition method
Jiamusi Company	Jiamusi, Heilongjiang	Waste treatment and power generation	RMB	159 million/159 million	–	100% (g)	Business combination involving entities not under common control
Zhaoqing Boneng Renewable Energy Power Generation Co., Ltd. (肇慶市博能再生能源發電有限公司) ("Zhaoqing Company")	Sihui, Guangdong	Waste treatment and power generation	RMB	180 million/159 million	–	100% (g)	Business combination involving entities not under common control
Guangyuan Promising Environmental Protection Company Limited (廣元博海昕能環保有限公司) ("Guangyuan Promising")	Guangyuan, Sichuan	Environmental technology research and development	RMB	25.00 million/25.00 million	–	99.5% (h)	Business combination involving entities not under common control
Guangdong Promising Environmental Protection Company Limited (廣東博海昕能環保有限公司) ("Guangdong Promising")	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
Shulan Boneng Environmental Protection Company Limited (舒蘭市博能環保有限公司) ("Shulan Company")	Shulan, Jilin	Waste treatment and power generation	RMB	90 million/0 million	–	100% (g)	Business combination involving entities not under common control
Yongxing Boneng Environmental Energy Co., Ltd. (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% (g)	Business combination involving entities not under common control
Zhangye Boneng Environmental Protection Company Limited (張掖博能環保有限公司) ("Zhangye Company")	Zhangye, Gansu	Garbage transfer	RMB	1 million/1 million	–	100% (g)	Business combination involving entities not under common control
Jinsha Company	Bijie, Guizhou	Garbage transfer, waste treatment and power generation	RMB	100 million/92.755 million	100%	–	Business combination involving entities not under common control
Pingyang Phase II Project Company	Pingyang, Zhejiang	Waste treatment and power generation	RMB	110 million/22 million	100%	–	Establishment
Jingxi Company	Jingxi, Guangxi	Waste treatment and power generation	RMB	120 million/5 million	100%	–	Establishment

(a) 40% held by Blue-ocean Environment;

(b) 25% held by Blue-ocean Environment;

(c) 77.52% of equity interest in Yichun Company is held by Blue-ocean Environment, 22.48% is held by Yichun Municipal Development Co.,Ltd. (宜春市市政发展有限公司);

(d) 49% held by Blue-ocean Environment;

(e) 20% is held by Fan Jie;

(f) 40% is held by Haining Municipal Water Investment Group Co., Limited (海寧市水務投資集團有限公司);

(g) 100% is held by Guangdong Promising;

(h) 99.5% held by Guangdong Promising, 0.5% held by Chen Lei;

(i) 100% is held by Guangyuan Promising.

X. FINANCIAL REPORT (CONTINUED)

VII. INTERESTS IN OTHER ENTITIES (Continued)

2. The transaction that caused changes of the parent company's share of the owner's equity in the subsidiary but still has control over the subsidiary

The minority shareholder of Yichun Company increased its capital contribution by RMB10 million during this period. After the transaction, the shareholding ratio of the parent company to the subsidiaries was 77.52%, and the parent company has not lost its control over Yichun Company.

3. Interests in joint ventures

	30 June 2019	31 December 2018
Joint ventures – immaterial joint ventures (Note)	**69,046,224.60**	31,222,775.27
Less: Provision for impairment	**–**	–
Total	**69,046,224.60**	31,222,775.27

Note: 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.

(1) The summary financial information of the insignificant joint ventures is as follows:

	30 June 2019	31 December 2018
Joint ventures		
Total carrying amount of investment	**69,039,285.47**	31,224,489.82
The total of the following items calculated according to the shareholding ratio	**6,939.13**	(1,714.55)
– Net profit/(loss)	**6,939.13**	(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

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

The following mainly presents information on the Group's exposure to each of the above risks and their sources, their changes during the period, and the Group's objectives, policies and processes for risk management, the method used in measuring risk, and their changes during the period.

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.

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, accounts receivable, other receivables and contract assets. 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 accounts receivable, other receivables and contract assets is disclosed in Notes V, 3, 5 and 7, 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% (2018: 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 V. 3 – relevant disclosures of accounts receivable.

X. FINANCIAL REPORT (CONTINUED)

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

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.

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 30 June/31 December) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flow as at 30 June 2019					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount at balance sheet date
Short-term loans	**2,022,175,453.42**	**–**	**–**	**–**	**2,022,175,453.42**	**1,971,000,000.00**
Accounts payable	**1,052,707,854.04**	**–**	**–**	**–**	**1,052,707,854.04**	**1,052,707,854.04**
Other payables	**282,944,727.75**	**–**	**–**	**–**	**282,944,727.75**	**282,944,727.75**
Non-current liabilities due within one year	**876,529,122.54**	**–**	**–**	**–**	**876,529,122.54**	**595,619,702.41**
Lease liabilities	**–**	**170,909.09**	**357,164.29**	**257,375.00**	**785,448.38**	**624,701.46**
Long term payables	**–**	**28,216,534.15**	**84,649,602.45**	**451,515,111.71**	**564,381,248.31**	**301,206,398.29**
Long term loans	**–**	**1,240,829,707.39**	**3,112,026,350.00**	**2,643,693,361.76**	**6,996,549,419.15**	**4,587,186,834.20**
Total	**4,234,357,157.75**	**1,269,217,150.63**	**3,197,033,116.74**	**3,095,465,848.47**	**11,796,073,273.59**	**8,791,290,218.15**

	Contractual undiscounted cash flow as at 31 December 2018					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount at balance sheet date
Short-term loans	886,831,893.15	–	–	–	886,831,893.15	854,000,000.00
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 one 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

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 30 June 2019 and 31 December 2018, the Group held the following interest-bearing financial instruments:

Fixed rate financial instruments:

	30 June 2019		31 December 2018	
Item	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
Financial assets				
– Long-term receivables due within one year	5.36-9.13	79,431,561.25	5.36–8.53	71,704,170.76
– Long-term receivables	4.90-9.13	4,163,811,582.90	5.04–8.53	3,813,467,761.56
Financial liabilities				
– Short-term loans	0.00-4.90	(1,971,000,000.00)	0.00–4.35	(854,000,000.00)
– Long-term loans	4.3-5.38	(1,018,044,202.00)	4.3–5.38	(1,105,733,857.21)
– Lease liabilities	4.50	(624,701.46)	–	–
– Long-term payables due within one year	5.73-7.99	(7,536,778.32)	5.73–8.27	(7,289,707.65)
– Long-term loans due within one year	4.51-5.38	(224,896,559.50)	4.3–5.38	(147,022,809.50)
– Lease liabilities due within one year	4.50	(2,551,994.16)	–	–
– Long-term payables	5.73-7.99	(301,206,398.29)	5.73–8.27	(305,098,322.59)
Total		717,382,510.42		1,466,027,235.37

X. FINANCIAL REPORT (CONTINUED)

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Interest rate risk (Continued)

(a) At 30 June 2019 and 31 December 2018, the Group held the following interest-bearing financial instruments: (Continued)

Floating rate financial instruments:

Item	30 June 2019 Effective interest rate (%)	30 June 2019 Amount	31 December 2018 Effective interest rate (%)	31 December 2018 Amount
Financial assets				
– Cash at bank and on hand	**0.35**	**626,759,889.05**	0.35	710,663,841.12
Financial liabilities				
– Long-term loans due within one year	**4.41–6.52**	**(360,634,370.43)**	4.41–6.52	(385,280,481.01)
– Long-term loans	**4.41–6.52**	**(3,569,142,632.20)**	4.41–6.52	(3,284,817,464.41)
Total		**(3,303,017,113.58)**		(2,959,434,104.30)

b) Sensitivity analysis

At 30 June 2019 and 31 December 2018, 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 RMB31,729,731.87 and RMB20,634,921.62, 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, 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)

(1) As at 30 June 2019 and 31 December 2018, 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.

	30 June 2019		31 December 2018	
	Foreign currency balance	**Convert RMB balance**	Foreign currency balance	Convert RMB balance
Cash at bank and on hand				
– HKD	**27,845,597.15**	**24,494,657.99**	53,146,337.60	46,566,821.01
– USD	**713,815.39**	**4,907,266.66**	713,184.42	4,894,727.31
– EUR	**2,380.00**	**18,604.46**	2,380.00	18,676.57
– JPY	**11.00**	**0.70**	11.00	0.68
Gross balance sheet exposure		**29,420,529.81**		51,480,225.57

(2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		**Reporting date mid-spot rate**	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
HKD	**0.8779**	0.8561	**0.8797**	0.8762
USD	**6.8690**	6.6987	**6.8747**	6.8632
EUR	**7.8322**	7.8248	**7.8170**	7.8473
JPY	**0.0629**	0.0599	**0.0638**	0.0619

X. FINANCIAL REPORT (CONTINUED)

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 30 June 2019 and 31 December 2018 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	30 June 2019	31 December 2018
HKD	**(185,130.47)**	(350,671.83)
EUR	**(158.14)**	(158.75)
USD	**(40,976.00)**	(40,871.00)
Total	**(226,264.61)**	(391,701.58)

A 1% weakening of the Renminbi against Hong Kong dollar, Euro, US dollar and Japanese Yen at 30 June 2019 and 31 December 2018 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 30 June 2019, 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, contract assets, 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. FINANCIAL REPORT (CONTINUED)

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. (北京水晶石數字股份科技有限公司)	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

Six months from 1 January 2019 to 30 June 2019

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
BSAM*	**416,398,095.32**	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	**1,039,388,095.32**			

Six months from 1 January 2018 to 30 June 2018

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
BSAM*	502,453,756.66	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	1,125,443,756.66			

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(2) Remuneration of key management personnel

The Group

Item	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Remuneration of key management personnel	**2,134,062.97**	2,691,667.20

(3) Related-party loans

The Group

Related parties	Amount	Six months from 1 January 2019 to 30 June 2019 Commencement date	Maturity date
Borrowed from			
BSAM*	**290,000,000.00**	25 January 2019	25 January 2020
BSAM*	**150,000,000.00**	25 February 2019	25 February 2020
BSAM*	**150,000,000.00**	5 March 2019	5 March 2020
BSAM*	**120,000,000.00**	6 May 2019	6 May 2020
BSAM*	**250,000,000.00**	3 June 2019	3 June 2020
Yichun Municipal Development Co., Ltd. (宜春市市政發展有限公司)	**10,000,000.00**	8 January 2019	8 July 2019
Total	**970,000,000.00**		

No related-party loans transactions have occurred during the six months from 1 January 2018 to 30 June 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)

(4) Interest income and expense on related-party loans

Interest received from related-party loans

Related parties	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Fengcheng Company	**672,491.74**	–

Payments of interests on related-party loans

Related parties	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
BSAM*	**30,976,541.66**	–
Beijing State-owned Financial Leasing Company (北京國資融資租賃公司)	**1,538,345.11**	2,066,261.95
Yichun Municipal Development Co., Ltd. (宜春市市政發展有限公司)	**483,194.44**	–
Total	**32,998,081.21**	2,066,261.95

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(5) Purchase from related party

The Group

Related parties	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Beijing Crystal Digital Technology Co., Ltd.*	**359,000.00**	6,995,900.00
Beijing Shibo International Events Co., Ltd.* 北京時博國際賽事有限公司*	**600,000.00**	–
Total	**959,000.00**	6,995,900.00

(6) Other related parties transactions

Related parties	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Fengcheng Company	**11,603,518.09**	3,598,924.79

* 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	30 June 2019	31 December 2018
Beijing State-owned Financial Leasing Company (北京國資融資租賃公司)	**46,199,744.88**	55,682,529.75
BSAM	**60,000,000.00**	60,000,000.00
Total	**106,199,744.88**	115,682,529.75

(2) *Short-term loans with related party*

Related parties	30 June 2019	31 December 2018
BSAM	**1,810,000,000.00**	850,000,000.00
Yichun Municipal Development Co., Ltd. (宜春市市政發展有限公司)	**20,000,000.00**	–
Total	**1,830,000,000.00**	850,000,000.00

(3) *Payables to related party*

Related parties	30 June 2019	31 December 2018
Shenzhen Crystal Digital Technology Co., Ltd. (深圳水晶石數字科技有限公司)	**245,316.60**	1,337,750.60
Beijing Crystal Digital Technology Co., Ltd.	**841,094.00**	901,800.00
Total	**1,086,410.60**	2,239,550.60

(4) *Other payables to related parties*

Related parties	30 June 2019	31 December 2018
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	30 June 2019	31 December 2018
Beijing Crystal Digital Technology Co., Ltd.*	–	409.59
Fengcheng Company	**10,000,000.00**	37,816,510.20
Total	**10,000,000.00**	37,816,919.79

(6) *Interest receivable from related parties*

Related parties	30 June 2019	31 December 2018
Fengcheng Company	–	63,972.93

(7) *Interest payable for related parties*

Related parties	30 June 2019	31 December 2018
Yichun Municipal Development Co., Ltd (宜春市市政發展有限公司)	**487,277.77**	4,083.33
BSAM	**3,512,333.34**	1,089,916.67
Total	**3,999,611.11**	1,094,000.00

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 for the six months ended 30 June 2019 is the same as in 2018. The gearing ratios of the Group were 73.66% and 71.25% respectively as at 30 June 2019 and 31 December 2018.

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Item	30 June 2019	31 December 2018
Infrastructure construction contract authorised but not contracted for	**1,196,451,141.04**	1,314,575,978.84
Infrastructure construction contract contracted for and is or going to be effective	**2,370,290,116.47**	1,788,531,277.05
Equity investment contracted for but not paid	**–**	37,818,474.75
Total	**3,566,741,257.51**	3,140,925,730.64

(2) Operating lease commitments

As at 30 June 2019 and 31 December 2018, the total future minimum lease payment of the Group under non-cancellable operation leases of relevant properties were payable as follows:

Item	30 June 2019	31 December 2018
Within 1 year (inclusive)	**1,015,401.55**	2,421,278.00
After 1 year but within 2 years (inclusive)	**17,900.00**	152,370.00
After 2 year but within 3 years (inclusive)	**660.00**	4,400.00
Total	**1,033,961.55**	2,578,048.00

2. Contingencies

The Company provided external parties with joint and several liability guarantee in regard to bank loans as at the end of each period/year during the Reporting Period, all guarantees of which were its subsidiaries. The Group has no material contingency which need to be disclosed.

XIII. SUBSEQUENT EVENTS

As at 30 June 2019, the Group has no significant subsequent events.

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 six month ended 30 June 2019, there were 2 customers (For the six month ended 30 June 2018: 1) among the Group's customers, the separate income from which accounted for over 10% of the Group's total income, altogether representing approximately 23% (For the six month ended 30 June 2018: 14%) of the Group's total income. The income from these customers are summarised as follows:

Item	**Six months from 1 January 2019 to 30 June 2019**	Six months from 1 January 2018 to 30 June 2018
Jiangsu State Grid Power Company (國網江蘇省電力公司)	**88,977,938.21**	73,663,779.96
Tianjin State Grid Power Company (國網天津市電力公司)	**92,765,740.27**	Below 10% of the Group's total income

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1 Accounts receivable

(1) Accounts receivable by customer type:

Customer type	30 June 2019	31 December 2018
Related parties	**49,433,737.48**	20,487,404.22
Less: Provision for bad and doubtful debts	**–**	–
Total	**49,433,737.48**	20,487,404.22

The ageing is counted starting from the date when accounts receivable are recognised. At the end of the period/year, the ageing of the Company's accounts receivable were within one year.

(2) Five largest accounts receivable by debtor at the end of the period/year

As at 30 June 2019, the subtotal of five largest accounts receivable of the Company amounted to RMB49,433,737.48, representing 100% of the total accounts receivable at the end of the period, and the provisions of bad and doubtful debts amounted to RMB0.

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.

X. FINANCIAL REPORT (CONTINUED)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables

	Note	30 June 2019	31 December 2018
Interest receivable	(1)	**19,955,776.89**	18,816,987.12
Dividends receivable		**91,580,000.00**	–
Others	(2)	**941,237,598.65**	457,863,151.92
Total		**1,052,773,375.54**	476,680,139.04

(1) Interest receivable

(a) Interest receivable by category:

Item	30 June 2019	31 December 2018
Entrusted loan interest	**19,955,776.89**	18,816,987.12

(b) On 30 June 2019, the Company had no overdue interest receivable.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Others

(a) Others by customer type:

Customer type	30 June 2019	31 December 2018
Amount due from independent third parties	**14,708,049.70**	59,554,978.86
Receivables from related party	**938,130,396.40**	410,604,404.02
Sub-total	**952,838,446.10**	470,159,382.88
Less: Provision for bad and doubtful debts	**(11,600,847.45)**	(12,296,230.96)
Total	**941,237,598.65**	457,863,151.92

(b) The ageing analysis is as follows:

Ageing	30 June 2019	31 December 2018
Within 1 year (inclusive)	**879,662,212.78**	445,844,562.35
More than 1 year but less than 2 years (inclusive)	**59,894,066.79**	13,419,557.42
More than 2 year but less than 3 years (inclusive)	**2,668,488.18**	281,584.76
More than 3 year but less than 4 years (inclusive)	**–**	100.00
More than 4 year but less than 5 years (inclusive)	**638,490.00**	638,390.00
Over 5 years	**9,975,188.35**	9,975,188.35
Sub-total	**952,838,446.10**	470,159,382.88
Less: Provision for bad and doubtful debts	**(11,600,847.45)**	(12,296,230.96)
Total	**941,237,598.65**	457,863,151.92

The ageing is counted starting from the date when other receivables are recognised.

X. FINANCIAL REPORT (CONTINUED)

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 and doubtful debts:

	30 June 2019				
	Book balance		Provision for bad and doubtful debts		
Class	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Provision for bad and doubtful debts on separate basis					
– *Recovery of performance bond*	**4,000,000.00**	**0%**	**(4,000,000.00)**	**34%**	**–**
– *Amounts from former shareholder*	**5,892,161.35**	**1%**	**(5,892,161.35)**	**51%**	**–**
Provision for bad and doubtful debts on a collective group basis (ii)					
– *Accounts receivable from subsidiaries of the Group*	**928,130,396.40**	**97%**	**–**	**0%**	**928,130,396.40**
– *Others*	**14,815,888.35**	**2%**	**(1,708,686.10)**	**15%**	**13,107,202.25**
Total	**952,838,446.10**	**100%**	**(11,600,847.45)**	**100%**	**941,237,598.65**

(i) Criteria for recognition and explanations for provision for bad and doubtful debts on a separate basis as at 30 June 2019:

Other receivables (by entity)	Book balance	Provision for bad and doubtful debts	Provision Percentage	Rationale for provision
Sheyang County Government	4,000,000.00	(4,000,000.00)	100%	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	(9,892,161.35)		

(ii) Criteria for recognition and explanations for provision for bad and doubtful debts on a collective group basis at 30 June 2019:

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 and doubtful debts withdrawn, recovered or reversed:

(i) Six months ended 30 June 2019

Provision for bad and doubtful debts	For the six-month period ended 30 June 2019 First stage ECL for next 12 months	Second stage Lifetime ECL – no credit impairment	Third stage Lifetime ECL – credit impairment occurred	Total
Balance at the beginning of the period	2,312,007.92	892,061.69	9,092,161.35	12,296,230.96
Transfer to the second stage	(9,875.30)	9,875.30	–	–
Provisions/(Reversals) for the period	(1,740,713.76)	245,330.25	800,000.00	(695,383.51)
Balance at the end of the period	561,418.86	1,147,267.24	9,892,161.35	11,600,847.45

As at 30 June 2019, the Company did not write off any significant other receivables.

(e) Other receivables by nature

Nature of receivables	30 June 2019	31 December 2018
Performance bond	**4,000,000.00**	4,000,000.00
Accounts receivable from subsidiaries of the Group	**928,130,396.40**	410,604,404.02
Others	**20,708,049.70**	55,554,978.86
Sub-total	**952,838,446.10**	470,159,382.88
Less: Provision for bad and doubtful debts	**(11,600,847.45)**	(12,296,230.96)
Total	**941,237,598.65**	457,863,151.92

X. FINANCIAL REPORT (CONTINUED)

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 period

		30 June 2019			
Entity name	Nature of the receivable	Balance at the end of the period	Ageing	Percentage of total other receivables at the end of the period(%)	Provision for bad and doubtful debts at the end of the period
Ninghe Company	Current accounts of subsidiaries	**265,500,000.00**	Within 1 year	28%	–
Bobai Company	Current accounts of subsidiaries	**192,290,972.14**	Within 1 year or 1-2 years	20%	–
Jiamusi Company	Current accounts of subsidiaries	**84,513,825.48**	Within 1 year	9%	–
Zhaoqing Company	Current accounts of subsidiaries	**49,700,000.00**	Within 1 year	5%	–
Jurong Company	Current accounts of subsidiaries	**45,600,000.00**	Within 1 year or 1-2 years	5%	–
Total		**637,604,797.62**		67%	–

3. Long-term receivables

	30 June 2019			
Item	**Book balance**	**Provision for bad and doubtful debts**	**Carrying amount**	**Interest rate range**
Entrusted loans to subsidiaries	**419,500,000.00**	**–**	**419,500,000.00**	**4.35% – 4.75%**
Performance bond	**6,920,000.00**	**–**	**6,920,000.00**	
Less: Due within one year	**(39,681,337.11)**	**–**	**(39,681,337.11)**	
Total	**386,738,662.89**	**–**	**386,738,662.89**	

	31 December 2018			
Item	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	

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Long-term Equity Investments

(1) Long-term equity investments by category:

	30 June 2019		
Item	**Book balance**	**Provision for impairment**	**Carrying amount**
Investments in subsidiaries	**4,313,971,048.56**	**(11,149,297.53)**	**4,302,821,751.03**
Investments in joint ventures	**69,046,224.60**	**–**	**69,046,224.60**
Total	**4,383,017,273.16**	**(11,149,297.53)**	**4,371,867,975.63**

	31 December 2018		
Item	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 ventures	31,222,775.27	–	31,222,775.27
Total	3,822,630,733.04	(11,149,297.53)	3,811,481,435.51

X. FINANCIAL REPORT (CONTINUED)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Long-term Equity Investments (Continued)

(2) Investments in Subsidiaries

	30 June 2019					
Entity name	Balance at the beginning of the period	Accrued during the period	Decreased during the period	Balance at the end of the period	Loss provision made during the period	Impairment at the end of the period
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	4,083,479.98	–	102,083,479.98	–	–
Zhangqiu Company	120,880,000.00	52,060,000.00	–	172,940,000.00	–	–
Jurong Company	98,000,000.00	2,026,752.87	–	100,026,752.87	–	–
Huizhou Company	217,800,000.00	3,154,159.33	–	220,954,159.33	–	–
Pingyao Company	19,800,000.00	217,204.55	–	20,017,204.55	–	–
Jixian Company	60,000,000.00	–	–	60,000,000.00	–	–
Blue-ocean Environment	163,613,261.06	–	–	163,613,261.06	–	–
Ninghe Company	149,000,000.00	610,235.39	–	149,610,235.39	–	–
DongyangFuli (東陽富力)	27,047,295.00	–	–	27,047,295.00	–	(6,529,123.58)
Tongzhou Company	320,000,000.00	55,066,706.59	–	375,066,706.59	–	–
Hong'an Company	63,000,000.00	37,029,152.08	–	100,029,152.08	–	–
Longhui Company	20,000,000.00	–	–	20,000,000.00	–	–
Shantou Company	120,000,000.00	–	–	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	120,000,000.00	–	–	120,000,000.00	–	–
Huludao Company	170,000,000.00	–	–	170,000,000.00	–	–
Huizhou Phase II Project Company	55,000,000.00	166,000,000.00	–	221,000,000.00	–	–
Dengfeng Company	5,000,000.00	10,000,000.00	–	15,000,000.00	–	–
Haining Expansion Project Company	70,200,000.00	70,200,000.00	–	140,400,000.00	–	–
Guangdong Promising (博海昕能)	610,000,000.00	–	–	610,000,000.00	–	–
Shishou Company	50,000,000.00	–	–	50,000,000.00	–	–
Pingyang Phase II Project Company	–	22,000,000.00	–	22,000,000.00	–	–
Jinsha Company	–	95,115,400.00	–	95,115,400.00	–	–
Jingxi Company	–	5,000,000.00	–	5,000,000.00	–	–
Total	3,791,407,957.77	522,563,090.79	–	4,313,971,048.56	–	(11,149,297.53)

For information about the subsidiaries of the Company, please refer to Note VII.

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Long-term Equity Investments (Continued)

(3) Investments in joint venture:

For the investment in the joint venture of the Company as at 30 June 2019 and 31 December 2018, please refer to Note VII.2.

5. Capital reserve

	30 June 2019			
Item	Balance at the beginning of the period	Accrued during the period	Decreased during the period	**Balance at the end of the period**
Capital premium	858,803,441.83	–	–	**858,803,441.83**
Other capital reserves	47,361,993.67	–	–	**47,361,993.67**
Total	906,165,435.50	–	–	**906,165,435.50**

6. Retained earnings

	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Retained earnings at the beginning of the period	**456,356,298.47**	319,978,091.00
Add: Net profits for the period	**141,754,614.37**	92,571,575.99
Less: Appropriation for statutory surplus reserve	**–**	–
Distributions to shareholders	**(116,120,000.00)**	–
Retained earnings at the end of the period	**481,990,912.84**	412,549,666.99

For the actual dividend distribution of the Company, please refer to Note V.32.

X. FINANCIAL REPORT (CONTINUED)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Operating income and operating costs

Item	Six months from 1 January 2019 to 30 June 2019		Six months from 1 January 2018 to 30 June 2018	
	Income	Cost	Income	Cost
Principal activities	**57,492,523.91**	**2,334,792.39**	49,999,632.70	4,570,581.49
Including: income generated from contract	**57,492,523.91**	**2,334,792.39**	49,999,632.70	4,570,581.49

8. Investment income

Item	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Income from long-term equity investments accounted for using cost method	**146,103,535.41**	84,500,000.00
Income from long-term equity investments accounted for using equity methods	**6,939.13**	–
Unified interest income	**15,481,897.60**	14,614,000.65
Interest income	**2,312,626.39**	–
Others	**106,065.19**	–
Total	**164,011,063.72**	99,114,000.65

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Information on cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

Item	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Net profit	**141,754,614.37**	92,571,575.99
Add: impairment loss of credit (reversal)/provision	**(695,383.51)**	572,839.53
Depreciation of fixed assets	**247,860.27**	190,494.20
Amortisation of intangible assets	**66,503.34**	14,010.60
Depreciation of right-of-use assets	**1,450,243.64**	–
Losses from disposal of fixed assets	**(10,145.67)**	–
Finance Costs	**59,148,407.33**	34,119,250.16
Investment income	**(164,011,063.72)**	(99,114,000.65)
Changes in deferred income tax assets	**104,307.53**	(27,746.53)
(Increase)/Decrease in restricted deposits	**(5,000,000.00)**	11,600,000.00
(Increase)/Decrease in operating receivables	**(39,838,384.56)**	(15,361,165.57)
Decrease in operating payables	**(13,145,948.81)**	(7,673,191.07)
Net cash flow (used in)/generated from operating activities	**(19,928,989.79)**	16,892,066.66

(b) Net changes in cash:

Item	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Cash at the end of the period	**105,474,220.43**	379,826,651.72
Less: Cash at the beginning of the period	**271,810,049.42**	112,681,313.36
Net (decrease)/increase in cash	**(166,335,828.99)**	267,145,338.36

X. FINANCIAL REPORT (CONTINUED)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Information on cash flow statement (Continued)

(2) Components of cash

Item	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
Cash		
Including: Cash on hand	**17,995.18**	18,416.44
Bank deposits available on demand	**105,456,225.25**	379,808,235.28
Other monetary funds with restricted use	**13,600,000.00**	8,600,000.00
Balance of cash at the end of the period	**119,074,220.43**	388,426,651.72
Less: Other monetary funds with restricted use	**13,600,000.00**	8,600,000.00
Cash balance available on demand at the end of the period	**105,474,220.43**	379,826,651.72

XVI. EXTRAORDINARY GAINS AND LOSSES

Item	Six months from 1 January 2019 to 30 June 2019	Six months from 1 January 2018 to 30 June 2018
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	**545,075.45**	–
Profit/(Losses) from disposal of non-current assets	**(27,157.84)**	21,260.93
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)	**22,300,672.38**	2,425,179.91
Other non-operating income and expenses besides items above	**424,714.66**	(987,989.41)
Sub-total	**23,243,304.65**	1,458,451.43
Less: Income tax expenses	**(379,493.93)**	(335,433.56)
Net extraordinary gains and losses	**22,863,810.72**	1,123,017.87
Including: extraordinary gains and losses affecting the net profit of the shareholders of the parent company	**22,828,748.04**	1,123,017.87

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:

Six months from 1 January to 30 June 2019	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary equity shareholders of the Company	**6.99%**	**0.19**	**0.19**
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	**6.26%**	**0.17**	**0.17**

Six months from 1 January to 30 June 2018	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary equity shareholders of the Company	7.60%	0.17	0.17
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	7.56%	0.17	0.17

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	The financial statements signed and sealed by the legal representative, Chief Financial Officer and Chief Accountant of the Company
	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: 28 August 2019

Revision information

☐ Applicable ✓ Not applicable